

# **Outline of the Japanese Unfair Competition Prevention Law**

Japan Patent Office

Asia-Pacific Industrial Property Center, JIII

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## **Chapter 1 General Matters**

### **1. Introduction**

Modern society has been built on the vast achievements of our predecessors. Social development cannot be achieved without carefully following and learning from the events of the past. In this sense, “imitation” serves as a driving force behind cultural and social progress.

On the other hand, however, unrestricted and disorderly imitation invalidates the funds and labor invested by person who originally did the work. Moreover, in a society where imitation thrives, people would be less apt to work with creativity, and new cultural developments in society would be hindered.

Here, it can be said that there are two kinds of imitation --- “excusable imitation” and “inexcusable imitation.” With “excusable imitation,” one adds new value to the predecessors’ legacies, or engages in new creative activities, thereby contributing greatly to cultural development. On the other hand, no element of creativity is found in “inexcusable imitation.” Indeed, it injures any incentive in those who are engaged in creative activities.

Therefore, imitation goods without creativity, such as counterfeit products and pirated goods, are subject to restriction, considered to be cases of “inexcusable imitations.” The Unfair Competition Prevention Law makes clear what is “inexcusable imitation,” and provides rules.

### **2. History of the Unfair Competition Prevention Law**

The Unfair Competition Prevention Law was enacted in 1934. The preparation by the Ministry of Agriculture and Commerce in 1911 of a draft unfair competition

prevention law marked the first move toward the legislation of an unfair competition prevention law. The preparation of the draft was provoked by an amendment in Germany made at that time to its unfair competition law. In Japan, however, no such law was enacted at that time because, it is said, Japan's industry was still underdeveloped and there was no need to demand legal responsibility for acts not expressly infringing rights. Legislation was considered again in 1926, but it was abandoned for similar reasons.

With the Showa Era, however, a movement to enact this law began. As international transactions grew, criticism abroad grew concerning imitations of foreign products by Japanese companies. Complaints about Japanese products similarly being imitated by overseas companies also were pointed out. Moreover, with the *Daigakuyu* case (decision of the Supreme Court of November 28, 1925), "infringement" as a prerequisite to the judgment of an unlawful act (Article 709 of the Civil Code) was replaced by "illegality." Furthermore, in 1934, the London conference for revising the Paris Convention for the Protection of Industrial Property was convened, making it necessary for Japan to enact an unfair competition prevention law in order to accede to the revised Hague Convention. It was due to these factors, domestic and foreign, that the Unfair Competition Prevention Law was finally legislated in 1934.

The main characteristics of the Unfair Competition Prevention Law of 1934 were: (1) that it covered three types of acts, i.e., acts of causing confusion by a well-known indication, acts of falsely indicating of the place of origin, and acts injurious to another person's business reputation; (2) that the "purpose of unfair competition" was a subjective requirement; and (3) that penalties were applicable solely in cases involving a national crest. Later, in step with changes in the

international situation and Japan's industrial development, partial amendments were made in 1938, 1950, 1953, 1965, 1975, and 1990.

However, the recent increases in business transactions have brought about diversification of unfair competition, so that it has become difficult to cope flexibly and effectively within the framework of the Unfair Competition Prevention Law, which had retained the same structure introduced in 1934. Although strenuous efforts were made to interpret provisions broadly on the scores of judicial precedents, they were limited. Therefore, it was necessary to put into statutory form legal principles contained in the past judicial precedents and stipulate new types of unfair competition based on these.

Moreover, since work began in 1992 at WIPO (World Intellectual Property Organization) to draft a model law for international harmonization of legislation preventing unfair competition it was necessary to modify the Japanese Unfair Competition Prevention Law to conform to international standards.

Therefore, a review was carried out by the Working Group on Intellectual Property Policy of the Industrial Rationalization Council, Ministry of International Trade and Industry, and the Institute of Intellectual Property, and in 1993, a comprehensive amendment to the law was realized at long last. The Unfair Competition Prevention Law, as it stands now, took effect on May 1, 1994.

The present Unfair Competition Prevention Law has been partially amended several times.

In September 1998, the Unfair Competition Prevention Law was amended in Japan and provisions prohibiting offering of bribes made to foreign public officials were newly stipulated, since OECD member states signed the "Convention on Combating Bribery of Foreign Public Officials in International Business

Transactions” in 1998, which was enacted on February 15, 1999.

Furthermore, as digitization and networking have developed in recent years, industry based on digital contents has become prosperous. Therefore, in order to prohibit the offering of detour devices or programs that invalidate technical restriction means, such as copy control technology and access control technology, which might endanger the existence of the contents industry, the Law was duly amended again and enacted on October 1, 1999.

Furthermore, amendments relating to the protection of Internet domain name were made in 2001. This was done to deal with the increasing number of disputes over domain names, trademarks, etc. that have become domain names more valuable with the popularization of the Internet. The amended Law became effective on December 25, 2001. In the same year, some provisions relating to prohibiting bribery of foreign public officials were reevaluated for more effective implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Unfair Competition Prevention Law was comprehensively amended in 2003 focused on three points: (1) introduction of criminal penalties to enforce protection of trade secret, - provisions of penalties for infringement of trade secret were introduced in view of the increasing competitiveness of industries fueled by recent developments in science and technology; (2) reinforcement of civil procedure - provisions to facilitate inference of infringement and payment for damages were introduced as in the case of Patent Law were introduced; and (3) provisions dealing with increased networking in society - application of the Unfair Competition Prevention Law to online offer of goods was expressly indicated. The amendments became effective on January 1, 2004.



In 2004 an amendment was made to provide that the bribing of foreign civil servants by Japanese citizens outside of Japan is a crime, which went into effect January 1, 2005. Also, to protect trade secrets in commercial trade, amendments were made through the “law to revise Court Law” and went into effect April 1, 2005.

In 2005 criminal punishment was introduced for acts of unauthorized use of well-known and famous marks, and for copying the configuration of another’s products. criminal provision were also established for trade secret infringement outside of Japan, and amendments were made to establish criminal punishment for retired persons and juridical persons.

### 3. Characteristics of the Unfair Competition Prevention Law

Characteristics of the present Unfair Competition Prevention Law are as follows:

- (1) Acts defined as unfair competition are put forth limitatively, and no general clause covering unfair competition as a whole is stipulated;
- (2) Acts covered are divided into two broad categories – acts constituting imitation of the results of another person’s work (acts causing confusion with a well-known indication, etc.), and acts involving deceit in a transaction (acts injurious to another person’s business reputation, etc.);
- (3) Civil claims such as the right to request an injunction and claim for damages are accorded to private individuals in unfair competition cases; this is in contrast to the Antimonopoly Act that administrative regulations are applied in principle;
- (4) No registration system is instituted as a prerequisite to the exercise of a right, unlike the case of industrial property rights.

#### 4. Unfair Competition Prevention Law and Related Laws

The Unfair Competition Prevention Law is closely related to intellectual property laws, the Antimonopoly Act, and provisions against unlawful acts (Civil Code). It is possible to identify where the Unfair Competition Prevention Law falls in the legal system by clarifying its relationship with these related laws.

##### (1) Its relationship with intellectual property laws

“Intellectual property law” is the generic term for legislation concerning industrial property rights\*, copyrights, and other intellectual properties. The Unfair Competition Prevention Law, together with industrial property laws such as the Patent Law, the Utility Model Law, the Design Law, and the Trademark Law, as well as the Copyright Law, constitutes a part of the intellectual property laws.

As to the method of protection, however, while the Patent Law and the Copyright Law protect intellectual property by giving certain rights to objects such as inventions and creative expressions, the Unfair Competition Prevention Law protects intellectual property by prohibiting certain acts as unfair competition --- a function of restricting acts different from the function of the related laws.

##### \* (Note) Industrial Property Right

On July 3, 2002, the Intellectual Property Strategy Council led by the Japanese Prime Minister adopted Intellectual Property Strategy Outline which stated that the conventional terms “*chiteki-shoyuken* (intellectual ownership right)” and “*kougyo-shoyuken* (industrial ownership right)” would be referred to as “*chiteki-zaisanken* (intellectual property right)” and “*sangyo-zaisanken*

(industrial property right),” respectively, to describe the nature of the right more appropriately. Trade secrets were also included as a provision of Intellectual Property in the fundamental Intellectual Property Law.

(2) Its relationship with the Antimonopoly Act

The Unfair Competition Prevention Law is closely related to the field of economic laws, such as the Antimonopoly Act. The Antimonopoly Act and the Unfair Competition Prevention Law are both intended for the maintenance of order in competition. Thus, they both restrict acts that harm order in competition.

However, while the Antimonopoly Act aims to maintain fair and free competition, the Unfair Competition Prevention Law aims to maintain fair competition. Moreover, in the case of the Antimonopoly Act, due to the strong need to protect public interest, mainly administrative regulation measures are applied, such as elimination measures and surcharges imposed by the Fair Trade Commission; in the case of the Unfair Competition Prevention Law, however, civil procedures, such as the right to request an injunction and claim for damages by private individuals, are applied.

(3) Law on unlawful acts (Civil Code)

In the Civil Code, general principles about unlawful acts are stipulated in Article 709 and succeeding articles. The Unfair Competition Prevention Law also has functions as a special law on unlawful acts. However, while monetary compensation is applied in principle under the Civil Code (Article 722, paragraph 1 of the Civil Code), in the case of the Unfair Competition Prevention Law, the right to request an injunction in advance is allowed, since only *ex post*

*facto* relief is not adequate.

## Chapter 2 Outline of the Unfair Competition Prevention Law

### 1. Purpose (Article 1)

The purpose of this law is, by providing for measures for the prevention of, and compensation for damages from unfair competition, etc. in order to ensure fair competition among entrepreneurs and the full implementation of international agreements related thereto, and thereby to contribute to the wholesome development of the national economy.

The objective of this law is to protect private interests in the form of entrepreneurial business interests, and protect public interest, by maintenance of fair competition order. Article 1 of the Unfair Competition Prevention Law clarifies this fact.

Essentially, in a market economy, efficient distribution of resources and promotion of economic development are achieved through free competition among entrepreneurs.

However, excessive competition tends to lead to unfair competition, such as unjustifiable use of the results of another person's work as one's own, or to deceit of consumers. If left unchecked, the development incentive for entrepreneurs may be lost and, furthermore, the vitality of the economy may be lost.

It is for these reasons that the Unfair Competition Prevention Law aims to ensure fair competition and the wholesome development of the national economy.

Article 1 of the Law consists of three parts. One describes the direct purpose of the Law – the part stating “in order to ensure fair competition among entrepreneurs

and the full implementation of international agreements related thereto.” Here, “international agreements” means that the prevention of unfair competition is an international undertaking as per the Paris Convention and its special agreement, the Madrid Agreement, and that this undertaking is to be implemented by Law.

Secondly, the part “by providing for measures for the prevention of, and compensation for damages from unfair competition,” defines specific measures to be provided for by law. Following this, the part “to contribute to the wholesome development of the national economy” defines the ultimate purpose of the Law.

## 2. Definitions (Article 2)

Article 2 specifically defines acts of “unfair competition.”

Article	Contents
Article 2 (1) (i)	Acts causing confusion
(ii)	Acts of using famous indication unjustifiably
(iii)	Acts of imitating the configuration of goods
(iv) to (ix)	Unfair acts related to trade secrets
(x)	Acts invalidating copy management technology
(xi)	Acts invalidating access management technology
(xii)	Acts of infringing domain names
(xiii)	Acts causing misleading
(xiv)	Acts injurious to another person’s business eputation
(xv)	Unjustifiable use of a trademark by an agent, etc.
Article 2 (2)	Definition of a “trademark”
(3)	Definition of a “mark”
(4)	Definition of “configuration of goods”
(5)	Definition of a “imitate”
(6)	Definition of a “trade secret”
(7)	Definition of “technical restriction measures”
(8)	Definition of “program”

(9)	Definition of “domain name(s)”
(10)	Expressly stipulated that “goods” includes programs

“Trademark” means the trademark provided for in Article 2 (1) of the Trademark Law. That is, a mark to which the following definitions apply:

- (1) one used to represent goods by a person who produces, certifies, or assigns such goods in the course of trade; and
- (2) one used to represent services by a person who provides or certifies such services in the course of trade (other than as in above).

Moreover, the term “mark” means a mark as defined in Article 2 (1) of the Trademark Law. That is, the characters, figures, or signs, or any combination thereof, or any combination thereof with colors.

### 3. Acts causing confusion (Article 2 (1) (i))

The act of using goods or other indications (hereinafter, “goods or other indications” means name connected with person’s business, tradename, trademark, mark, container, or package of goods, or any other indication used for goods or business) which is identical with, or similar to, another person’s goods or other indication as to be well-known among consumers , or the act of selling, distributing, displaying for the purpose of selling or distributing, exporting, importing or offering via telecommunication lines goods on which such goods or other indication is used, thereby causing confusion with another person’s goods or business.

#### (1) Aim

This item is intended to restrict acts causing confusion between one’s own goods or business with another person’s goods or business. A well-known

indication contains “goodwill,” and this item and the next item “unjustifiable use of a famous indication” (item 2) together restrict acts infringing on goods or other indications containing goodwill.

(2) Requirements

- (i) “Goods or other indications” mean indications showing the source of goods or the business entity, examples of which are a name connected with a person’s business, tradename, trademark (including service mark), and container or package of goods.

Moreover, the configuration of goods is included in goods or other indications according to judicial precedents (note).

Note: In the judgement of October 18, 1982 by the Tokyo District Court, the configuration of a rotating and three-dimensional toy was recognized to be goods or other indications (Rubik Cube case).

- (ii) “Well-known among consumers” is intended to clarify the meaning of “well-known in the area of enforcement of this law” (requirement of the quality of being well known) taking into account the aim of the accumulated judicial precedents as well.

Whether something is “well-known” or not is determined overall by taking into account the type of goods or service, the actual state of transaction, practice, etc. Areawise, it is understood that the quality of being well known here is not required to be “nationwide,” which is a requirement in the case of famous indication in item 2, and that the quality of being well known in a region is sufficient here (note). In terms of time, a judgment is made according to the life cycle of the goods concerned. Even in a short period of time, it is possible for certain goods to acquire the quality of being well



known if they are sold through powerful publicity activities. Material determining the quality of being well known includes quantity of sale, publicity methods, treatment in newspapers and trade papers, etc.

“Consumers” means other parties in transactions and includes not only end consumers but also persons involved in each stage.

(Note) Examples of well-known indications, which were determined in courts, are “Chubu Region” (New Amamoto case, judgement of the Supreme Court of May 20, 1959), and “Yokohama City and the vicinity of the head office” (Shoretsuan case, judgement of the Tokyo District Court of March 3, 1976, and judgement of the Yokohama District Court of December 9, 1883).

(iii) “Using” means utilization of goods or other indication in a manner that may cause widespread confusion.

(iv) “Selling, distributing, displaying for the purpose of selling or distributing, exporting, or importing” means all acts that cause goods to be placed in transaction.

#### 4. Unjustifiable use of a famous indication as one’s own (Article 2 (1) (ii))

The act of using goods or other indications as one’s own while it is identical with, or similar to, another person’s famous goods or other indication, or the act of selling, distributing, displaying for the purpose of selling or distributing, exporting, importing or offering via telecommunication lines.

##### (1) Aim

This item, just as in the case of acts causing confusion under item 1, restricts

acts that infringe on goodwill contained in other indications of goods etc.

However, the significance of this item lies in the fact that it treats acts unjustifiably using another person's famous goods or other indications as acts of unfair competition without making confusion a requirement. That is, although the existence of a competitive business relationship between the unjustifiable violator and the victim is presupposed in the concept of "confusion" in item 1, a competitive business relationship is not a requirement in the case of item 2. This is because the number of cases where it is erroneously assumed a business relationship between famous goods and the unjustifiable violator, even if there is no competitive business relationship between them, has increased due to the trend of grouping or affiliating enterprises. And, even if no confusion is caused, the reputation or fame which an entrepreneur has built up over many years may be diluted by a free ride on the goodwill of a famous brand name.

(2) Requirements

(i) The aim of "using other indications as one's own" is to limit the scope of application to cases of using famous goods or other indications as one's own indications. Cases where the use concerned is intended for purposes other than one's own indications are not subject to this item.

(ii) "Famous" indications means those of well-known indications which, having attained particularly high fame, reputation, or appreciation, have become widely known nationwide. For example, names of internationally famous brands, names of famous business groups, etc (note).

(Note) Cases where a famous indication was unjustifiably used:

Some examples of cases where a famous indication was unjustifiably used are: unjustifiable use of "Chanel", which is famous for fragrance, for

a hotel (judgement of the Kobe District Court of March 25, 1987); unjustifiable use of “DISNEY”, which is famous for a theme park or character business, for a toyshop (judgement of the Tokyo District Court of January 18, 1984); and unjustifiable use of “Porsche”, which is famous for automobiles, for sunglasses (judgement of the Fukui District Court of January 25, 1985); etc.

(iii) Determination of similarity can be a problem in connection with an “indication identical with, or similar to.” Generally speaking, similarity or dissimilarity is determined through overall observation, taking into account the impressions of the appearance, name, and concept of the goods or other indications concerned, as well as the actual state of transaction.

(3) Terminology

- (i) free ride: benefiting from another person’s success without making any effort
- (ii) dilution: damaging the good image of a famous indication by weakening the connection between the indication and its user

5. Imitation of the configuration of goods (Article 2 (1) (iii))

<p>The act of selling, distributing, displaying for the purpose of selling or distributing, exporting or importing goods which imitated the configuration of another person’s goods (except in the case the configuration is essential in guaranteeing the function of authorized goods).</p>
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(1) Aim

This item prohibits the act of selling, etc. goods which are identical to authentic goods, or “slavish imitation” goods. By prohibiting free rides after original goods under these provisions, it is intended to protect the results of a predecessor’s invested funds and labor for commercialization.

Prior to the amendment of 1993, acts of selling, etc. of goods imitating the configuration of another person’s were subject to restriction under Design Law and Copyright Law. However, if requirements under these laws were not met (in the cases such as those arising before application of the design), there were no relief measures except a claim for damages based on provisions against unlawful acts under the Civil Code, and the victim of such imitation was not allowed the right to an injunction. The provisions of this item have rectified such injustice (note). Furthermore, in 2005 revisions were made to clarify the definitions of the provisions in Article 2 Paragraphs 4 and 5, and a revision was also made to the provision for term of protection concerning exemption from application in Article 19-1-5(a).

(Note) Grained fancy paper case:

The “Grained fancy paper” case inspired establishment of this item. Grained fancy paper is a sheet on which a natural wooden grain pattern is printed, and mass-produced for lamination on the surface of furniture, etc. In this lawsuit, where a wooden grain pattern paper was imitated, the court permitted a compensation for damages based on the unlawful act even if the design of such pattern paper was not registered and it had no nature of copyright (judgement of Tokyo High Court of December 17, 1991). Thereafter, inspired by the above judgement, the Unfair Competition Prevention Law was amended, and a new provision was stipulated enabling

people to stop the manufacture and sale of goods relating to imitations of the configurations.

(2) Requirements

- (i) The term “Configuration of goods” means the external and internal shape of goods and the pattern, color, gloss, and texture combined with such shape, which may be perceived by consumers when making ordinary use of the goods (Article 2-4). “Configuration of goods” means the form of appearance of the goods concerned, and is a concept that includes shape, pattern, and color of the goods (note). However, This excludes configuration that is indispensable for ensuring the function of said goods (Article 2-1-3).

(Note) Case where the configuration of goods was argued

One case where an alleged imitation of configuration of goods was argued was the Dragon Sword Key Holder case. The plaintiff argued that the defendant’s key holders imitated the configuration of the plaintiff’s goods, and demanded an injunction of manufacture and sale along with compensation for damages. The first court admitted the plaintiff’s allegation, but it was later denied by an appeal court (judgement of the Tokyo High Court of February 26, 1998).

- (ii) The term “imitate” means an act of creating goods of practically identical configuration as that of another person’s goods, based on the configuration of the goods of said person (Article 2-5).

In order for an act to constitute “imitation,” the following two conditions must be met:

1) access to another person's goods
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2) substantial identicalness of the result
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Accordingly, in cases where goods are originally developed without access to the original goods, the requirement of 1) is lacking. Moreover, substantial identicalness of the result is determined, generally speaking, by evaluating whether or not the identical part has an important physical significance in the whole configuration of the goods when both goods are compared.

(iii) The requirement of “not three years having elapsed from the date they were first sold in Japan” (Article 19-1-5(a) takes into account the ordinary life cycle of goods that is necessary for the predecessor to recover capital invested. In this connection, “selling” means an act of providing a third party with an object in exchange for consideration for the purpose of doing business.

(iv) Concepts of “distributing” and “displaying for the purpose of distributing” are introduced based on the fact that the purpose of restricting acts of imitating the configuration of goods is to protect an entrepreneur’s business interests. In the case of an act causing confusion, on the other hand, an injunction is allowed at the transfer of control, or “distribution,” in order to prevent mistakes or confusion by the general public.

(v) The wording “The act of selling, distributing, displaying for the purpose of selling or distributing, exporting, or importing” indicates that item 3 does not apply to a mere act of imitation. If a mere act of imitation was restricted, testing research would also become subject to restriction. The requirement of

“selling,” etc. has further been added to prevent such a situation.

(3) Terminology

slavish imitation : complete imitation, used to indicate a straight imitation of the configuration of another person’s goods

6. Unfair acts related to trade secrets (Article 2 (1) (iv) to (ix) and Article 2 (6))

(1) Definition

<p>As used in this Law, the term “trade secret” shall mean technical or business information useful in commercial activities, such as manufacturing or marketing methods, which is kept secret and not publicly known.</p>
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(2) Aim

The recent advance of technological innovations and software- and service-oriented developments in economy have enhanced the property value of company secrets such as technological know-how, lists of customers, and marketing manuals. With this in mind, the Unfair Competition Prevention Law prohibits acquisition of trade secrets by improper means, such as theft, or using such improperly acquired trade secrets.

(3) Requirements

A trade secret must meet the following three requirements:

(i) that it is kept secret (state of being kept secret);

This does not mean that the holder keeps it secret subjectively, but that it is recognizable objectively as a secret kept from employees or outsiders;

(ii) that it is information useful in technical and commercial activities

(usefulness as information);

To put this in concrete terms, it refers to a design, manufacturing method, manual, etc. Usefulness is not judged by the holder subjectively either; the information concerned must be objectively “useful,” being actually used or utilized in the holder’s commercial activities; or its use or utilization being useful in commercial activities because, for example, it is instrumental in the improvement of business efficiency;

(iii) that it is not publicly known (state of not being publicly known);

This refers to a state where it cannot generally be obtained, except under the holder’s control; even in a case where it is known to a person other than the holder, it can be considered to be under the holder’s control if such a person is under obligation to keep it secret.

(4) Type of improper acts related to trade secrets

Improper acts related to trade secrets consist of six types. Details are as follows:

(i) Type of Article 2 (1) (iv)

The act of acquiring a trade secret by improper means such as theft, fraud, or coercion (hereinafter referred to as “improper acquisition of a trade secret”), or the act of using or disclosing a trade secret so acquired (including the act of disclosing such trade secret confidentially disclosed to a specific person; hereinafter the same shall apply)

(ii) Type of Article 2 (1) (v)

The act of acquiring a trade secret while being aware that such trade secret has been acquired through improper acquisition or, through gross negligence, not being aware of such a matter; or the act of using or disclosing a trade



secret so acquired

(iii) Type of article 2 (1) (vi)

The act of using or disclosing a trade secret after becoming aware, subsequent to its acquisition, that such trade secret has been acquired through improper acquisition or, through gross negligence, not becoming aware of such matter

(iv) Type of Article 2 (1) (vii)

The act of using or disclosing a trade secret which has been disclosed by the business entity holding it (hereinafter referred to as the “holder”), for the purpose of unfair business competition or otherwise acquiring an unfair benefit, or for the purpose of inflicting injury on such holder

(v) Type of Article 2 (1) (viii)

The act of acquiring a trade secret while being aware or, through gross negligence, not being aware that there has been an improper disclosure of such trade secret (defined, in this case and hereinafter, in the case stipulated in the previous item, as an act of disclosing a trade secret for the purpose stipulated in such item, or an act of disclosing a trade secret in breach of a legal duty to maintain secrecy) or that such trade secret has been acquired through improper disclosure; or using or disclosing a trade secret so acquired

(vi) Type of Article 2 (1) (ix)

The act of using or disclosing an acquired trade secret after becoming aware, subsequent to its acquisition, that there has been improper disclosure of such trade secret or that such trade secret has been acquired through improper disclosure, or, through gross negligence, not being aware of such matter

Each of the above types can be stipulated as follows.

Holder --- acquirer (item 4, former part) --- use/disclosure (item 4, latter part) (improper acquisition)
Holder --- acquirer --- subsequent acquirer (item 5, former part) --- use/disclosure (item 5, latter part) (improper acquisition) (bad faith or gross negligence)
Holder --- acquirer --- subsequent acquirer --- use/disclosure (item 6) (improper acquisition) (knowledge after acquisition)
Holder --- acquirer --- use/disclosure (item 7) (purpose of inflicting injury or of acquiring benefit after acquisition)
Holder --- acquirer --- subsequent acquirer (item 8, former part) --- use/disclosure (item 8, latter part) (improper acquisition) (bad faith or gross negligence)
Holder --- acquirer --- subsequent acquirer --- use/disclosure (item 9) (improper acquisition) (knowledge after acquisition)

7. Acts invalidating copy control technology (Article 2 (1) (x))

The act of assigning, delivering, displaying for the purpose of assigning or delivering, exporting, or importing devices that only have a function to enable people to play vision or audio, to execute of programs, or to record of vision, audio or programs that are restricted by the technical restriction means commercially used (excluding those used by other people for preventing others than specific people from playing vision and audio or executing programs or recording vision, audio or programs) (including those incorporating such devices), or recording media or memory devices that record a program that only has the above function (including those combined with other programs) or the act of providing such a program through electric telecommunication circuit.

(1) Aim

This article, together with the following item 11, identifies such actions as selling devices or programs that invalidate use and copy control technology as “unfair competition.” This is to prevent transactions of detour devices and programs that might endanger the existence of the specialized data industry and maintain fair competition. In recent years, such businesses as offering specialized data (contents of information) in various forms, such as Internet, DVD, etc. have been rapidly developing. Using or copying these works without permission damages the specialized data industry and might endanger the industry’s infrastructure. Thus, this item restricts actions relating to detour devices or programs that may invalidate control technology central to this industry. This item covers acts that invalidate copy restriction technology of contents among invalidating acts, and the following item 11 covers acts that invalidate access restriction technology.

(2) Requirements

(i) Acts to be restricted

Any means of offering devices or programs that render ineffective technology restricting copies of material being traded (assigning, displaying, importing, etc.)

(ii) Information to be protected

Contents to be protected are audio, vision, programs, or combinations thereof to be traded.

(iii) Control technology subject to protection

“Technical restriction means” is defined in Article 2 (5). “Technical restriction means” is a means for restricting playing of vision or audio or executing of programs, or recording thereof, by electromagnetic method that

is, a method of recording or transmitting signals to which playing devices specifically respond, together with vision, audio or programs, or a method of recording or transmitting in recording media by converting vision, audio or programs to those of which playing devices need to be specifically converted. Among these, this item excludes those used by other people for preventing others than specific people from playing vision and audio or executing programs, or recording vision, audio or programs) (in the brackets in the beginning of Article 2 (1) (x)), which are subject to Article 2 (1) (i).

(iv) Devices of which offering is prohibited

This item only applies to those exclusively functioning in invalidation of control technology and having no other functions than invalidating in view of economic and commerce.

(3) Terminology

program: order to a computer, which is combined so as to obtain one result (Article 2 (6))

8. Acts invalidating access control technology (Article 2 (1) (xi))

The act of other people of assigning, delivering, displaying for the purpose of assigning or delivering, exporting or importing devices, in order to prevent others than specific people from playing vision and audio or executing programs, or recording vision, audio or programs, to others than such specific people, that only have a function to enable people to play vision or audio, to execute of programs, or to record of vision, audio or programs that are restricted by means of technical restriction means commercially used (including those incorporating such devices), or recording media or memory

devices that record a program that only has the above function (including those combined with other programs), or the act of providing such program through electric telecommunication circuit.

(1) Aim

Similar to the preceding article, the above aims to protect the contents industry, and should be recognized as part of a whole along with the preceding item. Therefore, the aim thereof is identical to the preceding. The only difference is that, while the preceding protects the techniques to control unauthorized copying, the present particularly prevents unauthorized access.

(2) Requirements

Acts to be regulated, information to be protected, and prohibited devices, etc. are the same as those of Article 2 (1) (x). The control technology here protected is commercially used means of restricting technology so that those other than specified people to play vision and audio, execute programs, or record vision, audio or programs.

9. Acts of Infringing Domain Names (Article 2 (1)(xii))

Act of obtaining or possessing the right to use a domain name which is identical or similar to the other's indication of specific goods (such as name, trade name, trademark, mark and other indication of goods or services relating to the person's business) or using the domain name for the purpose of acquiring inappropriate profit or causing damage to another person.

## 1) Aim

The item provides protection for Internet domain names. As more and more people start using the Internet, sound development of the Internet has become an important issue so that users can safely participate in e-commerce. With its function of attracting users, domain names as addresses in cyberspace have gained property-like value in e-commerce. On the other hand, problems have occurred as third parties abuse the system under which a domain name is granted to any party applying first without substantive examination, They may obtain a domain name similar or identical to another party's trademark or trade name and sell it at an unreasonable price or use it to operate a website which would damage the brand image of the trademark. The item thus provides that such an act relating to domain name constitutes an act of unfair competition.

### (Note) Definition of Domain Name

Article 2 (7) of the Unfair Competition Prevention Law defines a domain name as follows:

“For the purpose of this Law, a ‘domain name’ shall mean character, number, symbol or other signs or combination thereof which is used to identify a person, goods or business on the Internet (a global information network in which many computers are connected to each other through telecommunication lines with the equipment having the function of automatically selecting the route of telecommunication) and which corresponds to the character, number, symbol or other signs or combination thereof assigned to identify each computer connected to the Internet.

## 2) Requirements

- a) purpose of acquiring illegal profit or causing damage to another person;

- b) act of obtaining, possessing or using a domain name which is identical or similar to the trademark of others.

10. Acts causing misleading (Article 2 (1) (xiii))

The act of indicating on goods or for service, or in an advertisement thereof or in a document or correspondence used for a transaction, which is likely to cause misleading with respect to the place of origin, quality, contents, manufacturing method, use or quantity of such goods or the quality, contents, use or quantity of such service, or the act of assigning, delivering, displaying for the purpose of assigning, delivering, exporting, importing or offering through telecommunication lines, goods with such an indication or offering a service with such an indication.

(1) Aim

This item covers comprehensively for misleading acts. Under the old law, goods alone were covered while services were not; moreover, misleading acts related to the place of origin, place of source, quality, etc. were provided for in separate item. The present Law has integrated and sorted out such elements (note).

(Note) Restriction on misleading representation

“The Act against Unjustifiable Premiums and Misleading Representations”, together with the Unfair Competition Prevention Law, restricts misleading representations and is under the control of the Fair Trade Commission.

(2) Requirements

- (i) The objects covered are goods/services, advertisements, and documents/correspondence used for transactions;
- (ii) The contents targeted as possibly misleading are the place of origin, quality, contents, manufacturing method, use, and quantity of goods, or the quality, contents, use, and quantity of service;
- (iii) The methods of misleading are: (a) an act of representing which is likely to mislead, (b) an act of assigning, etc. goods with such a representation; and (c) an act of offering a service with such a representation.

11. Acts injurious to business reputations (Article 2 (1) (xiv))

The act of making or circulating false allegation injurious to the business reputation of another person in a competitive relationship.
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(1) Aim

As competition in marketing goods for larger market shares intensifies, slandering or maligning of the goods and/or services of other companies sometimes occurs. Moreover, even when there is no actual infringement of an intellectual property right, an unfair act such as submitting an article stating that a rival company's goods infringe on one's own rights occurs from time to time. This law prohibits such slandering or maligning of goods and/or business reputations of another person as an act injurious to business reputation (act of slandering another person's business)..

(2) Requirements



- (i) There must exist a competitive relationship. If there is no competitive relationship between the slanderer and the slandered, the matter is one of unlawful acts (Article 709 of the Civil Code);
- (ii) “A false allegation” means an allegation that is contrary to an objective truth. In the event that a company issues a warning to a customer that an intellectual property right of the company is being infringed upon by a competitor, and this warning is based on a false allegation, this item will apply (notes 1, 2);

(Note 1) Infringement of industrial property rights and slandering of another person’s business:

A judgement in the Tokyo District Court, March 17, 1972, ruled that the case where an exclusive licensee of a utility model right for a footwear stand placed an advertisement warning that the other company’s similar goods conflicted with said utility model right fell under the act of slandering another person’s business.

(Note 2) Comparative advertising:

Another issue relating to acts injurious to business reputation is comparative advertising. Comparative advertising is a method of advertisement that promotes sales of goods by emphasizing differences between one’s own goods and those of other companies. Comparative advertising needs to satisfy the following three requirements: (a) that all contents of comparative advertising can be objectively proven; (b) that truthfully proven figures and facts are appropriately quoted; and (c) that the method of comparison is fair (“Idea of comparative advertising under the Premiums and Representations Act,” notification of the Fair Trade

Commission as of April 21, 1987). Therefore, comparative advertising, if it does not meet the above requirements and uses slander or maligning expressions, might fall under an act injuring reputation.

(iii) Making an allegation is defined as the act of conveying to a specific person individually a fact that one knows. Circulating an allegation means the act of propagating a fact in a manner that causes such a fact to be known an unspecified or large number of people.

12. Unjustifiable use of a trademark by an agent, etc. (Article 2 (1) (xv))

The act of agent or, representative, or a person who, within one year of the date of such act, was an agent or representative of an owner of a right relating to a trademark (such right shall be limited herein to a right equivalent to a trademark right and hereinafter referred to simply as a “right”) in a state party to the Paris Convention (used herein as defined in Article 4, paragraph 1, item 2 of the Trademark Law (Law No. 127 of 1959)) or a member country of the World Trade Organization, without justifiable reason and without the consent of the owner of such right, using a trademark which “is identical with or similar to the trademark relating to which the right relates in respect of goods or service identical with or similar to those to which such right relates, or the act of selling, distributing, displaying for the purpose of selling or distributing, exporting, importing or offering through telecommunication lines, goods using such trademark which is identical with or similar to the goods to which the right relates, or offering a service, using such trademark, which is identical with or similar to the service to which such right relates.

(1) Aim

This item is a provision corresponding to Article 6 septies (2) of the Paris Convention, and aims to strengthen, internationally, the protection of rights granted to trademark owners.

(2) Contents

Any person with trademark rights in a state party to the Paris Convention is entitled to request an injunction against unjustifiable use of that trademark by an agent or representative (including persons who were an agent or representative within one year of the date of the act), even if the owner does not possess the

trademark in Japan.

### 13. Sanctions of violation

#### (1) Outline

In case of a violation of the Unfair Competition Prevention Law, the following sanctions will be applied:

(i) the right to request an injunction against an illegal act (Article 3 (1)), as well as the right to claim the destruction/elimination of the objects which constitute the act of infringement, or the suspension or prevention of any other infringement (Article 3 (2))
(ii) claims for damages (Article 4)
(iii) presumption of amount of damages (Article 5)
(iv) burden to clearly indicate a specific mode (Article 6bis)
(v) order of submission of documents (Article 7)
(vi) acquisition of professional opinion to compute the amount of damages (Article 8bis)
(vii) finding of reasonable amount of damages (Article 9ter)
(viii) protective order, etc. (Articles 10 through 13)
(ix) measures to restore a business reputation (Article 14)
(x) criminal punishment: imprisonment for a term not exceeding five years or a fine in an amount not exceeding ¥5,000,000. In the case of a juridical person, a fine in amount not exceeding ¥300,000,000 (in certain cases the fine is not to exceed ¥100,000,000) (Articles 21 and 22)

#### (2) Right to claim an injunction (relating to Article 3)

A person whose business interests are infringed upon or are likely to be infringed upon by unfair competition, is entitled to request an injunction preventing or suspending such infringement against the person who through unfair competition is infringing on such business interests or is likely to do so (Article 3 (1)).

Moreover, a person whose business interests are infringed upon or are likely to be infringed upon by unfair competition, is entitled to request the destruction of the objects which constitute the act of infringement (including objects created through the act of infringement) or any other acts necessary to prevent or suspend the action (Article 3 (2)).

(3) Claim for damages (Articles 4) and presumption of amount of damages (Article 5)

A person who intentionally or negligently infringes on the business interests of another party through competition, shall be liable to compensate for damages which result thereof; provided however, that this shall not apply to damages which arise from use of a trade secret after the rights described in Article 8 below are extinguished in accordance with that said Article (Article 4).

Moreover, Article 5 provides for estimating the amount of damages.

The amount of damage the victim has incurred is based on the quantity of the articles sold or transferred (hereinafter referred multiplied by the amount of profit per unit of the articles.

(4) Burden to Clearly Indicate Specific Mode (Article 6)

In an action relating to damage caused to business interest by an act of unfair competition, if the party alleging that its business interest is or is likely to be damaged does not identify the specific mode of goods or process allegedly

constituting the act of infringement, the other party shall bear the burden of clarifying the specific mode unless there are reasonable grounds for not doing so.

(5) Submission of documents (Article 7)

In an action related to infringement of business interests through unfair competition, the court may order, in response to an application of a party to the action, the other party to submit the any document necessary to calculate the amount of damages caused by the said infringement; provided however, that this does not apply in the case where the person who holds such a document refuses to submit it having a justifiable reason for so refusing.

(6) Acquisition of professional opinion to compute the amount of damages (Article 8) and finding of reasonable amount of damages (Article 9)

At the request of either party, the Court may order acquisition of a professional opinion to compute the amount of damages (Article 6bis). If, though the existence of damage is clear, it is very difficult to determine the amount of damages due to the nature of the case, the Court may find a reasonable amount of damages based on the entirety of oral arguments and the examination of evidence (Article 9).

(7) Measures to restore a business reputation (Article 14)

The court may order a parson who intentionally or negligently has committed an unfair competition and thereby injured the business reputation of another person to take those measures necessary to restore the business reputation of that person in lieu of compensation for damages or in addition to such damages, upon the request of the person whose business reputation was so indured.

(8) Penal provisions (Articles 21 and Article 22)

- 1) Article 21 provides for penal provisions against acts of infringement on the Unfair Competition Prevention Law. Article 21(1) provides criminal penalties for infringement of trade secrets, which are imprisonment of not more than 10 years, a fine of not more than 10 million yen, or both. There must be a formal accusation made of trade secret infringement for prosecution to be instituted (Article 21(3)). Article 21(2) provides that criminal penalties for conduct other than trade secret infringement are imprisonment of not more than 5 years, a fine of not more than 5 million yen, or both.

Article 1 (1)	The act of illegally acquiring a trade secret and using or disclosing it for the purpose of unfair competition.
Article 1 (2)	The act of acquiring a trade secret through fraud or violation of control obligations, acquiring a medium containing a trade secret under the control of a holder, or reproducing a medium containing a trade secret for the purpose of use or disclosure.
Article 1 (3)	The act of using or disclosing a trade secret for the purpose of unfair competition by a person to whom the trade secret is disclosed by the holder, through an act of fraud, infringement of control management, embezzlement, violation of control obligations, or reproduction of a medium containing the trade secret under the control of the holder.
Article 1 (4)	The act of using or disclosing a trade secret for the purpose of unfair competition by an officer or employee of the trade secret holder in breach of duty.

Article 1 (5)	The act of using or disclosing a trade secret for the purpose of unfair competition by an officer or employee to whom the trade secret has been disclosed by the holder, who offers or receives a request to use or disclose the trade secret in breach of duty to keep safe custody of the trade secret while in office, or after leaving the job.
Article 1 (6)	The act of using or disclosing a trade secret acquired by disclosure which is an offense prescribed in item 1 or items 3 to 5 above.
Article 2 (1)	The act of creating confusion or the act of misrepresentation (Article 2(1)(i) & (xiii)).
Article 2 (2)	The act of committing any act of unfair competition listed in Article 2(1)(ii) for a purpose of acquiring an illicit gain through the use of reputation or fame pertaining to another person's famous indication of goods or business or for injuring said reputation or fame.
Article 2 (3)	The act of transferring copies or imitations of another person's goods for the purpose of unfair profit (Article 2(1)(iii)).
Article 2 (4)	The act of using false indications to misrepresent a product, the quality, or the contents (except for a person prescribed in item (i) of this Article).
Article 2 (5)	The act of violating a protective order of the court.
Article 2 (6)	The act of doing business using the mark of a foreign flag (Articles 16 & 17), and the act of bribing a foreign civil servant (Article 18).

## 2 Scope of applicable location

As a general rule, criminal punishment described in Article 21 applies to those who



commit crimes in Japan. However, criminal punishment for trade secret infringement as prescribed in Article 21(1)(i) & (iii) through (vi) shall also apply to a person who, outside Japan, uses or discloses a trade secret that had been kept within Japan at the time of the act of fraud or other, or the act violating control obligations, or at the time the trade secret was disclosed by its holder (Article 21(4)). A person who violates protective order (Article 21(2)(v)) outside Japan shall also be subject to criminal punishment (Article 21(5)). Furthermore, Japanese citizens that bribe foreign civil servants outside of Japan are subject to criminal punishment (Article 21(6), Article 3 of the Civil Code).

### 3) Mutual responsibility of juridical person

Article 22 establishes mutual responsibility of juridical person.

When a representative of a juridical person, or an agent, employee or any other of a juridical person or an individual has committed a violation prescribed in any of the provisions preceding Article with regard to the business of said juridical person or said individual, not only the offender, but also said juridical person shall be punished by a fine of not more than three hundred million yen.

### 14. Negative Prescription concerning unfair acts related to trade secrets (Article 15)

Pursuant to the provisions of Article 3 (1), the right to request an injunction to suspend or prevent an infringement caused by commission, using a trade secret, of the acts described in Article 2 (1) (iv) to (ix)) shall be extinguished by prescription in the case where the person who commits such act continues it and the holder whose business interests have been infringed or are likely to be infringed by such

act does not exercise such right within three years from the time that such holder becomes aware of such facts and of the person committing such act. The same extinguishment shall apply, in any event, when ten years have elapsed from the time of commencement of such act.

This provision has been introduced to stabilize the legal relationship as early as possible, in view of the fact that an injunction requested greatly affects the alleged wrongful party. “Three years” is the time frame for expiration and “ten years” marks the exclusion period.

15. Prohibiting commercial use of a state emblem of a foreign state and a mark of an international organization (Articles 16 and Article 17)

Article 16 prohibits the commercial use of national flag, coat of arms, etc. of foreign states. This has been introduced to implement the provisions of Article 6 of the Paris Convention. Article 17 prohibits the use of any mark of an international organization (an international organization of governments or any organization proportionate thereto) in a manner which is likely to mislead others as to the relationship without prior permission.

16. Prohibition of unjustifiable benefits offered to foreign public officials (Article 18)

Article 18 was prepared to enact the “Convention on Combating Bribery to Foreign Public Officials in International Business Transactions” domestically, which criminalizes offering benefits, requesting benefits and promising of benefits to foreign public officials, etc. in order to acquire unfair interests commercially. That is to say, nobody is allowed to offer, request, and/or promise benefits to

foreign public officials in Japan for the purpose of having that official perform a specific official act. A penalty is enforced for violations thereof.

17. Exceptional provisions, etc. (Article 19)

(1) Exceptional provisions (1)

Article 19(1) provides for cases where the right to request an injunction or penal provisions are not applicable, even though the act concerned falls, as a matter of form, under unfair competition described in Article 2 (1).

The following are categories of exceptions:

(i) a case where a common name, or an indication that is commonly used, for goods or service is used (1)(i)
(ii) a case where one's own personal name is used for no unfair purpose (1)(ii)
(iii) a case of prior use from before the other goods or service concerned became well known (1)(iii)
(iv) a case of prior use from before the other goods or service concerned became famous (1)(iv)
(v) a case of the transfer of imitated or copied goods for which three years have elapsed from the date they were first sold in Japan, or where a person who has acquired imitation goods in good faith assigns, etc. such goods (1)(v)
(vi) a case where a person who has acquired a trade secret in good faith uses it (1)(vi)
(vii) use thereof for the purpose of examination and research of technical restriction means (1)(vii)

(2) Request for use of an indication to prevent confusion (2)

Taking into account the disadvantages to a person who has to accept, under the exemptive provisions provided for in (1), the use, etc. by another person of

one's own personal name for no unfair purpose, or the use by another person of an indication identical with or similar to one's own goods which has continued from a time before the one's own goods became well-known among consumers, such disadvantaged party is entitled to request against the user of the indication concerned that an appropriate indication be used to prevent confusion.

## Chapter 3 Practical Matters

### 1. Famous brands and famous indications

The Unfair Competition Prevention Law prohibits an indication from getting a free ride from a famous brand. Such an act is called unjustifiable act of another person's "famous" indication (Article 2 (1) (ii)).

To be "famous," it is not sufficient to be known within a region, but it is necessary to be widely known nationwide. For example, the name or mark of a well-known group of enterprises, the name of goods appearing frequently in TV commercials nationwide broadcasting, and a brand that is well-known worldwide are "famous."

Copying such "famous brands" is imitation, even if the act is committed in a different type of business or trade. An example of unjustifiably using another person's famous indication is the case of using Porsche, an indication of automobiles, for sunglasses.

### 2. A well-known indication and its geographical scope

The Unfair Competition Prevention Law not only prohibits unjustifiable use of another person's famous indication, but also restricts any indication that causes confusion with a "well-known" indication, even if the latter is not so well-known as to be "famous." That is to say, Article 2 (1) (i) prohibits an act that causes confusion with another person's goods or other indication that are "well-known among consumers." An item familiar to or well-known among consumers has the quality of being "well-known".

A well-known indication, unlike a famous indication, does not have to be known

nationwide; it is sufficient for it to be known within a region. The scope of a region differs depending on the type of business and type of transaction, and is determined on a case-by-case basis. To give examples, there are regions such as the “Chubu Region” and “Yokohama City and the vicinity of the head office.”

### 3. Confusion with a well-known indication

Article 2 (1) (i) of the Unfair Competition Prevention Law identifies “confusion” with a well-known indication as a requirement for another person’s well-known goods or other indications to be protected. The word “confusion” has both narrow and broad senses. When reference is made to confusion with a well-known indication, the word includes both senses. Confusion in the narrow sense signifies that there is a possibility of misleading one into believing that the goods or service comes from the same source or that the business entity is the same. However, the word in the broad sense signifies that there is a possibility of misleading one into believing that there exist some elements of a business relationship or capital affiliation between the well-known indication of the authentic goods and the indication of the imitation goods.

### 4. Meaning of goods or other indications

Article 2 (1) sets requirements for “a goods or other indications,” these requirements applicable in common to well-known indications (i), famous indications (ii), and imitations of a configuration of goods (iii).

In other words, the restriction applies to any acts causing confusion with another person’s well-known goods or indications or any acts unjustifiably using another person’s famous goods or other indications. The term “goods or other indication”

means an indication of the goods or business used in connection with the person's business, a broad concept including the name of a company, name of goods, name of service, logo, container or package of goods, catch phrase, theme music, and other items given in Article 2 (1) (i). Examples of goods or other indications, according to judicial precedents, are: the logoname of a group of enterprises as seen in the triple-diamond mark of the Mitsubishi group, the name of a franchise chain, and the symbol mark of an American football team.

#### 5. Judgement of similarity

The prohibition applies not only to the use of goods or other indications identical to those well-known or famous, but also to the use of goods or indications similar to another's. Here, "identical" means completely the same, where "similar" can be defined as resembling without being identical. Judgement of similarity is made by 1) isolating essential parts and (2) comparing appearances, pronunciations, and concepts.

Cases where similarity was recognized include "DISNEY" and "DESNEY" (similarity in pronunciation) and "Manpower" and "Womanpower" (similarity in concept).

#### 6. May another's unregistered trademark be used?

Even in the case of a trademark not yet registered due to the fact that the application is still under consideration, restrictions are enforced under the Unfair Competition Prevention Law to prevent unjustifiable use of goods or indications that may be confused with another's. The same applies for designs or devices related to the Design Law or Utility Model Law. It takes time for a trademark to

be filed, examined, and registered by the Patent Office. During this time, applications may be protected by the Unfair Competition Prevention Law.

#### 7. Trade names and the Unfair Competition Prevention Law

Trade names are used by merchants as self-indications, such as names of companies. A trade name is protected under Article 2 (1) (i) and (ii) of the Unfair Competition Prevention Law as a kind of goods or indication. Furthermore, it is provided in Article 8 of the Companies Act that no person may use, with a wrongful purpose, any name or trade name which makes it likely that the person may be mistaken for the other Company, and because of unauthorized use an injunction suspending or preventing the infringement against the person who infringes, or is likely to infringe, those enterprise interests may be sought.

#### 8. Treatment of the place of origin

As in the case of coffee from Brazil or apples from Aomori, places of origin are sometimes indicated in the names of goods. The Unfair Competition Prevention Law places certain restrictions to prevent false indications of a product's origin in its name, advertising, or documentation, and any act misleading as to the place of origin (Article 2 (1) (xii)). The place of origin means the place (country, region, or specific place) where the goods concerned were produced, manufactured, or processed.

Recently, as international transactions have increased, production, processing, etc. tends to extend to more than one country. For example, wool produced in Australia, spun in China, and sewn in Japan into men's suits. In such cases, the manufacturing or processing location where a substantial transformation is made



giving the product recognizable characteristics is considered the place of origin.

#### 9. Misleading Indications of goods or service

Under the Unfair Competition Prevention Law, restrictions are placed on all indications that may be misleading in respect to place of origin as well as quality, contents, etc. of goods or service. These are called “Misleading Acts” (Article 2 (1) (xiii)). In the past, only goods were subject to restrictions, but in 1994 services were added in an amendment.

Acts causing misleading (Article 2 (1) (xiii))

	Goods	Service
Object of design	(1) Goods (2) Advertisement of goods (3) Documents or correspondence used for a transaction	(1) Service (2) Advertisement of service (3) Documents or correspondence used for a transaction
Matters that are objects of misleading	(1) Place of origin (2) Quality (3) Contents (4) Manufacturing method (5) Use (6) Quantity	(1) Quality (2) Contents (3) Use (4) Quantity
Acts restricted	(1) Act of indication that causes misleading (2) Act of selling, distributing, displaying, exporting, or importing goods with an indication	(1) Act of indication that causes misleading (2) Act of offering a service with an indication causing misleading

#### 10. Related restrictions on unfair indications

Article 2 (1) (xiii) of the Unfair Competition Prevention Law restricts acts that

cause misleading. In connection with this, various legal restrictions are imposed on unfair indications.

(1) The Antimonopoly Act and Premiums and Representations Act

(i) Article 2 (9) of the Antimonopoly Act (“Act Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade”) designates those acts likely to hinder fair competition which are designated by the Fair Trade Commission unfair methods of trade, giving as one example “deceptive customer inducement”.

(ii) Premiums and Representations Act (“Act against Unjustifiable Premiums and Misleading Representations”) is a special law of the Antimonopoly Act. It prohibits indications that mislead one into believing that the contents of goods or a service are substantially better than they actually are. A cease and desist order, and other measures to be taken by the Fair Trade Commission are provided for against violation of the prohibition.

(2) Administrative laws in specific fields

There are a variety of restrictions on indications, such as: restrictions on indications for goods (Household Goods Quality Labeling Law, Industrial Standardization Law, etc.); restrictions on indications for service businesses (Medical Service Law, Travel Business Law, etc.); and restrictions on forms of conducting business (Installment Sales Law, Law Concerning Door-to-Door Sales, etc.).

(3) Local ordinances and self-regulations

There are also consumer protection ordinances enacted by respective local offices and self-regulations adopted by business associations to stop unfair indications.

## 11. Decoy advertisement

Decoy advertisement refers to luring customers through advertisements such as: (1) for goods that cannot be sold (goods for which there is no stock, etc.); (2) for goods which one has no intention of selling (in case where the goods one does not intend to sell are advertised together with other goods); and (3) which do not specify the quantity to be sold, quality, or contents, even when such conditions are fixed in reality (advertisements which do not indicate the quantity to be sold, etc. in spite of the fact that such are limited, etc.).

Decoy advertisements are restricted under the Premiums and Representations Act and the notification based on the Act (“Indication related to decoy advertisement” based on Article 4 (3) of the Premiums and Representations Act, Notification No. 17 of the Fair Trade Commission of April 28, 1993). Moreover, if the act concerned is also misleading as to the quantity of goods (Article 2 (1) (xiii)), the Unfair Competition Prevention Law applies.

## 12. Comparative advertising

Comparative advertising is an advertising means emphasizing the differences between one’s and a competitor’s goods in order to increase sales. Comparative advertising permissible when its contents are: ((1) objective, (2) precise, and (3) fair) are provided for in the “Approach to Advertising under the Premiums and Representations Act” (Notification of the Fair Trade Commission of April 21, 1987). Moreover, there are may be cases that fall under the definition of acts misleading as to the contents, etc. (Article 2 (1) (xiii)) or acts injurious to business reputation (Article 2 (1) (xiv)) under the Unfair Competition Prevention Law.

### 13. Treatment of foreign national flags and marks of international organizations

A foreign national flag or a mark representing an international organization cannot be used freely since there is a possibility of injuring the dignity or reputation of the party concerned. The Unfair Competition Prevention Law stipulates that to use a mark designated by an ordinance of the Ministry of Economy, Trade and Industry, approval of such use must be obtained from the proper authorities. Such designated marks include not only national flags but also such marks as “NASA” and the five-ring mark of the Olympic Games. These designations recognized by the Ministry of Economy, Trade and Industry (Ordinance No. 36 of 1994 of the Ministry of Economy, Trade and Industry) are found in the Official Gazette and also available for public inspection at the National Center for Industrial Property Information and Training (Notification No. 304 of 1994 of the Ministry of Economy Trade and Industry).

### 14. Imitation of the configuration of another person’s goods

Article 2 (1) (iii) of the Unfair Competition Prevention Law prohibits selling or otherwise using goods which imitate the configuration of another person’s; that is, an act also known as slavish imitation. Slavish imitation is treated unfair competition since involves offering to the market goods which completely imitate the work of another person, getting a free ride, and competing unfairly with the predecessor.

To prove slavish imitation, one must show:

- (1) that the goods concerned imitate another person’s goods; there are two additional requirements for this;

- (a) that the imitation is complete (substantial identicalness between the authentic goods and the imitation goods is necessary);
- (b) that the person who imitated had access to the original (therefore, a case of original development does not meet this requirement);
- (2) that three years have not yet elapsed from the first date of sale of the authentic goods; this provision takes into account the standard life cycle of goods;
- (3) that the goods concerned imitate a part other than function or utility necessarily contained in such goods generally (excluding a configuration which is essential in guaranteeing functionality of appropriate goods); and
- (4) that the imitation goods are offered to the market (selling, distributing, displaying for the purpose of selling or distributing, exporting, and/or importing).

Acts of imitating the configuration of goods (slavish imitation)

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| <ul style="list-style-type: none"><li>(1) Goods that imitate the configuration of another person's goods</li><li>(2) Within three years of the first date of selling</li><li>(3) Excluding a configuration which is essential in guaranteeing functionality of appropriate goods</li><li>(4) Act of selling, distributing, displaying for the purpose of assigning or distributing, exporting or importing</li></ul> |
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15. Imitation of an idea or a concept

The imitation of an idea or a concept is not considered slavish imitation. This is because slavish imitation, as prohibited under the Unfair Competition Prevention Law, refers to imitations of the configuration of “goods,” where “goods” are only tangible objects distributed on the market. Therefore, an intangible object such as

an idea, a concept, a function, or service does not by itself constitute slavish imitation.

#### 16. Slavish imitation and copyright

Objects with a high degree of originality, such as Hakata dolls, are protected under the Copyright Law as works of artistic craftsmanship, even if they are mass-produced. The act of imitating another person’s authentic creative work and selling the imitations constitutes an infringement on copyright, as well as acts of slavish imitation. In this case, therefore, the Copyright Law and the Unfair Competition Prevention Law are applied concurrently.

	Copyright Law	Unfair Competition Prevention Law
Points in common	Unjustifiable use of another person’s work	
Points in difference	(1) Creative expressions falling within the literary, scientific, artistic or musical domains (2) 50 years after the death of the author, etc. (3) Aiming at cultural development	(1) Not limited to the domains mentioned on the left (2) Within three years of the first date of selling (slavish imitation) (3) Aiming at economic development

#### 17. Techniques for reproduction control and access management techniques

In offering the contents, technology that controls copy and access using information technology in order to collect payment for copying, and viewing and listening of the contents is applied. For example, reproduction control, that restricts copying through signals attached to SCMS, etc. or the access control that prevents

the use of ciphered contents by CSS, etc. without a certain device or process. Article 2 (1) codes (xi) and (xii) of the Unfair Competition Prevention Law restrict acts of invalidating the above control technology.

For example, game software reproduced on an ordinary CD-ROMs is often impossible to load on machines due to preventative technology. In addition, the sale of computer chips to bypass the above function is restricted. As to pay satellite broadcasting that encodes contents, the sale of devices enabling people to view without subscribing to services is also restricted.

#### 18. Criminal Protection of Trade Secret

Technical data which has not yet been subject to a patent application, in addition to production know-how, sales manuals and customer information are all sources of competitiveness for businesses, and as such are kept as trade secrets. However, as competition intensifies on a global basis and information technology develops, there are growing concerns over damage to competitiveness due to trade secret leaks. Thus, the Unfair Competition Prevention Law provides criminal penalties against trade secret infringement.

There are mainly two types of acts constituting trade secret infringement. The first type is acts of acquiring, using or disclosing trade secrets for the purpose of unfair competition in violation of the owner's maintenance through fraud, assault, threats or other unlawful means. Acts misappropriating trade secrets originally obtained in a lawful manner fall within this category. The second type is acts by officers or employees of a company to use or disclose to the outside trade secrets for the purpose of unfair competition. While a former employee will not fall within this category, an act of unlawfully taking a trade secret to one's own place

will be deemed as falling within the first category and become subject to penalty.

In either case, it is required that this act be done for the purpose of unfair competition and a reasonable whistle-blowing will not become subject to criminal penalty.

In addition, both cases need to be charged by the person directly alleging damages. Furthermore, application of the provisions will not prevent application of Criminal Law.



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