

6 Study on the Desirable Form of the Unfair Competition Prevention Law for Protecting Intellectual Property in a New Era

About ten years have passed since the full revision of the Unfair Competition Prevention Law in 1993. Since the economic and industrial structures have dramatically changed over this period, it has become necessary to review from wide perspectives whether or not the law is still adequately functioning as an impartial competition rule among companies. In addition, there has been a demand for collecting reference information on specific cases with regard to acts of unfair competition related to domain names, which came to be covered by the law with the 2001 amendment.

In light of such circumstances, this study has extracted diverse problems concerning the Unfair Competition Prevention Law that are specific to the present day and examined the desirable form of the law for the future; particularly, how trade secrets should be protected seeing that stronger protection would be sought for them in the future. Furthermore, specific cases disputing domain names were summarized into a collection and widely published as guidelines for future dispute settlement.

I Study on the Desirable Form of the Unfair Competition Prevention Law for Protecting Intellectual Property in a New Era

1 Review of the concept provision of the Unfair Competition Prevention Law to match an era of information technology

The development of information technology has given rise to the emergence of new modes of commercial distribution and advertising that utilize digital networks. This raises a question of whether or not the Unfair Competition Prevention Law is adequately corresponding to such progress of information technology. For example, an illicit use of an indication, such as an act of causing confusion with another person's goods or business (Article 2(1)(i) of the law) or a misuse of a famous indication (Article 2(1)(ii) of the law), should be regulated even when such an act of infringement is committed through a digital network, but this point is not quite clear in the text of the law. Thus, this study has examined these matters as below.

(1) Whether or not Intangible Goods, such as a Program that is not Stored onto a Medium, Fall under "Goods"

The Unfair Competition Prevention Law lacks a definition provision on the concept of "goods." Therefore, whether or not intangible goods, such as a program that is not stored onto a medium, fall under "goods" must be reviewed from the standpoint of establishing and maintaining order of fair trade (i.e., the purpose of the law) based on the actual conditions of the trade. In a modern society with developed information technology, it is common knowledge that intangible goods can be independently traded and that fair order must also

be secured for such trade. With regard to the concept of "goods," it should be examined whether or not a definition provision should be established in the Unfair Competition Prevention Law so as to cover intangible goods, such as a program that is not stored onto a medium.

(2) Whether or not Use of such an Indication as a Trademark on the Screen of a Personal Computer or Mobile Phone Falls under "Use"

Unlike the Trademark Law, the "use" of an indication under the Unfair Competition Prevention Law is not provided on the premise of the attachment of the indication to tangible goods, and the modes and the nature of use are not particularly restricted. Moreover, the court decisions related to domain names (the Toyama District Court decision of December 6, 2000; the Tokyo District Court decision of April 24 of 2001) have found outright that the use of a trademark on a website falls under "use" under the Unfair Competition Prevention Law, and these court decisions have been supported by scholars as well. Accordingly, it is appropriate to interpret that the use of such an indication as a trademark on the screen of a personal computer or mobile phone also falls under "use" under the current Unfair Competition Prevention Law, and there is little need to amend the law with regard to the concept of "use."

(3) Whether or not an Act of Providing such Intangible Goods as a Program via Telecommunications Lines Falls under a "Transfer" or "Delivery" of "Goods"

It is not quite clear whether or not an act of providing such intangible goods as a program via telecommunication lines falls under "transfer," so the law should preferably be amended from the

viewpoint of clarifying the regulations. The need for the law amendment and the wording to be applied to the amendment should be considered based on the actual conditions of the progress of information technology and the new modes of acts of unfair competition deriving from it.

2 Correspondence to New Modes of Use of Marks on the Internet

This section examines the problem of how meta-tags and keyword banner ads, which are new modes of the use of marks on the Internet, should be treated under the Trademark Law and the Unfair Competition Prevention Law by referring to court decisions and academic theories of the United States and Japan. As a result, there seems to be little urgency for amending the Unfair Competition Prevention Law at least at the present stage, considering the current states of the use of meta-tags in Japan.

(1) Meta-tags

Today, there is an argument over whether or not the act of using the names and trademarks of rival companies as meta-tags constitutes an act of trademark infringement or unfair competition. U.S. court decisions on this issue include *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) in which infringement was found and *Playboy Enterprises, Inc. v. Wells*, 279 F.3d 796, 2002 U.S.App. LEXIS 1561 (9th Cir. 2002) in which infringement was denied.

The main controversial points regarding meta-tags are the issue of visibility, indication of origin, and initial interest confusion. Visibility is a requirement for “use of a mark” under the Japanese Trademark Law. However, it is fundamentally difficult to determine the visibility of a meta-tag so, with regard to such new modes of use, it would be more appropriate to directly determine whether or not the mark causes confusion of origin.

The concept of “indication of origin” is interpreted to be similarly applicable to both the Trademark Law and the Unfair Competition Prevention Law. If a meta-tag identical or similar to another person’s registered trademark functions as an indication of origin and is used for goods (services) identical or similar to the designated goods (services), the use would constitute trademark infringement.

The initial interest confusion is a confusion that provokes the initial interest of the consumer. It is found to be an act of infringement even if the confusion did not result in the actual sale of the goods (services). Aside from whether or not the concept of “initial interest confusion” should be included in the Trademark Law and Article 2(1)(i) of the Unfair Competition Prevention Law of Japan, it would be better to prohibit such confusion in the

case of meta-tags.

(2) Keyword Banner Ads

A banner ad is an ad displayed on a part of a web page. One kind of such banner ad is a keyword banner ad, which is displayed when a search engine user performs a keyword search that includes a word for which the advertiser has obtained the advertising right. The problem of using the name or trademark of a company as the keyword for a keyword banner ad should be recognized under the Trademark Law and the Unfair Competition Prevention Law. Although the user cannot see the process by which the banner ad is displayed in correspondence to the keyword (as is the case with meta-tags), the banner ad should not be immediately excluded from “use of indication of a trademark or a product” due only to lack of visibility. It would be adequate to examine whether the keyword functions as an indication of origin in respect to the banner ad.

3 Correspondence to the WIPO (World Intellectual Property Organization) Rule Concerning the Protection of Marks on the Internet

This section introduces the outline of the Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (the provisions included therein shall be hereafter referred to as the “WIPO Rules”) adopted by the Assembly of the Paris Union and the General Assembly of WIPO in October of last year. Further, this section analyzes the potential problems related to the Japanese Unfair Competition Prevention Law that could occur when implementing the WIPO Rules in Japan.

(1) Distinctive Features of the WIPO Rules

The WIPO Rules were created as the standard to be used by countries when applying their national trademark law or unfair competition prevention law to the use of marks on the Internet. The WIPO Rules can be roughly divided into provisions on three general principles. First is that the use of a mark on the Internet should be treated as “use” under the national law on marks only when it has a “commercial effect” in that country. Second is the requirements for the user of a mark on the Internet to be exempted from liability. Third is certain limitations on the remedies to be provided for cases where the commercial effect were found and the use was found to be an act of infringement.

(2) Result of Analysis

The provisions in the WIPO Rules concerning the use of marks on the Internet do not necessarily coincide in full with the conclusions derived under the Japanese Unfair Competition Prevention Law. Therefore, if they were to be imported into national law, some legislative steps would be required. At

least, Articles 13 to 15, which relate to injunctions, would have to be stipulated as special provisions of Article 3 of the Unfair Competition Prevention Law. Meanwhile, Articles 9 to 12, which relate to exemption of the user of the mark from liability, cannot be derived from the current Japanese law either, but no measure is required because they would fundamentally be inapplicable as far as the Unfair Competition Prevention Law is concerned. Another conceivable option would be to import the whole of WIPO Rules as a national law in order to concretize the legal relations concerning the Internet.

4 Review of the Provisions Concerning Compensation for Damages under the Unfair Competition Prevention Law

It has been pointed out that in law cases under the Unfair Competition Prevention Law it is difficult to prove the act of infringement or the amount of damages, and it takes time to resolve the cases. Therefore, this section discusses whether or not the Unfair Competition Prevention Law should be amended in such a manner to facilitate the plaintiff to prove such matters to follow the amendments of other intellectual property laws in recent years.

(1) Facilitating Proof of the Act of Infringement

- (i) Establishment of a provision on obligation to clarify the relevant act in a concrete manner

Introduction of a provision on obligation to clarify the relevant act in a concrete manner is needed to a certain extent but, at the same time, it is likely to give rise to vexatious actions in cases related to trade secrets. Therefore, if the provision were introduced, some kind of consideration would be required for keeping the defendant's secrets confidential. A possible measure is to adopt a system of not imposing the obligation to clarify the relevant act in a concrete manner when there is an "adequate reason" or a system to make the defendant clarify the relevant act in a concrete manner while prohibiting the plaintiff to use the disclosed information in an unfair manner (e.g., by establishing penal provisions).

- (ii) Broadening of the scope of documents subject to the order to produce documents

Broadening of the scope of documents subject to the order to produce documents should be considered along with the introduction of in camera proceedings. However, sufficient consideration must continue to be made on how the trade secrets of the party producing the documents should be protected. The following specific opinions have been given on strengthening the protection of trade secrets:

- ① while ordering the production of a wide scope of documents, it is necessary to concretize the

scope of documents that do not have to be produced, following the practice of the litigation system in the United States;

- ② there should be some way to restrict access to produced documents that include trade secrets; and
③ on the premise of restricting the scope of persons who can access the documents, measures should be taken to punish those who have access when they unfairly leak the information.

(2) Facilitating Proof of the Amount of Damages

- (i) Establishment of a provision on facilitating proof of lost profits

If a provision on facilitating proof of lost profits were to be introduced in the Unfair Competition Prevention Law, there would be a question of whether or not it should be established as a comprehensive provision, similar to Article 5(1) of the Unfair Competition Prevention Law. Nevertheless, the formula for calculating damages is not always applicable to some types of acts under the Unfair Competition Prevention Law, such as an act of unfair acquisition/disclosure of trade secrets (Article 2(1)(iv) to (ix)), an act of unfair acquisition of domain names (Article 2(1)(xii)), an act of misleading the public about the quality of goods or business (Article 2(1)(xiii)), and an act of tarnish (Article 2(1)(xiv)). Accordingly, whether or not the provision is applicable should be examined for each type of act when introducing the provision under the Unfair Competition Prevention Law.

- (ii) Deletion of "ordinarily" from the presumptive provision for the amount equivalent to the license fee

The reason for deleting the word "ordinarily" from Section 102(3) of the Patent Law with the 1998 amendment was to rectify a situation where the amount of license fee to be paid based on an advance licensing agreement and the amount of damages to be claimed ex post against an act of patent infringement, which is an amount equivalent to the license fee, are the same, which had made it more advantageous for people to infringe the patent than to conclude a licensing agreement. In light of such reason for the amendment, it would be necessary to also amend the Unfair Competition Prevention Law in the same manner.

- (iii) Establishment of a presumptive provision for the amount of damages in the case where damage is difficult to prove

Section 105^{ter} of the Patent Law provides as a special provision of Article 248 of the Code of Civil Procedure that the court may award damages when it is difficult to prove damages "from the nature of the relevant facts." This provision should also be positively introduced under the Unfair Competition Prevention Law in order to speed up the legal proceedings. Of the types of acts specific to the Unfair Competition Prevention Law, this provision would be effective for the cases of an act

of misleading the public about the goods or business (Article 2(1)(i)), an act of misusing famous indications (Article 2(1)(ii)), an act of unfair acquisition of domain names (Article 2(1)(xii)) and an act of tarnishment (Article 2(1)(xiv)).

(iv) Whether or not to establish an expert opinion system for proof of damages

Assessment of damages could be just as complicated and difficult in cases under the Unfair Competition Prevention Law. In such cases, it would be helpful for a speedy remedy of the injured party to have an expert assess the damages in cooperation with the party. Therefore, an expert opinion system like the ones already adopted under industrial property law or copyright law should be positively introduced under the Unfair Competition Prevention Law.

5 Scope of Persons Having the Right to Claim

In Japan, consumers were given the right to seek an injunction for an unfair method of dealings with the 2000 amendment of the Anti-Monopoly Law. In light of this, this section studies whether or not the right to claim should also be given to consumers under the Unfair Competition Prevention Law and whether or not trade associations should be given the eligibility to become a party in a suit under the Unfair Competition Prevention Law from the viewpoint of establishing a user-friendly litigation system for small and medium enterprises (SMEs) in particular.

(1) Relationship with the System of Seeking an Injunction under the Anti-Monopoly Law

Of the acts of unfair competition listed in Article 2(1) of the Unfair Competition Prevention Law, an act of misleading the public about the quality of the goods or business falls under General Designation Item 8 “an act of deceptively inducing customers of a competitor to deal with oneself” in Article 2(9)(iii) of the Anti-Monopoly Law. Therefore, the right to seek an injunction is recognized for consumers. “An act of misleading the public about the goods or business” in Article 2(1)(i) of the Unfair Competition Law and “an act of using a famous indication” in Article 2(1)(ii) of the law are also considered to fall under General Designation Item 8 “an act of deceptively inducing customers of a competitor to deal with oneself.”

With the enactment of the Consumer Contracts Law in 2001 and amendment of the Door-to-Door Sales and Other Direct Sales Law, the scope of consumers’ rights to claim concerning unfair trading has already been expanded. Therefore, it is not necessarily a requisite to give consumers the right to seek an injunction under the Unfair Competition Prevention Law at the present stage.

(2) Necessity in Granting Trade Associations the Eligibility to Become a Party in a Suit

It has been pointed out that many operators (SMEs, in particular) do not have enough time and funds to file a lawsuit themselves when their business profits have been infringed by an act of unfair competition, and they cannot expect to resolve the case through litigation. A possible remedy would be to give trade associations the eligibility to become a party in a suit under the Unfair Competition Prevention Law in order to facilitate an operator whose business profits have been infringed to recover its lost profits through legal proceedings.

As a result of the study, it has been found that although there is a need to grant trade associations the eligibility to become a party in a suit in the form of a representative suit by conventional agency (establishment of a system in which individual operators grant their right of action to their respective trade associations, and the trade associations obtain the eligibility to become a party by authorization), there are still many problems that need to be examined in this respect.

6 The Desirable Style of Specifying the Acts Subject to Regulation

The Japanese Unfair Competition Prevention Law specifies the acts subject to regulation by listing the individual, specific acts. This restrictive listing style has been criticized for not being able to sufficiently deal with the diverse acts of unfair competition. Accordingly, this section analyzes whether or not a stipulation like a general provision should be introduced in the law to that end.

(1) Past Course of Amendments of the Unfair Competition Prevention Law

The current Unfair Competition Prevention Law has been fully revised in 1993. With that revision, new types of unfair competition have been added to the law. Combined with the types of unfair competition related to trade secrets that were added in 1990 and the new types of unfair competition that were further added after the enforcement of the current law, the types of unfair competition have been dramatically increased in the current law. By addition of such acts as ① acts of unfair competition related to trade secrets, ② acts of misuse of famous indications, ③ acts of imitating the shape of goods, ④ unfair acts concerning technical means of protection, and ⑤ unfair acts concerning domain names, many acts of unfair competition that could not be covered under the conventional Unfair Competition Prevention Law came to be stipulated under the law.

(2) Opinions of the Industrial World

The industrial world in general has either a

passive or negative opinion about introducing a general provision under the Unfair Competition Prevention Law. One of the reasons is that the introduction of a general provision is not an urgent issue in industry, since companies have not found a problem in the current law that lacks a general provision, and they do not have any particular need for the general provision. Further, industry has concerns about the lack of foreseeability and legal stability that could arise from the indefiniteness of the criteria if a general provision were to be established under circumstances where various new business activities are expected to be conducted in line with the acceleration of economic activities. Companies recognize that particularly malignant acts of unfair competition can be dealt with by tort law or contract law of the Civil Code, by such administrative regulations as the Anti-Monopoly Law, or by adding or relaxing the requirements for individual types of acts of unfair competition under the Unfair Competition Prevention Law. In this way, companies are greatly concerned about the risks of an injunction that arise by the establishment of a general provision when they consider the future scope of their business activities.

(3) Result of Analysis

Since acts of unfair competition cannot only be dealt with by the Unfair Competition Prevention Law, but also by such administrative regulations as the Anti-Monopoly Law or by alternative methods, there seems to be no need (urgency) to establish a general provision under the Unfair Competition Prevention Law at present.

II Study Concerning Adequate Protection of Trade Secrets

With the 1990 amendment of the Unfair Competition Prevention Law, such acts as an act of unfair acquisition of trade secrets were made subject to the seeking for an injunction and claim for damages as acts of unfair competition. After a lapse of more than ten years, the economic and industrial structures are about to go through dynamic changes, and trade secrets are becoming ever more important in business activities. Because of the increased mobility of human resources as well as the digitization and networking of information, an even greater number of companies are said to be suffering an outflow of their trade secrets to domestic and foreign competitors and losing their competitiveness as a result. Therefore, the desirable form of protection of trade secrets under the Unfair Competition Prevention Law needs to be reviewed from the perspective of adequately protecting trade secrets. This section examines, in particular,

criminal regulations for acts of the unfair acquisition of trade secrets under the Unfair Competition Prevention Law.

1 Necessity to Strengthen Protection of Trade Secrets

(1) Results of a Questionnaire Survey and the Opinions Expressed

In 2001, the Intellectual Property Policy Office of the Ministry of Economy, Trade and Industry (METI) conducted a questionnaire survey on the member companies of the Japan Intellectual Property Association (JIPA) and the Association of Japanese Corporate Legal Departments with the aim of discovering the actual conditions of industry concerning the strengthening of the protection of trade secrets. As a result, about 80 percent (including conditional responses) of the member companies of both associations were found to support the idea of protecting trade secrets with criminal punishments. In the meantime, the Fair Trade Committee of JIPA expressed an opinion that the legal protection of trade secrets should be strengthened based on the following reasons: ① due to the progress of networking and digitization in the economy and society, companies are facing a greater risk of their trade secrets being easily leaked; ② further strengthening of IP protection is indispensable for maintaining the competitiveness of Japanese companies; and ③ new information management risks may arise in line with the increased mobility of employment.

(2) Study Groups

The New Growth Policy Committee of the Industrial Structure Council 2001 discussed strengthening the protection of trade secrets, and emphasized in its committee report the need to consider amending the Unfair Competition Prevention Law toward strengthening the protection. At the same time, a Study Group on Industrial Competitiveness and Intellectual Property was organized as a private advisory council to the Director-General of METI's Economic and Industrial Policy Bureau and the Commissioner of the Japan Patent Office in 2001. In its meeting, the study group discussed the topic of strengthening the protection of trade secrets and gained a generally common understanding of the direction that the protection of trade secrets should be strengthened while giving consideration to such aspects as further increasing the mobility of human resources.

(3) Necessity of Introducing New Criminal Punishments

(i) Criminal acts related to trade secrets

By surveying the past criminal court actions concerning trade secrets, criminal acts related to trade secrets can be summarized as the table below.

Subject of the act Mode of the act	Act of unfair use/disclosure or unfair acquisition (embezzlement) by a person having the liability to preserve in his/her duty or in terms of trust	Act of unfair acquisition or unfair use/disclosure by a person having no liability to preserve in his/her duty or in terms of trust	Act of unfair acquisition of property that has been gained by an act falling under an offense against property or of information gained or disclosed by an unfair means
Object of the act			
Property	Embezzlement in conduct of business Breach of trust Theft	Theft	Crime relating to stolen property
Trade secret (Information)	Breach of trust	(Case 1) Does not easily constitute a crime (Note)	(Case 2) Does not easily constitute a crime (Note)

(Note) When an unauthorized access is involved, the act can be punished under the Unauthorized Computer Access Law. There is also room for constitution of a “Clause 2” crime, such as fraud (Article 246(2) of the Penal Code) and extortion (Article 259(2) of the Penal Code).

(ii) Problems under the current law

The acts shown below, which fall under Cases 1 and 2 above, are not likely to be adequately punishable under the current law. These acts would be punishable if the unfair acts in Article 2(1)(iv) to (ix) of the Unfair Competition Prevention Law were made subject to criminal punishments.

(Case 1)

① A person other than executives and regular employees who have a duty to keep and manage trade secrets of the company (e.g., a third person or an ex-employee) discloses or acquires the trade secrets kept in the company’s computer via telecommunication lines.

② A person other than executives and regular employees who have a duty to keep and manage trade secrets of the company takes away confidential files stored in the company’s computer by saving them onto a medium (e.g., a floppy disk) which the person has brought.

(Case 2)

③ After the acquisition, a third person either acquires or discloses the information obtained by either of the above acts.

2 Protection of Trade Secrets by Criminal Punishments

(1) Object of Protection

The “trade secret,” which is the object of protection, is stipulated in Article 2(4) of the Unfair Competition Prevention Law; it is required to be kept confidential, useful, and not publicly known. However, whether these requirements are sufficient as the requirements for criminal punishments is a question. Even if the required level of confidentiality were not so strict for civil remedies, the requirements should be quite relative and strict for criminal penalties. If a trade secret includes “an illegal fact” (e.g., an illegal processing is conducted in the process of manufacturing a certain product in order to significantly reduce the manufacturing

cost), it should be excluded from protection as a trade secret, because “an illegal secret” does not deserve protection.

(2) Types of Acts of Infringement

The respective types of acts of trade secret infringement that are stipulated in Article 2(1)(iv) to (ix) of the Unfair Competition Prevention Law are examined from the viewpoint of what constituent elements should be required for criminal punishments upon introducing such punishments in the Unfair Competition Prevention Law.

(a) Article 2(1)(iv) type (unfair acquisition)

An act of unfair acquisition of trade secrets cannot be made a constituent element of a crime as it is. When stipulating the constituent elements of a crime, it is necessary to directly stipulate the unfair acquisition of trade secrets, and the wording of the law must be considered by taking the following matters into account: ① how to apprehend the unfair acquisition of trade secrets through the intermediary of someone else; ② how to stipulate the unfair acquisition of trade secrets without the intermediary of someone else; ③ whether or not the acquisition method should be restricted in some way regarding the unfair acquisition of trade secrets without the intermediary of someone else; and ④ whether or not the disclosure/use of unfairly obtained trade secrets should be stipulated as criminal acts.

(b) Article 2(1)(v) type (acquiring after unfairly obtained trade secrets)

The act of acquiring trade secrets while unaware that such trade secrets have been obtained by unfair acquisition by gross negligence should be excluded from acts subject to criminal punishment. The act of acquiring unfairly obtained trade secrets must be examined separately for a case where one directly acquires trade secrets from a person who has unfairly obtained them and a case where one indirectly acquires trade secrets from such a person (e.g., acquiring through a person who has obtained the trade secrets while unaware of the situation). If

the punishments are to be limited to the case where the trade secrets are directly acquired from a person who has unfairly obtained them, one of the possible measures would be to punish the act as complicity in the disclosure by the person who has unfairly obtained the trade secrets instead of stipulating the act as an independent constituent element. In order to cover this second acquisition by a provision of complicity, punishments would have to be extended to the disclosure of unfair acquisition.

(c) Article 2(1)(vi) type (ex post use/disclosure of unfairly obtained trade secrets in bad faith)

It is at least necessary to exclude the type of acts conducted by gross negligence from acts subject to punishments. With regard to the type of ex post use/disclosure in bad faith, consideration must be given so that the act does not constitute a crime relating to stolen property when the object concerned is tangible property. Article 2(1)(vi) does not apply to "an act of using or disclosing the trade secrets conducted by a person, who has acquired trade secrets in a dealing, within the scope authorized by that dealing," and this purport should also be reflected on criminal punishments.

(d) Article 2(1)(vii) type (unfair use/disclosure)

Article 2(1)(vii) provides for an act of using or disclosing trade secrets, by a person to whom trade secrets have been disclosed, for the purpose of promoting his/her own interest or that of a third person or inflicting damage on the other party. The constituent elements are similar to those of a breach of trust. Existence of an explicit secrecy obligation should be required, and the unfair use/disclosure should only be made subject to punishment when that requirement is violated. In addition to violation of "a legal obligation to confidentiality," the purpose of promoting his/her own interest or that of a third person or inflicting damage on the other party must also be made a requirement. Further, the unfair use/disclosure involves the problem of what the treatment should be for retired employees.

(e) Article 2(1)(viii) type (acquisition of unfairly disclosed trade secrets)

Similar to the Article 2(1)(vi) type, an act of gross negligence needs to be excluded from being subject to criminal punishment. As in the case of ex post acquisition of unfairly obtained trade secrets, the point of consideration would be whether to establish an individual penal provision or to punish it as complicity in the unfair disclosure.

(f) Article 2(1)(ix) type (ex post use/disclosure of unfairly disclosed trade secrets in bad faith)

Similar to the Article 2(1)(vi) type, an act by gross negligence should be excluded from being subject to punishment. The question of whether or not an ex post act in bad faith should be punished is also the same as for the Article 2(1)(vi) type.

3 Infringement of Trade Secrets and Breach of Trust

(1) Nature of Infringement

If company secrets are infringed and the information is misused, the company will ultimately suffer economic damage. Considering this point, the past practice was to protect information having the nature of property by penal provisions on offenses against property. However, when considering the specific nature of trade secrets (information) being "non-transferable," the conventional modes of crimes are not always applicable since the acts do not involve "property" or "goods." Therefore, there are limits in the method of punishing such acts as offenses against property, and breach of trust, in particular, often fails to be constituted due to a lack of requirements for the offender.

(2) Demands for Introducing Criminal Punishments

The aforementioned questionnaire survey conducted by the METI in 2001 shows that most companies support an introduction of penal punishment for such acts of unfair acquisition as industrial espionage. On the other hand, while unfair acquisition by an employee or an ex-employee occurs in a large number of cases, companies seem to be reluctant to punish such cases outright. The breach of trust, which becomes an issue in the latter type of cases, is studied below in light of individual constituent elements.

(3) Constituent Elements of the Breach of Trust

The following are the constituent elements of the breach of trust: (i) an administrator of affairs; (ii) an act in violation of one's duties; (iii) a purpose of promoting interests or inflicting damage; and (iv) property damage. Each of these elements is examined below.

(i) Administrator of affairs

According to the wording of the law, the offender must be "a person administrating affairs on behalf of another." Non-employees and ex-employees are no longer administrating the affairs of the company, so their acts do not constitute a breach of trust. Even employees do not fall under an administrator of affairs if they are not authorized to access the information. The persons who are examined for breach of trust are those who have the access authority.

(ii) Act in violation of one's duties

Whether or not one has violated one's duties mainly becomes an issue in such cases as speculative dealings, but it is not likely to present an issue with regard to an infringement of trade secrets. As long as the person is an administrator of affairs, the requirement of "performing an act in breach of his duty" is more or less satisfied in the case of an infringement of secrets.

(iii) Purpose of promoting interests or inflicting damage

The breach of trust requires a “purpose to promote his own interest or that of a third person or to inflict damage on the principal (the other party).” Apart from the requirement of “property damage,” there must be a “purpose to inflict damage.” Meanwhile, “his own interest or that of a third person” can also be interest other than property interest. Based on this premise, the purpose to promote interest or inflict damage would also be found for most cases of disclosure of trade secrets. However, since there could also be such cases as an in-house whistle blower, it is necessary to consider cases where that idea is inapplicable as well.

(iv) Property damage

The breach of trust requires damage to the other party’s overall property; even attempted damage is punished. Unlike an offense against individual property that is constituted by “transfer” of goods or interests, the criterion of the time when the property damage occurred presents an issue. In the case of an infringement of trade secrets, it must be examined whether the damage is recognized at the time when the information has been unfairly disclosed (acquired by the other party) or recognized at a later time. Since the actual damage arises only when the information is actually used and causes some obstacle to the business of the original holder of the secret in the case of trade secrets, it seems too early to recognize a decline of economic evaluation at the time of disclosure. Even if the conventional criterion of the evaluation from “an economic viewpoint” were to be adopted, the case would have to be in a phase in which the potential interests of the stolen information can be specifically conceptualized in order to recognize constitution of the breach of trust.

III Study on Cases Disputing Domain Names

1 Background against Revisions Related to Domain Names

With the diffusion of the Internet in recent years, domain names have come to play such important functions as enhancing the credibility of a company website and drawing consumers to the website. Along with this trend, unfair acts of acquiring a domain name identical or similar to another person’s trademark, and conducting business in a form that misleads and confuses consumers by using that domain name or reselling the domain name for an unfairly high price have been conducted frequently around the world. In order to counter these acts, rule-making efforts have been made worldwide, such as WIPO’s Joint Recommendation Concerning Provisions on the Protection of Well-known Marks and ICANN’s Uniform Dispute Resolution Policy. Also in Japan,

the Japan Network Information Center (JPNIC) controlling the “.jp” domain names formulated a Domain Name Dispute Resolution Policy in July 2000, and the Japan Intellectual Property Arbitration Center has been taking alternative dispute resolution procedures based on this policy since October of the same year. However, since the parties under alternative dispute resolution procedures are able to file an action with a court, and the legal proceedings would be based on substantive law when a trademark owner or the like who has no contractual relationship with the registration agency becomes the plaintiff in court, there was a need to improve substantive law in order to effectively resolve disputes.

2 Revisions Related to Domain Names

In light of the above situation, the Law Partially Amending the Unfair Competition Prevention Law (Law No. 81) was promulgated in June 29, 2001 and was enforced on December 25 of the same year. The content of the amendment is as follows. Article 2(1)(xii) was added to the Unfair Competition Prevention Law to provide for such acts as unfair acquisition of domain names as a type of unfair competition. Article 2(1)(iv) was also established as a definition provision on “domain names” and Article 5(2)(iv) was added to allow a person to claim damages equivalent to the amount of royalty for an act falling under Article 2(1)(xii).

3 Preparation of a Collection of Cases Disputing Domain Names

This collection of cases was prepared with the aim of introducing the decisions by Japanese and U.S. courts concerning domain names and trademarks and the rulings by alternative dispute resolution organizations as a reference for actually applying the amended law. The cases have been extracted from court decisions under the Japanese Unfair Competition Prevention Law, rulings by the Japan Intellectual Property Arbitration Center, rulings under the Uniform Dispute Resolution Policy, and court decisions under the U.S. anti-cybersquatting law. In the end, a total of 60 cases have been selected; they are Japanese court decisions on two cases, Japanese rulings on nine cases, overseas rulings on 29 cases, and U.S. court decisions on 20 cases. The collection indicates the “disputed domain name,” “organization that rendered the decision (ruling),” “applicable regulations,” “dispute number, etc.,” “date of decision (date of motion, date of ruling),” “plaintiff (movant),” “defendant (opponent),” “content of the decision (ruling),” “outline of the dispute,” and “gist of the decision (ruling).”

(Senior Researcher: Nobuo Kawasaki)