

**Send to:** PUREVDORJ, MUNKHSELENGE  
WAKE FOREST UNIVERSITY SCHOOL OF LAW  
1834 WAKE FOREST DR  
WINSTON SALEM, NC 27109-8758

**Time of Request:** Tuesday, November 02, 2010 00:43:44 EST

**Client ID/Project Name:**

**Number of Lines:** 486

**Job Number:** 1843:250749016

Research Information

**Service:** Terms and Connectors Search

**Print Request:** Current Document: 1

**Source:** Doing Business in Japan

**Search Terms:** § 6.07 Unfair Competition



1 of 1 DOCUMENT

Doing Business in Japan

Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group.

CHAPTER 6 Intellectual Property

*3-6 Doing Business in Japan § 6.07*

## **§ 6.07 Unfair Competition<sup>n1</sup>**

### **[1] General Observations**

Free competition is permissible only to the extent that it does not destroy fair competition. Unfair competition law regulates competitive activity which goes beyond permissible levels, and seeks to maintain fair competitive markets. In this sense, it broadly includes even the laws relating to industrial property rights. Even when interpreted more narrowly, it includes the tort provisions of the Civil Code, trademark law, antimonopoly law, the Undue Premiums and Undue Representations Act, and the part of the Commercial Code that regulates tradenames. This chapter, however, will focus on a discussion of the law regulating unfair competition law as embodied in the Unfair Competition Prevention Act (*Fusei Kyoso Boshi Ho*). <sup>n1</sup>

The Unfair Competition Prevention Act (hereinafter, the "UCPA") was promulgated on March 27, 1934, and came into force on January 1 of the following year on the same date as the Hague Revision of the Paris Convention. The types of conduct that constitute unfair competition have been broadened several times through amendments to the UCPA such as those of 1938, 1950, 1965 and 1990. A major amendment to the UCPA in 1993 increased the criminal fine for engaging in unfair competition by a corporation to one hundred million yen, and inserted powerful new provisions protecting well-known indications and prohibiting product copying. <sup>n2</sup>

However, the UCPA contains no general clause such as Article 1 of the German Unfair Competition Prevention Act. Instead, the UCPA enumerates acts of unfair competition. Any conduct that does not come under any of these must be dealt with according to the tort provisions of the Civil Code.

The acts of unfair competition that are prohibited by the UCPA are listed in items 1 to 12 of Article 2, paragraph 1, as follows:

#### **1. Use of Confusing Indications**

Use of a well-known indication of goods or a business which causes confusion with that of another person (item 1).

#### **2. Misuse of Indications of High Repute**

Misuse of a highly reputable indication of goods or a business (item 2).

### **3. Copying of Goods**

Copying the configuration of another person's goods within 3 years of the date of sale of such goods (item 3).

### **4. Protection of Trade Secrets**

Unfair disclosure or misuse of trade secrets (items 4-9).

### **5. Use of Misleading Geographical Indications**

Making an indication with respect to goods or services, or in an advertisement for such goods or services, which misleads (i) as to the place of origin, quality, content, manufacturing method, use, or quantity of goods or (ii) as to the quality, contents, use or quantity of a service; also, the sale or offering of such goods or services (item 10). This item also prohibits the making of false indications as to place of origin and misleading indications of source in relation to goods or services.

### **6. Injurious Falsehoods**

Circulating a falsehood which injures the business reputation of a competitor (item 11).

### **7. Misuse of a Trademark by an Agent**

Unauthorized use by an agent in Japan of a trademark which is the same or similar to that of a trademark owner in a foreign country (item 12).

### **8. Misleading Use of Foreign Flags or Emblems and Marks of International Organizations**

Use as a trademark of a mark which is the same as or similar to the national flag, coat of arms, or other emblem of a foreign country (Article 9). Also, use of a mark which is the same or similar to that of an international organization on goods or in relation to a service, in a manner likely to be misleading as to the relationship between the two marks (Article 10).

The following is a brief explanation of each of the above types of unfair competition.

#### **[2] Types of Unfair Competition**

**[a] Confusion of Well-Known Indications.** Article 2, paragraph 1, item 1 of the UCPA prohibits:

"the act of using an indication on goods or other indication (as used here "indication on goods or other indications" means a name, tradename, trademark, or mark, a container or packaging of goods relating to a person's business, or any other indication of a person's business or goods) which is identical with or similar to an indication on goods or other indication of another person that is well-known among users, the transfer or assignment of, the display, export or import for the purpose of assignment or transfer of goods bearing such an indication."

The term "indication on goods or other indication" refers to an indication of goods or a business. A typical example of a goods indication is a trademark. A trademark that is registered with the Patent Office is protected under the Trademark Act. However, an unregistered well-known trademark is protected under the UCPA, which provides for an injunction to be granted against unauthorized use.

An indication includes a configuration. For example, in the Choro Q case, n3 it was held by the court that the

configuration of a toy that has obtained a secondary meaning as an indication of source (*i.e.*, a secondary meaning is proven) is protected under the UCPA.

A typical example of an indication of a business is a tradename. For example, there have been many cases involving names of franchise stores or corporations. Three-dimensional indications, such as a huge moving crab placed on top of a restaurant specializing in crab cuisine<sup>n4</sup> may also be protected under the UCPA.

An indication of goods or a business that is "well-known among purchasers," is one that is well-known among purchasers of the relevant product or service; it is not necessary for those who do not use the product to have any knowledge of its existence. This requirement will be satisfied if an indication is well-known among users, that is, either consumers of the product or sellers at any level in the distribution system in a particular area that includes the area where the defendant conducts business. An indication that is well-known only in an extremely limited area will satisfy this requirement. For example, an indication may be well-known in Osaka City, or Osaka City and the surrounding area.

Whether or not an indication is "well-known" must be determined according to the circumstances of each case, taking into account factors such as the type and nature of the indication, the type of transaction, advertising, sales volume and gross sales. A court has granted an injunction even though the plaintiff's product had been on sale for only two months.<sup>n5</sup> In this case the amount of advertising and topical nature of the product was sufficient to prove that it is well-known. An indication of goods, which is well-known in another country will also be protected if it satisfies the requirement of being well-known in Japan. Nevertheless, there is a tendency for foreigners whose trademarks are well-known in their own country to assume that they will be known in Japan, at least to some extent, when this may not necessarily be the case.

It is not always necessary that the indication in question be used in that way by its possessor. For example, American Express Co. Ltd. does not itself use the indication "Amex" in Japan; however, third parties use this word in the newspaper, etc., to indicate the American Express Co. Ltd. This was enough for the court to determine that "Amex" was a well-known indication of the American Express Co., Ltd.<sup>n6</sup>

According to case law, the requirement of being "well-known" should be determined at the point of conclusion of oral arguments where an injunction is being sought, and where damages are being claimed, at the point at which the violation occurred.<sup>n7</sup>

The similarity of the indications is determined by an overall consideration of impressions given by or associations made between the two indications. This involves a comparison of relevant aspects of both indications such as appearance, pronunciation, and meaning.<sup>n8</sup> The result of such comparison will differ according to whether the distinctiveness of indications are strong or weak.

However, Japanese people tend to be particular about slight details. This trait is reflected in the way judges determine similarity. In cases involving alleged similarity of configuration, the question arises as to whether the configuration may be said to function as an indication of the goods in question.

The courts generally compare configurations in the same way as under the Design Act, paying close attention to construction and form. In some cases the question of whether the configuration is an indication has been the only factor considered. However, in other cases this factor has been ignored. Further, the trend has been not to give protection to a configuration, which is a necessary result of its technical function. However, while there are many cases on this point, there seems to be some confusion evident in the case law.

Confusion may occur in two types of situations. The first, which is the narrower, is where the confusion is based on a belief that the indications have the same source. The second, broader situation is where there is no direct relation between the indications, the relevant group of users may be misled into thinking that there is some kind of economic or

organizational relationship between the two (*i.e.*, sponsorship). The term "confusion" as used in the Act is considered to encompass both these situations.

**[b] Indications of High Repute.** Item 2 of Article 2, paragraph 1 prohibits:

"the act of using as one's own an indication of goods or other indications which are identical with or similar to another person's highly reputable indication of goods or other indication, or the act of assigning, transferring, displaying for the purpose of assignment or delivery, exporting or importing goods that use such indication of goods or other indication."

Indications of goods or businesses which are well-known are protected under item 1, (*see* § 6.07[2][a] above) where the requirement of confusion is proven. On the other hand, indications whose familiarity is greater than "well-known," that is, indications of "high repute" will be protected under item 2, even where no confusion exists. By inserting this item into the UCPA in 1993, the protection afforded to highly recognizable indications has been strengthened because the element of confusion is not necessary to prove an infringement.

Before the 1993 amendment to the Act, the concept of confusion had been interpreted extremely broadly by the courts as a means of protecting highly recognizable indications. For example, in the Disney case n9 the plaintiff, Walt Disney Productions claimed that the use of by the defendant of the words "Pornoland Disney" as the name of a store selling pornographic goods was injuring its reputation. The court granted Disney an injunction. Other notable cases involved the use of a famous fashion designer's name as the name of a coffee shop, n10 and the name of a famous perfume as the name of a hotel. n11

These cases were all decided under the Act, which was in force before the 1993 amendment and in each case the likelihood of confusion was found by the court. However, the courts overreached the limits of judicial interpretation in order to find a likelihood of confusion. It is more appropriate to regulate the misuse of indications of high repute through "dilution" or "free-riding" under a separate category of unfair competition, which does not require any element of confusion. It is clear that Disney Productions would not be involved in selling pornographic goods. Under the new item 2 Disney would not have to argue against a defense by the defendant based on lack of confusion, because proof of the likelihood of confusion is not required. In this way, item 2 makes it easier than before to protect indications of high repute such as "Disney." It was precisely with this aim of protecting highly recognizable indications from "dilution" or "free-riding" in mind that item 2 was inserted into the UCPA in 1993.

There are two interpretations of the requirement that an indication be of "high repute." The first, which is that of the formulators of the legislation, the Ministry of International Trade and Industry and also this author, is that the relevant indication must be highly recognizable throughout Japan. The second interpretation is that an indication, which is extremely well-known in a limited area is one of high repute. As there have been no cases decided yet, it is impossible to predict what interpretation the courts will give to this requirement.

An indication does not have to be highly recognizable among consumers in general. It is sufficient if the relevant indication is well-known only among a particular level of traders in the distribution system.

**[c] Product Copying.** Item 3 of Article 2, paragraph 1 prohibits:

"the act of assigning, leasing, displaying for the purpose of assignment or lease, exporting or importing goods which imitate the configuration of another person's goods (excluding a configuration commonly used for goods of the same kind, or where there are no goods of the same kind goods which have an identical or similar function and utility as those of such other person), except where three years have elapsed from the date upon which sales commenced."

The language used in this provision is quite difficult to comprehend. Put more simply, item 3 prohibits the act of selling goods that copy the configuration of another person's goods. However, protection is only available for three years from the date of first sales. Furthermore, a configuration, which is commonly used for the same type of goods, is not protected. Where there are no goods of a similar kind, configurations of goods having an identical or similar function or use are also excluded from the scope of protection.

Before the insertion of this item into the Act, it was difficult to protect configurations of goods (*i.e.*, trade dress) from copying. Configurations of goods are protected under the Design Act and the Copyright Act. However, in many cases, protection under either of these acts may not be possible. For example, if a certain type of coarse grain veneer (called *mokume kesho gami*) is not registered as a design it cannot be protected under the Design Act. In addition, if it is not considered to be a copyrightable work it cannot be protected under the Copyright Act. Further, it is not possible to protect it as a well-known indication of goods under item 1 of Article 2, paragraph 1 of the UCPA. In one such case, the tort provisions of the Civil Code were held to apply and damages were awarded by the court. However, an injunction was refused on the grounds that injunctions are not readily available under the Civil Code. n12 Since the amendment to the UCPA in 1993, this type of veneer may be protected under item 3 of Article 2, Paragraph 1 of the UCPA.

The term "configuration" is interpreted to include not only shapes, but also patterns and colors.

Item 3 is expressed in extremely wide terms, and for this reason "commonly used" configurations are not protected. The term "commonly used" configuration refers to, for example, in the case of televisions, basic configurations such as the shape of the television set, the screen, speakers and buttons. Where there are no goods of the same kind in existence, then a commonly used configuration of goods having the same or similar functions or uses will be excluded from the scope of protection.

Record players and CD players are one such example. Consider, for instance, the situation where a CD player having the same configuration as a particular record player appears for the first time on the market. In this case, there are no goods in existence that are the same as the CD player, but the functions and uses of the record player and the CD player are the same or similar. Thus, if yet another CD player with a similar configuration appears on the market later, the earlier CD player can not be protected under item 3.

In order for the court to determine that a configuration "imitates" another the relevant configurations must be substantially the same (objective requirement), and there must be an intention to imitate (the subjective requirement). Intention or negligence are not necessary requirements for granting injunctions where any of the other types of unfair competition are alleged. However, item 3 uses the word "imitate, " which in itself encompasses subjective elements in its meaning.

To prove "imitation" access to the goods must be shown as is required under the Copyright Act. If the plaintiff can prove that there was access to the goods by the defendant and that the goods are extremely similar, the burden of proof as to imitation then falls on the defendant who must prove that the goods are not copies. The plaintiff may discharge the initial burden of proof by showing that the defendant's configuration is an exact copy, or by a combination of indirect evidence such as widely circulated advertising of the defendant's goods or articles in widely-read trade journals introducing the defendant's goods. However, there is no case law to date regarding these points.

A person seeking to make a claim based on item 3 must do so within 3 years of the date of first sales. If the three years elapses while the case is being litigated, the claim for an injunction will be rejected. A plaintiff may seek a temporary injunction that takes comparatively less time to determine, or claim both a temporary and permanent injunction. The standard for determining the right to an injunction is the point at which oral arguments are concluded. If, by the conclusion of oral arguments, configuration has acquired a secondary meaning through advertising, then it is possible to substitute a claim under item 3 with a claim under item 1 (use of well-known indications causing confusion).

It is the intention of the legislators that goods, which have been produced but not yet sold and have been made public through advertising etc., will also be considered to be on the market and thus subject to the application of item three.

**[d] Trade Secrets.** Article 2, paragraph 1, items 4 to 9 prohibits the following conduct in relation to trade secrets:

1. The act of acquiring a trade secret in an improper manner, such as through theft, fraud or coercion, or the act of using or disclosing a trade secret so acquired (including, in this case and hereafter, disclosure to a specific person on condition that secrecy be maintained);
2. The act of acquiring a trade secret while being aware, or not being aware due to gross negligence, that the trade secret has been acquired in an improper manner, or the act of using or disclosing a trade secret so acquired;
3. The act of using or disclosing a trade secret after becoming aware, or not becoming aware due to gross negligence, subsequent to its acquisition that the trade secret has been acquired in an improper manner;
4. The act of using or disclosing a trade secret, which was properly disclosed by the owner, for the purpose of gaining an unfair benefit or causing harm to the owner;
5. The act of acquiring a trade secret while being aware, or not being aware due to gross negligence, that there has been an improper disclosure (*i.e.*, disclosure for one of the purposes in the previous paragraph, or disclosure in violation of a legal duty not to disclose) of the trade secret, or that the trade secret has been acquired due to an act of improper disclosure, or the act of using or disclosing a trade secret so acquired;
6. The act of using or disclosing a trade secret while being aware, or not being aware due to gross negligence, subsequent to its acquisition that there has been an act of improper disclosure of such trade secret or that the trade secret has been acquired due to an act of improper disclosure.

A trade secret is defined by Article 2, paragraph 4 to be "technical or business information useful in commercial activities, such as a manufacturing or marketing method which is maintained by the owner as a secret and not publicly known". A trade secret that is "not publicly known" and that satisfies the requirements of being both "maintained" and "useful" will be protected by the UCPA.

A person who acquires a trade secret in good faith in the course of trade whose conduct falls under one of the above prohibitions, will be exempt from the UCPA's application as long as the trade secret is used within the scope authorized. n13 Due to defects in the Code of Civil Procedure it is currently necessary to invent ways of overcoming problems relating to gathering evidence and other procedural aspects. n14

**[e] Misleading Representations as to the Origin of Goods, Quality, Etc.** Item 10 of Article 2, paragraph 1 prohibits:

"the act of making a misleading representation on goods or in relation to a service, or in an advertisement thereof, or in a document or correspondence relating to a transaction, with respect to the place of origin, quality, content, manufacturing method, use or quantity of goods, or the quality, content, use or quantity of services, or assigning, transferring, displaying for the purposes of assignment or transfer, exporting or importing goods bearing such a representation or offering a service using such a representation."

This item was inserted into the UCPA by the 1993 amendment. It combines those items of Article 1 of the previous Act, which dealt with false representations regarding the origin of goods, n15 misleading representations as to place of

origin, n16 and misleading representations as to the quality, content, etc. n17 Misleading representations in relation to offering of services are also prohibited by item 10. n18

The word "advertisement" is not limited to any particular type of medium and includes television, radio, newspaper, signs, pamphlets and direct mail. The representation must be contained in "a document or correspondence relating to a transaction," which includes written estimates, contracts, statements of delivery, invoices and correspondence by facsimile or computer. A "misleading representation" is one that misleads the users of the goods or services by characters or letters, symbols, diagrams or figures. A representation need only be likely to mislead; there is no need to prove that someone was actually misled.

The place of origin n19 means the "place where the goods were produced, manufactured or processed," and includes specific places, regions or countries, therefore providing protection for well-known indications of places of origin.

The scope of application of item 10 may be illustrated by the following examples: a seller of diamonds who sets an extremely high purchase price for certain diamonds and then represented that he would sell them at one-half or one-third of that price as well as that their quality was guaranteed by a highly reputable insurance company, was held to have made false representations as to the quality and content of goods; n20 representations in the form of English words and place names on men's clothing that was made in Japan were held to be false representations as to source; n21 use of the word "Paris" on a watch made in Japan was held to be misleading as to the place of origin; n22 use of the word beer as part of the name of a foaming beverage was held to be misleading as to content or quality; n23 and use of the representations "certain major manufacturers decide to increase prices" and "clearance sale before prices increase" were held to be misleading as to the retail price of goods. n24

**[f] Injurious Falsehoods.** Item 11 of Article 2, paragraph 1 prohibits "the act of notifying or circulating a falsehood which injures the business reputation of a third person in a competitive relationship."

This item applies not only where the party alleging disparagement has been directly named but also to the situation where, even though not directly named, the plaintiff's identity is evident to others. The following case illustrates the latter situation. Where there were only two products of a similar type in the market, the defendant made a statement in an advertisement to "beware of fakes or copies of our products," as well as stating that its product was sold in accordance with its utility model right. The defendant's statements made the other party easily identifiable and also gave the impression that the plaintiff was infringing the defendant's utility model right. The court determined that the defendant's conduct constituted disparagement. n25

A "falsehood" is generally interpreted to mean a fact, which viewed objectively is not true.

Item 11 may be relied on to provide relief where a warning has been given to the plaintiff's customers indicating that the plaintiff is infringing a third party's industrial property right. If a suit is brought under the tort provisions of the Civil Code only damages can be claimed whereas the UCPA provides for additional forms of relief such as an injunction and corrective advertising.

Frequently, the party who has, in an unjustified warning, been accused of infringing an industrial property right lodges a suit founded on item 11 seeking an injunction or other relief against the registered rightholder who issued the warning. If, in this case an actual violation of an industrial property right is found not to have occurred, there is a tendency for the courts to find that disparagement has occurred and order relief in favor of the plaintiff by applying what amounts to strict liability.

Often, a party who genuinely believes that his industrial property right has been infringed, but nevertheless is found to have engaged in disparagement, asserts a defense of non-negligence based on the fact that prior advice was obtained by an attorney. However, there is a strong tendency for the courts to deny this defense in certain circumstances. These

include, for example:

Where the person who gave the advice is the defendant's patent attorney or a consultant and therefore not in a neutral position to give advice;

Where the person was not an expert in the particular area in question; or

Where the defendant relied only on the advice of one person.

"Reputation" is the appraisal made of a person by a third party. Thus, a warning sent only to the party accused of infringing the other party's rights can not affect a third party's appraisal of the alleged infringer. Thus, there is no disparagement under item 11. n26 It is only where a warning concerning an alleged industrial property right violation is given to third parties other than the alleged violator, such as customers or newspaper journalists, where the questions of damage to the victim's business reputation and possible disparagement arise.

There is no criminal liability for disparagement under the UCPA. Nevertheless, disparagement is a crime under the Criminal Code. n27 In addition, it is possible to make a complaint to the Fair Trade Commission, as well as request that a cease and desist order be issued against a violation of item 15 of the "Unfair Trading Methods" designated by the FTC in accordance with the provisions of the Antimonopoly Act. n28

Item 11 requires that a claim be made against a person in a "competitive relationship." This means that there must be a relationship between the defendant and the plaintiff in terms of goods or services. There must be at least potentially common purchasers of the goods or services of the plaintiff and the defendant. If the required competitive relationship does not exist, a complaint of disparagement under the Criminal Code or a claim for damages under the tort provisions of the Civil Code may be made.

Comparative advertising may be regulated under both item 10 (misleading representations) or under item 11. For example, in a case where the defendant company advertised a competitor's (the plaintiff) pianos at a cheap price, but made statements falsely disparaging the competitor's products to potential purchasers who came to the store after seeing the advertisement, the court granted an injunction to the plaintiff. n29

#### **[g] Unauthorized Use of Similar Trademarks.**

Unauthorized acts relating to use of similar trademarks by agents (item 12 of Article 2, paragraph 1), use of national flags and other emblems of foreign countries (Article 9), and use of marks belonging to international organizations (Article 10) are prohibited.

**[i] Unauthorized Use of Trademarks by Agents.** The unauthorized use by an agent, for example an agent (*i.e.*, the importing agent) or representative in Japan, of a foreign company located in a member country of the Paris Union, of a trademark belonging to a foreign company on similar goods or services is prohibited by item 12 of Article 2, paragraph 1. This prohibition was added to the UCPA as a result of the addition of Article 6-7 to the Paris Convention at the Lisbon Conference in 1950.

Article 6-7 of the Paris Convention was enacted to prevent unfair competition resulting from increased international trade between members of the Paris Union. It aims at regulating conduct of a person selling goods or providing services in one member country on behalf of a trademark owner of another member country who, in violation of the relationship of trust between himself and the trademark owner, uses the trademark for his own purposes. For the purposes of item 12, an "agent" includes not only a legal agent, but also a person who is a *de facto* agent.

If the agent attempts to register a trademark without authorization, registration will be rejected under the Trademark

Act. n30 If the trademark has already been registered, the trademark owner may file an appeal with the Board of Appeals of the Patent Office to cancel the registration. n31 However, where the unauthorized trademark is actually being used in commerce, then relief such as an injunction must be sought under the UCPA as this form of relief is not available under the Trademark Act.

Where a sole agency agreement exists, the manufacturer often requires the sole agent in Japan to apply for trademarks in Japan in the sole agent's name, for the sake of convenience. On the other hand, the manufacturer may subsequently become aware that the sole agent has registered the manufacturer's trademark in Japan without authorization but decide not to take any action because of the sole agent's large gross sales or to save on the trademark registration costs. The latter situation is a frequent source of trouble.

**[ii] Unauthorized Use of Foreign Flags or Emblems, Marks of International Organizations.** The legal interest to be protected by the prohibition of the unauthorized use of national flags and other emblems of foreign countries, or marks of international organizations, is the public interest that encompasses the dignity of foreign countries, feelings of national honor, and trust in international organizations. The damage suffered by a business as a result of such conduct is indirect. It is for this reason that only criminal sanctions and not private remedies such as injunctions or damages are provided for by the UCPA. n32

### **[3] Civil Remedies**

Any person whose business n33 interests have been or are likely to be infringed by an act of unfair competition may seek an injunction n34 or claim damages. n35 Upon application by the plaintiff, the court may also order:

Measures to be taken to restore the injured party's business reputation; n36

The destruction of objects constituting the act of infringement or the removal of facilities used in connection with the infringement; n37 or

Other measures necessary to prevent future infringement from occurring. n38

At present, standing to sue is not given to consumers or consumer groups.

### **[4] Criminal Prosecutions**

The UCPA imposes criminal liability n39 on any person who:

1. Violates the prohibition against the use of another person's well-known indication of goods or business causing confusion; n40
2. Violates the prohibition on misleading representations regarding place of origin, quality, etc., of goods or services for the purposes of unfair competition; n41
3. Makes a false representation which is misleading as to the place of origin, quality, content, method of manufacturing, use or volume of goods, or the quality, content, use or volume of a service; n42 or
4. Violates the prohibition against unauthorized use of foreign flags, coats of arms or other insignia as a trademark n43 or unauthorized use of marks of international organizations. n44

There are no criminal penalties imposed for violation of the provisions relating to misuse of indications of high repute and product copying which were added to the UCPA in 1993.

The existence of an unfair purpose is necessary to impose a criminal penalty for misuse of another person's well-known mark ((1) above) according to Article 13, item 1. "Unfair purpose" is defined elsewhere in the UCPA as meaning "a purpose directed at gaining an unfair benefit, inflicting damage on another person or any other unfair purpose." n45

Misleading representations concerning place of origin, quality, content, manufacturing method, use or quantity of goods, or the quality, content, use or quantity of services give rise to criminal liability in two situations. First, under item 1 of Article 13, the misleading representation must have been with an unfair purpose in mind, the meaning of which is explained above. Second, item 2 of Article 13 limits liability to false representations. However, proof of an unfair purpose is not required. In this way, a person who makes a representation with an unfair purpose in mind, which though not false, is misleading is liable under paragraph 1 of Article 13. On the other hand, a person who makes a false representation without any unfair purpose in mind, which is misleading, is liable under paragraph 2 of Article 13.

Misuse of flags and other emblems of foreign countries (Article 9) n46 or marks of international organizations (Article 10) n47 attracts criminal liability under item 3 of Article 13. A violation of Article 9 or 10 gives rise in itself to criminal liability. No other requirements are necessary under Article 13.

A person who violates article 13 may be punished by imprisonment not exceeding three years, or a fine not exceeding three million yen. Criminal penalties may be imposed on both actual offenders and juridical persons. For example, where the representative, agent, or employee of a juridical person engages in any of the above types of illegal conduct in connection with the business of the juridical person, the UCPA provides for a fine not exceeding one hundred million yen to be imposed on the juridical person.

According to case law, "business" in this context refers to duties carried out continuously by a person based on the person's position in the society. n48 It is irrelevant whether the duties were primary or ancillary in nature. Further, even though when viewed subjectively, the person who engaged in the conduct considered himself to be acting on his own behalf, if when viewed objectively, the conduct may be seen to have been done on behalf of the juridical person, then the conduct will be interpreted as having been within the scope of the juridical person's business. The criminal conduct stipulated in the UCPA is concerned not only with the private interests of the relevant business entity, but also the public interest in maintaining a fair market system and protecting consumers. Therefore, it is not necessary for a complaint to be made out by anyone in order for the police or prosecutors to conduct an investigation or make an indictment.

Where the offending conduct comes within one of the two categories set out in item 1 of Article 13, a complaint is usually made out to the police or to the Head of the Public Prosecutors Office by another company. On the other hand, where the conduct comes within item 3 of Article 13, a complaint is usually made out by the organization whose interests have been injured. According to the annual statistics of the Public Prosecutor's Office, the number of cases handled by it involving violations of the UCPA is gradually increasing.

### **[5] Exemptions**

The UCPA lists several types of conduct that do not constitute acts of unfair competition even though in form they fall within one of the heads of prohibited conduct. These are: n49

1. Use of a common name n50 (*futs-u meisho*) of goods or a business (excluding the name of the place of origin of grape products) or a customary indication n51 (*kan'yo hyoji*) of goods or a business in the normally-used manner; n52 selling, distributing, displaying for the purposes of sale or distribution, exporting, importing or goods bearing such representation; or in relation to offering a service, use in the normal manner of a common name or customary indication.

2. Use of one's own name n53 without any unfair purpose in mind, or the sale, distribution, display for the purposes of sale or distribution, exporting or importing goods (or providing services) bearing one's own name, where there is no unfair purpose involved;
3. Use of an indication of goods or a business normally prohibited under the UCPA, where the indication has been in use (*i.e.*, prior use) since before the time it became widely known or highly recognizable, or the sale, distribution, display for the purposes of sale or distribution, export, or import of goods bearing such an indication;
4. Obtaining copied goods in good faith and without gross negligence;
5. Use or disclosure of a trade secret where the person who acquired the trade secret had no knowledge (and was not unaware due to gross negligence) that there has been an improper disclosure of the trade secret or that the trade secret has been acquired through improper disclosure or improper acquisition.

The onus of proof in regard to the above defenses lies with the person asserting the defense (*i.e.*, the defendant).

#### FOOTNOTES:

(n1)Footnote 1. This section will be revised shortly.

(n2)Footnote 1. Law No. 14, 1934. For a translation *see* Vol. ◆◆, Appendix 9D.

(n3)Footnote 2. For recent significant amendments to the UCPA and other developments, see the Partial Revision of the Unfair Competition Prevention Act (Law No. 75, 2005); the Partial Revision of the Unfair Competition Prevention Act (Law No. 51, 2004); the Partial Revision of the Unfair Competition Prevention Act (Law No. 46, 2003); and the Amendment of Unfair Competition Prevention Act Relating to Unfair Acquisition of Domain Name (Law No. 81, 2001), also discussed at § 6.01[2][f] *supra*.

(n4)Footnote 3. Takara K.K. v. Cosmos K.K., Urawa District Court, 495 Hanrei Times 217, January 26, 1983.

(n5)Footnote 4. Kani Doraku K.K. v. Kani Shogun, Osaka District Court, 19-2 Mutai Zaisanken Kankei Hanreish-u 174, May 27, 1987.

(n6)Footnote 5. Rubic Cube case, Tokyo District Court, 499 Hanrei Times 178, October 18, 1982.

(n7)Footnote 6. Amex International K.K. v. American Express International Incorporated, Supreme Court, 1480 Hanrei Jiho 146, December 16, 1993.

(n8)Footnote 7. Sanei Y-ugen Kaisha v. Miyakawa Shoko K.K., Supreme Court, 681 Hanrei Times 117, July 19, 1988.

(n9)Footnote 8. Marutake Shoji K.K. v. National Football League Properties Inc.*et al.*, Supreme Court, 38-7 Minsh-u 920, May 29, 1984.

(n10)Footnote 9. Walt Disney Productions v. Sato, Tokyo District Court, 1101 Hanrei Jiho 110, January 18, 1984.

(n11)Footnote 10. *See also* Nina Ricci v. Matsuoka, Tokyo District Court Hachioji Division, 1101 Hanrei Jiho 109, January 13, 1984.

(n12)Footnote 11. Chanel Socit v. Koei Shoji K.K., Kobe District Court, 19-1 Mutai Zaisanken Hanreish 72, March 25, 1987 (Hotel Chanel Case).

(n13)Footnote 12. Dainihon Insatsu K.K. v. Takebayashi Shoji K.K., Tokyo High Court, 23-3 Chiteki Zaisankensh-u 808, December 17, 1991.

(n14)Footnote 13. UCPA, Art. 11, para. 1, item 6.

(n15)Footnote 14. *See* in relation to know-how § 6.05[8].

(n16)Footnote 15. Former Art. 1, para. 1, item 3.

(n17)Footnote 16. Former Art. 1, para. 1, item 4.

(n18)Footnote 17. Former Art. 1, para. 1, item 5.

(n19)Footnote 18. The term "service" is not defined in the UCPA. However, it is defined in the Trademark Act as "labor or convenience which can independently be the object of commercial transactions." The Trademark Act Enforcement Order sets out the various categories of services to be included in the above definition. These include: advertising, business management or administration services; financial, insurance and real estate services; construction, installation and repair services; telecommunication services; transport, packing, storage and travel services; processing and other types of treatment services; services relating to education, practice, recreation, sports and cultural activities; services relating to offering food or drink, accommodation, medicine, hygiene, health and beauty, treatment of animals, agriculture, law, research study and computer program compilation.

(n20)Footnote 19. Misleading representations regarding place of origin, etc., are also regulated under the Undue Premiums and Undue Representations Prevention Act (*see* FTC Notification No. 34, 1973, "Undue Representations Regarding the Country of Origin of Goods.") Under this Act a complaint may be made to the Fair Trade Commission in the form of a request to the FTC to take necessary action. On the other hand, the UCPA, with regard to misleading representations relating to place of origin, etc., allows a person who has suffered damage to seek relief such as injunction or damages through a civil suit, or to initiate a criminal suit by making a complaint. *See* § 7.03 and § 7.04 *infra*.

False representations regarding place of origin are also regulated under the Customs Act (Article 87), the Export-Import Transactions Act (Article 2, item 2) and the Export Trade Control Order. These acts provide for regulation to be undertaken by the administrative agencies having jurisdiction, such as the customs or police departments.

(n21)Footnote 20. State v. Diamond Nix K.K., Tokyo High Court, Vol. 10, 4-5 Keiji Geppo 857, May 23, 1978.

(n22)Footnote 21. State v. Yoshioka K.K., Tokyo High Court, Vol. 6-7 Keiji Geppo 814, July 29, 1974.

(n23)Footnote 22. Sony K.K. v. Yamanaka, Tokyo District Court, 519 Hanrei Times 259, December 23, 1983.

(n24)Footnote 23. Kirin Beer K.K. v. Liner Beer K.K., Supreme Court, 414 Hanrei Jiho 29, June 4, 1965.

(n25)Footnote 24. Daiichi Gakki K.K. *et al.* v. Nagae Gakki K.K., Nagoya District Court, 490 Hanrei Times 155, October 15, 1982.

(n26)Footnote 25. Tokyo District Court, Vol. 10-2 Mutai Zaisanken Kankei Hanreish-u 509, October 30, 1988.

(n27)Footnote 26. Japanese industrial property laws do not contain any provisions concerning the making of threats.

(n28)Footnote 27. Criminal Code, Article 233.

(n29)Footnote 28. FTC Notification No. 15, 1982. *See* Vol. ◆◆, Part Vii, Appendix 7B.

(n30)Footnote 29. Daiichi Gakki K.K. *et al.* v. Nagae Gakki K.K., Nagoya District Court, 490 Hanrei Times 155, October 1, 1982.

*See also* Tomoe Valve v. Okumura Seisakusha K.K., Osaka District Court, 15-3 Mutai Zaisanken Kankeish-u 756, November 16, 1983.

(n31)Footnote 30. Trademark Act, Art. 15, para. 4.

(n32)Footnote 31. *Id.*, Art 53-2.

(n33)Footnote 32. UCPA, Art. 13, item 3.

(n34)Footnote 33. "Business," of course, means those activities carried on for profit. However, it is also interpreted to include cases such as hospitals, where even though pursuit of profit is not the ultimate goal, the activity is carried out based on calculation of earnings and expenses. *See e.g.*, Hamaya v. Saito, Tokyo District Court, 13-11 Minsh-u 2395, November 28, 1962.

(n35)Footnote 34. UCPA, Art. 3, para. 1.

(n36)Footnote 35. *Id.*, Art 4.

(n37)Footnote 36. *Id.*, Art 7.

(n38)Footnote 37. *Id.*, Art 3, para. 2.

(n39)Footnote 38. *Id.*, Art 3, para. 1.

(n40)Footnote 39. *Id.*, Art 13.

(n41)Footnote 40. *See* § 6.07[2][a] *supra*.

(n42)Footnote 41. *See* § 6.07[2][e] *supra*.

(n43)Footnote 42. This category of illegal conduct is only found in Article 13.

(n44)Footnote 43. *See* § 6.07[2][g][i] *supra*.

(n45)Footnote 44. *See* § 6.07[2][g][ii] *supra*.

(n46)Footnote 45. UCPA, Art. 11, para. 1, item 2.

(n47)Footnote 46. Article 9 prohibits the following: unauthorized use of foreign flags, coats of arms or other emblems of a foreign country as a trademark; unauthorized use of a coat of arms that is identical or similar to that of a foreign country (prescribed by MITI) in a manner which misleads as to the country of origin of goods; and unauthorized use as a trademark of a mark, which is similar or identical to a seal or sign used for certification or inspection purposes by a foreign government or regional public entity (prescribed by MITI).

(n48)Footnote 47. Article 10 prohibits the unauthorized use as a trademark of a mark, which is similar or identical to that of an international organization (prescribed by MITI).

(n49)Footnote 48. Empire of Japan v. Unknown, Great Court of Judicature, 2 Keish-u 673, August 1, 1923.

(n50)Footnote 49. UCPA, Art. 11.

(n51)Footnote 50. A "common name" means a name recognized in the trade world as being the general name for a product. Common names include characteristic names, as well as names that are generally used as abbreviations or nicknames. Common names may be divided into names that have always been common names and were formerly characteristic, or trademarks or indications of particular products, which have come to indicate a type of product in general and thus have become commonplace names (*e.g.*: nylon which was originally made by Dupont Corp.).

It is often difficult to determine whether an indication has become a common name. The District Court has stated that "(Whether an indication is a common name or not) must be determined by the general usage of the letters or words, the social and economic background during the period in which the name was used, the relationship between the letters or words and the product, the circumstances relating to sale of the product, in other words, analysis of the company which makes the product, and the interrelationship between the participants in the manufacturing or distribution chain." *See* Ichibiki K.K. v. Sanbishi K.K., Nagoya District Court, 423 Hanrei Jiho 45, August 6, 1965.

A trademark or indication that is a novel, coined word when use is commenced, but in its linguistic construction, is no more than an explanatory indication concerning the content or function of a product, or later becomes an indication of the content or function of a product will also be treated as a common name. On the other hand, indications of grape products that are thought to be common names by the ordinary person, for example, champagne and cognac, are protected under Article 4 of the Madrid Treaty. Therefore, they are not treated as exceptions for the purposes of the Act.

(n52)Footnote 51. "Customary indication" refers to an indication that is customarily used to indicate goods or a business (*i.e.*, the letter "P" which indicates a car park). It is often difficult to determine what is a customary indication as there is no singular meaning for this term. In Japan, for example, the figure of a *daruma* doll used on medicines or the diagram of a Dutch ship used on a certain type of cake are considered to be customary indications. Other examples are the word "*Maku-no-uchi*" used to indicate a particular variety of Japanese lunch box (*obento*) and the word "*sei-sh-u*" is used to indicate a specific type of sake.

*See also*, Wada v. Chief of the Patent Office, Tokyo High Court, 7-7 Gyosaish-u 1833, July 14, 1956; *cf.* Shoretuan K.K. v. Kujakuen K.K., Yokohama District Court, 514 Hanrei Times 259, February 9, 1983; Nihon Shorinji Kenpo Renmei Aggregate Group v. Tanekawa Osaka District Court, 12-1 Mutai Zaisanken Kankei Hanreish-u 65, March 18, 1980; (appeal) Nihon Shorinji Kenpo Renmei Aggregate Group v. Tanekawa, Osaka High Court, 16-1 Mutai Zainsanken Kankei Hanreish-u 164, March 23, 1984.

(n53)Footnote 52. "Normally-used manner" has been determined by the court to mean that the common name or customary name is used in the way generally adopted in trade. *See* K.K. Play Guide v. K.K. Akagiya Play Guide, Tokyo District Court, 4-10 Kamin 1503, October 20, 1953.

(n54)Footnote 53. The meaning of "name" is defined in the Trademark Act, but not in the UCPA. There are opposing opinions regarding the definition of "name" in the UCPA. One is that by analogy with the definition in the Trademark Act "name" includes names of juridical persons. In contrast, the other opinion is that names of juridical persons are no included. This divergence of opinions also applies to stage or screen names and pseudonyms. That is, one opinion is that these are included in the definition of "name," the other opinion taking the opposite stance. The author supports the theory of analogous application of the Trademark Act.