

Three Recent Decisions on Unfair Competition

**Unfair Competition Prevention Act Sec. 2 (1) (xii), (xiii),
Antimonopoly Act Sec. 19,
Act on Free Gifts and Misleading Representations Sec. 4 (2),
Civil Code Sec. 709 – “Kojima”**

1. The advertisement “We sell cheaper (or make it cheaper) than at Yamada’s” (a next-door competitor) is neither misleading nor improper where the statement is true for the majority of goods on offer.
2. Misleading indications on price are not actionable under the Japanese Unfair Competition Prevention Act.

Tokyo High Court, 19 October 2004

Yamada v. Kojima

Facts

In the well-known Akihabara district of Tokyo, price wars between different vendors of electric appliances are rather commonplace. In one of these, the Kojima shop had put banners in its shop windows promising “We sell cheaper than at Yamada’s”. Yamada was a competitor next door and sued on the following counts:

- (1) the advertisement was a misleading indication under Sec. 4 (2) Free Gifts and Trade Misrepresentations Act and the FTC’s Guideline on Price Indications of June 2000;
- (2) the advertisement was misleading according to Sec. 2 (1) (xiii) Unfair Competition Prevention Act (UCA); and
- (3) the advertisement was an act of denigration of a competitor according to Sec. 2 (1) (xii) UCA.

Kojima asked the court to dismiss the action as abusive, and in addition contested the above allegations of wrongdoing. The Tokyo District Court dismissed the action (decision of 7 May 2004). Yamada appealed to the Tokyo High Court.

Reasons

1. On the question of whether the suit was abusive from the Tokyo District Court's decision

It is rather difficult to determine whether a civil lawsuit is unambiguously abusive according to its merits. In the end, one needs to make a decision based on the overall facts of the case. In general, if the plaintiff does not exercise its right or its interpretation of the dispute in good faith, one would have to look at the position of the defendant and factors beyond the suit, such as if it is the plaintiff's purpose is to impose a tangible or intangible disadvantage, if the alleged right or legal relationship lacks a legal or factual basis, if the need for legal protection is rather weak, and if the purpose for using the means of civil procedure is conspicuously inappropriate. Thus, a lawsuit is abusive where it is inequitable. This should therefore be determined now. In the case at issue, the following facts deserve particular mention: On 19 October 2002, the defendant opened the Kojima NEW Kashiwa Branch that displayed one of the indications at issue. Thereupon, the plaintiff on 26 October by warning letter requested the indication to be removed as it considered such indication to be damaging to the plaintiff's reputation and injurious to its business. Should the defendant not comply with this request, the plaintiff announced further legal steps and that the defendant would be made liable for any damages. The only answer to this letter was that other Kojima stores apart from the Kashiwagi NEW Branch also put up the indications at issue. In response thereto, the plaintiff on 1 and 8 November of the same year sent warning letters to the defendant, and, in the absence of any answer, on 23 November raised an action for damages.

In view of the fact that the indication mentions the plaintiff's name, that the indication contains the information that the prices are cheaper than the plaintiff's, and that the defendant competes with the plaintiff countrywide at 38 stores, the warning received from the plaintiff must be considered adequate...and in the context of the system of civil procedure does not lack an appropriate purpose [*see comment 1*].

2. On Sec. 709 Civil Code and Sec. 4 Premiums Act

According to the appellant, the advertising at issue is a misleading indication according to Sec. 4 (2) Free Gifts Act, and use of such indication by the respondent would amount to an act of tort under Sec. 709 Civil Code. While this court will indeed have to decide whether the advertisement is a misleading indication under Sec. 4 (2) Free Gifts Act, the relationship between a misleading indication according to this provision and the existence of a tort is the following:

A comparison of trading parameters (in this case the sales price) between competitors that amounts to a misleading indication according to Sec. 4 (2) Free Gifts Act does not amount to an unlawful act between competitors. The protection against misleading indications under the Free Gifts Act is meant to uphold fair competition and the interest

of consumers. Its purpose is not to protect the interests of competitors. Thus, even where a contravention against Sec. 4 Free Gifts Act has been established, this does not fulfil the elements of a tort. In addition, the Free Gifts Act is a specific legislation to the AMA [Antimonopoly Act], and while complementing it, differs from the AMA as it does not give a claim to damages [*see comment 2*].

...

When determining whether an indication contravenes Sec. 4 (2) Free Gifts Act, one should bear in mind that this court does so in the course of a civil procedure, which is not under the true conditions that the Free Gifts Act is applied. Those who actually apply this law are the Fair Trade Commission and the provincial governors. These institutions undertake investigations under this law, collect documents, determine the business environment and establish whether all the requirements are met for an indication to be determined as misleading under Sec. 4 (2). In a case such as this one, in order to determine whether an indication was misleading under Sec. 4 (2), these institutions in addition to looking at the advertisement in question would determine the competitive environment between appellant and respondent, would at a certain date and hour undertake an investigation, compare a good number of goods and prices, and draft a report. Based on that, and with experience on how to evaluate consumer consciousness at that time, it would be determined if there was a case of Sec. 4 (2) or not. In such case, the issue would come before a court only as a suit against a decision by the Fair Trade Commission and after hearing procedures had been held. The Fair Trade Commission's opinion reflected in the decision would be based on an investigation after the fact in order to establish the conditions for the application of the law [*see comment 3*].

On the Guideline on Price Misrepresentations [*see comment 4*]:

In order to determine whether an indication on price falls under Sec. 4 (2) as a misleading indication, the Fair Trade Commission has issued its opinion on this matter as a Guideline on Price Misrepresentations, and it is not in dispute between the parties that this guideline bears relevance on this case. Accordingly, this court will examine the Guideline. The point has been made that bar special circumstances, an indication is misleading under Sec. 4 (2) if it falls under the Guideline, and it should thus be determined if the indication in question falls under the Guideline. However, the Guideline does not list clear circumstances under which an indication should be unlawful. Apart from representing an "opinion", it lists certain cases where there is "a likelihood that an indication might be unlawful", and point 1 (1) of this Guideline specifies that "in order to determine if a certain price indication used in commerce is unlawful under the Premiums Act, one has to take into account the provisions of this Act, and care should be taken to look at the individual case". Thus, in this case it would not be sufficient to determine whether the Guideline has been contravened, but this has to be evaluated in the light of a direct examination of Sec. 4 (2).

Applying Sec. 4 (2) in this case requires that the respondent has made a “strikingly favourable” price indication targeted at customers of the appellant that for the average consumer is misleading. It is clear that the basis for the determination whether there is misconception or not is the understanding of the general consumer. Determining a “strikingly favourable” price indication misleading for the general consumer depends on whether in the general understanding this goes beyond a mere exaggeration and has an impact on the choice for goods or services (see also the Price Guideline part 2, 1 (2)). In the case at issue, there is a tendency in advertisements for simplification and exaggeration that the average consumer is aware of. The indication at issue, an offer of cheap prices, must thus be interpreted in its contextual meaning against the background of the general consumer’s understanding. This shall now be analysed.

About the correct meaning and content of the wording:

Since the indication at issue does not relate to any specific goods, the indication seems to apply to all goods sold at the respondent’s store. Thus, all goods offered at the respondent’s store according to the indication are, in comparison with the appellant’s, “cheap”, or “cheaper”. Where the price of the goods is the main point of the indication, part 6 of the Guidelines requires these goods to be specified. As this is not appropriate in this case, Sec. 4 (2) of the Premiums Act should apply. As there are certain nuances in the wording of the indication at issue, one should examine the latter on the basis that the consumer coming into contact with the indication gets the impression that the indication actually relates to the same goods. The appellant has pointed out that there is a difference between the respondent’s “We sell cheaper than at Yamada’s”, and the indication “We sell *it* cheaper than at Yamada’s”, as the former could point to a generally cheaper price level at the respondent’s store. Yet, such a reading cannot be unambiguously inferred, as the stress may not necessarily be on the “sell”, and could also be put on the comparison with the prices of the appellant’s (“cheaper”).... However, the appellant has correctly pointed out that there is the possibility that at least some consumers arrive at the understanding that all goods offered at the shop of the respondent’s are cheaper than at the appellant’s. It is unclear in this respect if reference is made to “all goods”, or “all goods on sale”. And as is well known from large stores selling electric appliances, the indicated price is often different from the price after a bargain with the shop’s personnel (“bargain price”). The latter price is often cheaper than the former. The indication thus does not specify if it refers to the indicated prices or the bargain prices. The indication has been attached to the outer walls, on the glass entrance door and on the corridors, but not to any specific goods. Since the indication is rather general and comprehensive, the consumer being confronted therewith should thus arrive at an understanding that upon knowledge of the appellant’s prices, the respondent in general would offer these goods rather more cheaply as a declared policy. Amongst the general consumers, there are certainly some that have a more specific expectation, e.g. that identical goods would be offered more cheaply at the respondent’s than the appellant’s, or that goods with a

cheaper bargain price at the appellant's would be offered even cheaper at the respondent's when bargaining with the sales personnel. However, further customer expectations as inferred by the appellant, e.g. that goods offered at the respondent's would in all circumstances and across the board be offered cheaper, or that the respondent's bargain prices would always be cheaper than the one offered by the appellant, would perhaps not be held by many people. The reason is the following: Modern-day shops of electronic appliances offer thousands of different products whose prices frequently change. It is thus virtually impossible to make a daily check of the individual products a competitor has in stock. This is not difficult to understand for the average consumer. Neither can the respondent investigate the appellant's bargain prices...At any given time, it is impossible for the average consumer to make a fair comparison between all the appellant's and the respondent's prices. So even if someone thinks the appellant's prices are cheaper than the respondent's, he may then return to the latter to see if the goods have become cheaper or if there is the possibility of getting a bargain price there. In short, the average consumer is aware that in general, the defendant's sales personnel in the end might give a better price. So even if amongst the average consumers there are those who take the firm view that for all goods, the respondent's prices should be cheaper than the appellant's (and these might number quite a few), these are not yet to be understood as "the average consumer" [see comment 5]. In order to determine the "average consumer" according to Sec. 4 (2) Free Gifts Act, the appellant's understanding of the indication cannot be adopted. The average consumer would relate the indication to high-end or essential goods. Where the indication relates to the goods to be made cheaper, this has to be understood to mean that after a negotiation with the sales personnel, there is the possibility of receiving a rebate. This would be the correct understanding of the indication under Sec. 4 (2) Free Gifts Act. When taking into account the text-based understanding of the indication by the average consumer, there is no misconception by the "average consumer". Thus, the first instance decision that based its reasons on the price investigation of the respondent's and the general circumstances is confirmed by these findings. So, even if the indication at issue was unconditional, it would not fall under Sec. 4 (2) Free Gifts Act.

3. On the alleged act of misconception under Sec. 2 (1) (xiii) UCA from the Tokyo District Court's decision

Sec. 2 (1) (xiii) UCA prohibits "labelling goods or services, also in advertisements, commercial documents or commercial correspondence, with the danger of misleading as to origin, quality, contents, use or scope of service. The same applies to sale, delivery, display for sale or delivery, ex- or import of goods or services bearing such indication."

As regards the direct application of this provision:

The plaintiff claims that the price as a characteristic of the goods concerns the goods' "contents" and that the act of the defendant is one of unfair competition under Sec. 2 (1) (xiii) UCA. However, the defendant in its indication claims to sell goods of identical quality cheaper than the plaintiff, and in the ordinary understanding of the consumer, the defendant offers identical goods cheaper than the plaintiff. The defendant thus sells goods cheaper, yet otherwise there is no comparison that would give rise to a mistaken impression about the contents of the goods. The indication thus does not give rise to a misconception regarding the contents of the goods. The plaintiff's claim in this respect must fail. The plaintiff further alleges that in the case of stores selling electronic goods, an interested customer would have to inquire inside the shop about the price to see what the cheapest offer would be, and several shops would compete with each other about making the cheapest offer. This could be likened to a "service" under Sec. 2 (1) (xiii) UCA. Yet, given the fact that the provision enlists "goods" and "services" and refers to misleading indications about the contents of either of these, "service" relates to another's labour or convenience, and must be understood as an independent commercial purpose. The act of making one's goods cheaper is not an independent commercial purpose and does not fall under the category of "service" referred to in Sec. 2 (1) (xiii) UCA. Thus, the plaintiff's arguments must fail in this respect as well [*see comment 6*].

As regards the extensive or analogous application of this provision:

The plaintiff argues that even though the indication of "price" did not literally fall within the scope of Sec. 2 (1) (xiii) UCA, for the indication at issue it would not make a difference in the trading terms for goods if these terms referred to the quality, contents, or price, and the latter should thus be understood to fall under this provision either based on an extensive or an analogous application of this provision. In this respect, the following facts deserve mention: In 1993 in the process of enacting the current UCA, the government's economic structure advisory committee's intellectual property policy group undertook a study on how to reform the previous [1934] Unfair Competition Prevention Act. This study also looked at the question whether "price" could be likened to "quality" or "contents", and, as this could not be so interpreted, to what extent it was necessary to include it. As our country was based on the realities of a commercial society, at least for the moment the contents of what was considered an unfair act should be based on the UCA, and there should be a consensus within the society about those acts sanctioned by injunctive relief. In our commercial society, changes must be properly monitored in order to reach certain conclusions. As a result, it should be watched to what extent misconceptions about the price should be considered anti-competitive acts under the UCA. According to the above study of the government's economic structure advisory committee's intellectual property policy group, the previous UCA featured a limited list of prohibited acts. Even if a certain behaviour should be considered unfair

according to common understanding, a problem arose when this was not listed in the enumerated acts; for this reason, it was considered whether a general clause should be introduced in the current UCA. However, the conditions under a general clause had to be qualitatively abstract, and for a trader to determine what behaviour was allowed and not allowed would only be determined after a court decision, thus severely interfering with business activities and discouraging honest trade. The answer was an identifiable list of acts of unfair competition, as otherwise it would be far from clear to what extent an act could be supposed to be one of unfair competition. In other words, there should be a consensus within society as to what is considered an act of unfair competition, and the answer to this postulate is best served by a limited list of certain acts. As a result, the introduction of a general clause was made subject to its future necessity and a study of the possible consequences of its introduction. Therefore, the introduction of a general clause into the current UCA was studied. And it was taken into particular consideration whether misleading indications as to the price or a general clause should be introduced. And while the UCA was strengthened by remedies of injunctive relief (Sec. 3) and the ascertainment of damages (Sec. 5), an interpretation that would lead to an easy broadening of the relevant provisions or an analogous application was to be avoided. Thus, under the current Sec. 2 (1) (xiii), a broad or analogous interpretation to include misleading indications as to the price is not feasible, and the plaintiff's arguments in this respect must fail accordingly [*see comment 7*].

4. and 5. On the alleged act of libel or slander (UCA Sec. 2 (1) (xiv))

...On the alleged act of slander, the indication does not give the general consumer the impression that the appellant sells its goods unduly expensively, and therefore this does not amount to an act of slander. Neither does the indication damage the trust in the appellant's business.

6. On an alleged contravention of the Anti-Monopoly Act (AMA)

The Free Gifts Act according to its Sec. 1 was enacted as specific legislation to the AMA. According to Sec. 2, a representation only contravenes Sec. 4 once it has been so designated, and if this is not the case, the same act is neither an unfair business method of misleading consumer inducement that can be prohibited under the AMA nor an act of tort. The appellants point must thus fail.

Translated from 1904 Hanrei Jihô 128 - 149 C. H.

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Comments

This case, apart from providing a lively picture of the price wars in *Electric Town Akihabara*, also raises a number of most interesting legal questions on the borderline of unfair competition prevention and antitrust law. To a certain extent, the case is complementary to the *Yu-Pack* decision¹ concurrently published in this journal.

1. Threats

The decision first deals with the question whether the suit brought by the plaintiff was abusive. Although ultimately unfounded, the court answers this in the negative, as there was no apparent intent to damage the defendant's reputation. Only the latter is actionable under unfair competition prevention law and requires the alleged wrongdoing to be communicated to third parties,² which was not the case here.

2. Legal Provisions on Advertising in Japan

a) The claim of the improper pricing announcement was made under the Free Gifts and Trade Misrepresentations Act³ administered by the Fair Trade Commission. The history of this statute is interesting and started in 1962 on the basis of one incident where canned horse-meat had been sold as beef. As *Toyosaki* notes, "other manufacturers of canned goods failed to bring an action to suspend production of such products as they themselves were not completely innocent of such practices; prosecution officials also refused to file a criminal action. Stimulated by public outrage, the FTC, relying on a somewhat forced interpretation, designated this act as an unfair business practice... As a result of this experience, the legislature promulgated a special law of administrative character in 1962, called the Free Gifts and Trade Misrepresentations Act."⁴

The Act gave the FTC the powers to investigate acts of misleading representations and set up a system whereby small FTC outposts at the offices of provincial governors were entitled to issue cease-and-desist orders against local shops engaging in impermissible practices. Yet the court interprets the Free Gifts Act as one protecting competition as such rather than individual entrepreneurs – meaning that it cannot serve as a law to protect individual business interests and its contravention cannot be equalled to a tort under the general clause of Sec. 709 Civil Code.⁵ Indeed, the Act in Sec. 1 has the

1 Tokyo District Court, 19 January 2006, 38 IIC 363 [2007] – *Yu-Pack*; also reprinted in this edition of the Journal of Japanese Law (hereafter).

2 Tokyo High Court, 29 August 2002, 37 IIC 758 [2006] – *Warning Letter/Metallic Powder*.

3 Act No. 134 of 15 May 1962, as amended by Law No. 44/1972. In U.S. English, also referred to as the Premiums and Representations Act. The English text can be found at the FTC's website <http://www.jftc.go.jp/e-page/>.

4 J.K. TOYOSAKI, *Unfair Competition in Japan*, 2 IIC 372, 385/386 [1971].

5 This German "Schutzgesetzlehre" was first applied in Japan in the 1970 *Parker* case that concerned the unlawful customs' detention of trade marked goods: Osaka District Court, 27

purpose of “maintaining fair competition and protecting the interests of consumers”, while the Unfair Competition Prevention Act (UCA) explicitly (and only) protects the interests of competitors. The court still seems to feel uncomfortable with its own interpretation in this respect, as it goes on to determine whether there is indeed a contravention of Sec. 4(2) Free Gifts Act. In contrast to German law (there Sec. 823 (2)), Sec. 709 Civil Code does not require a breach of a law that protects individual interests, but rather a harm to individual business interests. The courts have thus allowed the breach of antitrust laws to be tried under Sec. 709 by aggrieved competitors.⁶ It was thus necessary to determine if the advertisement was indeed misleading or not.

b) In the alternative, the plaintiff could have tried to argue a case of *unlawful comparative advertising* as specified by a 1987 Guideline (or opinion) of the Fair Trade Commission.⁷ According to this Guideline, the comparison must relate to the quality or sales conditions of the goods, and fairness (or unlawfulness) depends on consumer deception and is ascertained by three criteria:

- (1) the contents of the comparative advertising must be based on facts open to proof;
- (2) the quoted facts must be stated exactly; and
- (3) the comparison as such must be fair.

In the case at issue, the court would presumably have come to the same conclusion as it held that there was ultimately no consumer deception.

3. Private Enforcement of Antitrust Provisions

The court is visibly uncomfortable in interpreting an FTC Guideline in the course of civil proceedings, noting that the Guideline requires the circumstances of each case to be determined far more precisely than would be possible in a private suit. This points to a shortcoming already highlighted for the *Yu-Pack* case: the lack of proper discovery procedures for a plaintiff asserting an antitrust infringement. To the extent that the courts require the plaintiff to prove the allegation of wrongdoing (here: the misleading character of the advertisement), it would be expedient to allow the plaintiff access to the defendant’s premises/books/internal communications for ascertaining whether the advertisement was made on the basis of previous price comparisons, or simply out of hand. The plaintiff would have suffered the same difficulties when bringing a case under Sec. 24 Anti-Monopoly Act (right of injunctive relief by way of private enforcement) due to an act of undue inducement under Secs. 19, 2 (9) (iii) AMA. In addition, it may have been difficult to prove “serious” damage as required by Sec. 24 AMA.

February 1970, 2 IIC 325 [1971] – *Parker*.

6 E.g. Supreme Court, 8 December 1989, 36 KTIS 115 – *Sekiyu Renmei*.

7 *Hikaku kôkoku ni kan suru keihin hyôji hô no kangaekata* of 12 April 1987, English text in: C. HEATH, *The System of Unfair Competition Prevention in Japan*, London 2001, 311.

4. The Force of FTC Guidelines and Opinions

In order to further define the concept of misleading indications mentioned in the Free Gifts Act, the FTC has issued a Guideline (or, as the court correctly notes, rather an opinion) on Misleading Price Indications.⁸ In fact, the FTC has issued about 50 guidelines and opinions on a wide range of aspects as an interpretation of the AMA, the Free Gifts Act, and the Act on Subcontracting. These guidelines are normally adopted on the basis of “Study Reports” by expert groups that bring together academics, lawyers, entrepreneurs, and personnel of the FTC. This consensus-driven style of adopting guidelines has led to the surprising result that the courts have never questioned a guideline or legal opinion as to compatibility with the statutes they are meant to interpret. Also in this case, the court takes it for granted that the Guideline on Misleading Price Indications is an authoritative interpretation of what should be considered misleading.

5. The Definition of the Consumer

In defining the average consumer, the court takes a person who is relatively experienced in the sort of bargaining that is common in the business of electronic goods and who takes this kind of (rather common) announcement with the good pinch of salt it deserves. It is perhaps a common trait in Asian markets that the unwary – or the morons in a hurry – do not receive much protection: Where bargaining is still common, it is the astute and the early bird that catches the worm. Still, the court stresses that this is its interpretation in the context of Sec. 4(2) Free Gifts Act and thus not a definition of such a general nature as was adopted by the European Court of Justice.⁹

6. Misleading Indications under the UCA

The claim based on the UCA was raised on two counts: discrediting a competitor (correctly dismissed), and misleading indications as to the contents of the goods on offer. The latter is actionable under Sec. 2 (1) (xiii) UCA, almost a verbatim copy of Art. 10^{bis} (2) (iii) Paris Convention that refers to indications liable to mislead the public as to the “characteristics” of the goods. Neither the provision in the Japanese UCA, nor the one in the Paris Convention mention the “price” of goods. In the case of Japan, “contents” has traditionally been interpreted rather narrowly,¹⁰ and the court here

8 *Futô na kakaku hyôji ni tsuite keihin hyôji-hô jô no kangaekata* of 30 June 2000, last amended 4 January 2006.

9 ECJ, case 210/96 of 16 July 1998 – *Gut Springenheide*: An “average consumer who is reasonably well-informed and reasonably observant and circumspect”.

10 In the decision Tokyo District Court, 1 July 1988, 1281 Hanrei Jihô 129 [1988] – *Cestron*, the indication was considered misleading only as to after-sales service, which the court held did not relate to the goods themselves. The cases of Tokyo High Court, 27 September 1990, 263 Tokkyo To Kigyô 44 – *Permanent Curls*, and Tokyo High Court, 18 November 1992, 211 Hanketsu Sokuhô 4 [1993] – *Futon Folding Method*, both relate to misleading methods of use, rather than the goods themselves. Accordingly, the cases were dismissed. According

refuses to regard the price as part of the goods' "contents". Interestingly enough, this is not consistent with a previous (criminal) decision where the court held that "in practical terms, an indication of price is no different from one on quality and contents, and such price indication should thus be interpreted as one of quality and price under the [1934] UCA Sec. 5 (1)."¹¹ The interpretation of Art. 10^{bis} (2) (iii) Paris Convention is rather equivocal as to misleading prices: In the course of the Lisbon Revision Conference, the Austrian Delegation on behalf of the International Chamber of Commerce had requested to include "quality" and "price" as parameters. This proposal was adopted without any negative vote in the committee, yet did not find its way into the final wording that was put to a vote by the delegations,¹² perhaps in the understanding that "characteristics" was broad enough to cover quality and price as well.¹³

7. A General Clause against "All Acts of Unfair Competition"?

The court finally examines the possibility of an analogous (or broad) interpretation of Sec. 2 (1) (xiii) UCA in order to cover misleading price interpretations. In doing so, the court examines to what extent the Japanese UCA would be open to an analogous applications of its individually listed acts of unfair competition, and denies this. It argues that in the course of drafting the 1994 UCA, the question of inserting a general clause had been discussed, but ultimately rejected due to uncertainties about what should be permissible and what not. Back then, the Ministry of Trade and Industry (MITI) came down against a general clause against the opinion of all leading Japanese academics in this field,¹⁴ and in spite of the fact that only a general clause would meet the requirements of Art. 10^{bis} Paris Convention. It is most regrettable that the court clings to an

to the decision Nagoya District Court, 15 October 1982, 490 Hanrei Taimusu 155 [1983] – *Yamaha Retail Outlet*, a misleading indication as to the retail prices of pianos in Yamaha shops in general was deemed to be related to the goods as such. Yet since damaged pianos were sold as new, there was an additional element of deception. In the past, academic literature concluded that the provision as such was unclear as to misleading price indications: S. ONO, *Fusei kyôso bôshi-hô*, Tokyo 1961, 149.

11 Tokyo District Court, 23 June 1978, 10-4/5 Keihan Geppô 857 – *Belgian Diamonds*.

12 Actes de la Conférence de Lisbonne, Geneva 1963, 711, 725.

13 Suggested by S. LADAS, *Patents, Trademarks and Related Rights*, Cambridge Mass. 1975, 1733.

14 J.K. TOYOSAKI (above note 4), 372, 384; J. EGUCHI, *Genkô fusei kyôso bôshi-hô no kihon mondai – ippan jôkô-ron* (Basic problems of unfair competition law – the discussion about a general clause), 8 Kôgyô Shoyûken Hôgakukai Nempô 88 [1985]; K. MATSUO, *Fusei kyôso bôshi-hô ni okeru ippan jôkô* (A General Clause for the UCA), 1005 Jurisuto 16 [1992]; N. NAKAYAMA *Fusei kyôso bôshi no kaisei ni mukete* (Changing the UCA), 1005 Jurisuto 8 [1992]; S. ONO, *Fusei kyôso bôshi-hô no gendai to mondaiten* (Present Problems under the Unfair Competition Act), 7 Tokkyo Kenkyû 28 [1989]; Y. TAMURA, *Fusei kyôso kô ruikei to fusei kyôso bôshi-hô* (Enumeration of Unfair Acts and the UCA), 1005 Jurisuto 11 [1992]; N. TATSUMI, *Fusei kyôgyô-hô no shidô genri to mimpô fuhô kô-hô no betsusa* (Precedents of Unfair Competition and General Tort Law), 33-3/4 Kônan Daigaku Hôgaku Zasshi 185 [1993] = 531 NBL 8 [1993].

interpretation of the UCA that is not only inconsistent with Japan's obligations under the Paris Convention, but also unhelpful in view of the Protean and fast-developing appearances of unfair competition.¹⁵ The absence of a general clause has led to the addition of no less than five new acts of unfair competition to the UCA in the last decade and has made the statute a convoluted patchwork of provisions rather than a coherent law to prevent sharp practice.

Christopher Heath

15 An overview over the discussions on inserting a general clause into the Japanese UCA is provided by C. HEATH (*supra* note 7), 255 - 260.

**Act Concerning Prohibition of Private Monopolization
and Maintenance of Fair Trade, Secs. 24, 19, 2(9)(ii) and (iii);
General Guidelines on Unfair Trade Practices, Secs. 9, 6 – “Yu-Pack”**

1. Undue customer inducement requires the offer of unjust economic benefits.
2. Sales below cost require the offer at a price lower than the “costs incurred in said supply”, rather than the market price.
3. Evaluation of wrongdoing also requires taking into account the affected party’s market share.

*Decision of the Tokyo District Court
19 January 2006*

Yamato Holdings K.K. v. Japan Post

Facts

The plaintiff is a leading home-delivery company in Japan, which started its express parcel service called “Takkyûbin” in January 1976. In this sector, it is the market leader with a market share of more than 30%. The defendant is a Japanese government corporation engaged in postal services, postal savings, and postal life insurance business. In August 2004, the defendant reached an agreement with Lawson, a major convenience store chain company in Japan, whereby all nationwide chain stores of Lawson (about 7,900 outlets) would offer “Yu-Pack”, the defendant’s new parcel service, as of 15 November 2004. Around the same time, the “Takkyûbin” consignment contract between the plaintiff and Lawson of May 1988 was terminated by Lawson.

The plaintiff asserted that the defendant had induced Lawson into signing the above contract by offering a number of benefits deemed unfair under Sec. 9 of the General Guidelines on Unfair Trade Practices, thereby damaging the plaintiff’s business. The alleged benefits were: (a) placing post boxes in all chain stores of Lawson as of 1 January 2003 without charging a fee for collecting postal mail from the defendant; and (b) providing Lawson with extra space in three post offices at a low rent.

Besides, the defendant introduced a new tariff structure of the “Yu-Pack” service on 1 October 2004. Instead of charging by weight, the new tariff is mainly based on the size of “Yu-Pack” items. The average unit price of “Yu-Pack” items in 2003 (605 Yen) was cheaper than that of the plaintiff’s “Takkyûbin” service (683 Yen). The plaintiff asserted that the implementation of the new tariff structure of the “Yu-Pack” service amounted to

a “price far below the costs incurred” or an “unduly low price” under Sec. 6 General Guidelines on Unfair Trade Practices.

According to the above, the plaintiff claimed that the defendant’s acts contravened Secs. 19, 2(9)(ii) and (iii) Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act, AMA) and thus sought injunctive relief under Sec. 24 AMA.

The points at issue were

1. whether or not the defendant offered “unjust benefits” in order to induce Lawson; and
2. whether or not the implementation of the new tariff structure of the defendant’s “Yu-Pack” service qualified as an “unduly low price”.

The Tokyo District Court dismissed the case.

Findings

On Issue 1

(a) In accordance with the provision of Sec. 2 (9) (iii) AMA, the act of “inducing customers of a competitor to deal with oneself by offering unjust benefits in the light of normal business practices” has been designated as an unfair trade practice under Sec. 9 General Guidelines on Unfair Trade Practices. The consideration of the legislature for the above Sec. 9 was that inducement of customers by offering economic benefits unrelated to the goods or services in question will inhibit free and fair competition, even if the inducement of customers is the essential element of competition. According to the above, the definition of “unjust benefits” prescribed in the Guidelines Sec. 9 shall be considered as “economic benefits”.

(b) No substantial evidence has been presented to support the position that the defendant offered such economic benefits by renting out extra space at its post offices to Lawson at a very low price, or by offering some possibilities for Lawson of handling postal savings and postal life insurance in the future.

(c) Furthermore, it is difficult to ascertain that the act of placing post boxes inside the chain stores of Lawson without charging a collection fee qualifies as “unjust benefits”.

On Issue 2

(a) The definition of “costs incurred” under Sec. 6 General Guidelines on Unfair Trade Practices [“Without good reason constantly selling goods or services at a price far below the costs incurred...”] shall be interpreted as the “total sales costs” which include “costs of revenue from operations”, “distribution costs”, and “general administrative expenses”. And the term “unduly low price”, the second alternative of said Sec. 6, shall be con-

sidered as a price lower than the “costs incurred in said supply”, rather than the market price.

(b) However, no substantiated claims or evidence regarding the total selling cost of the defendant’s “Yu-Pack” service have been presented by the plaintiff. It is thus difficult to determine that the new rate structure of “Yu-Pack” service is lower than the “costs incurred in the said supply” as required by Sec. 6 General Guidelines on Unfair Trade Practices.

(c) Even if the unit price of “Takkyûbin” parcels is higher than “Yu-Pack”, the scale of operation of the “Takkyûbin” service is larger than “Yu-Pack” and the plaintiff still enjoys the biggest market share (33.58% based on the number of parcels, 40.8% based on sales). It is thus difficult to conclude that the asserted acts of the defendant have caused any difficulties or may cause future difficulties to the business activities of the plaintiff under Sec. 6 General Guidelines on Unfair Trade Practices.

For Japanese-language version, see 1921 Hanrei Jihô 9.

Translated by H-C.Liu, Hokkaido University

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Comment

When the AMA was enacted in 1947, little thought was given to private enforcement. According to Sec. 20 AMA, it is principally the Fair Trade Commission (FTC) that is entitled to issue cease and desist orders to offenders.¹ While the FTC cannot be forced to act against a certain unlawful behaviour,² an aggrieved entrepreneur under Sec. 25 AMA is entitled to bring a damage claim based upon a final and conclusive measure by the FTC. In the alternative, an entrepreneur may decide to bring a damage claim under the general tort provision of Sec. 709 Civil Code. According to the report of an FTC study group published in 1990,³ none of the 15 lawsuits raised under either of these provisions was successful despite the fact that under Sec. 25 AMA, the facts of wrongdoing as ascertained by the FTC can no longer be questioned. In most of these cases, damages could not be sufficiently proven due to a lack of access to the defendants’ internal documents. Allowing the so-called passing-on defence has given end consumers a right to sue, but only for minuscule amounts.⁴

1 In the past, the courts have consistently held that only the FTC should be entitled to impose cease and desist orders, not the courts upon request by competitors, Tokyo District Court, 16 September 1993, 4 wa 5783 – *Nomura*.

2 Supreme Court, 16 November 1972, 26-2 Minshû 1573 – *Ebisu shokuhin kigyô kumiai*.

3 *Dokusen kinshi-hô ni kan suru songai baisho seidô kenkyû-kai* of 25 June 1990.

4 Supreme Court, 8 December 1989, 36 KTIS 115 – *Sekiyu Renmei*.

On the other hand, unfair trade practices are actionable only to a limited extent under the Unfair Competition Prevention Act with a catalogue of prohibited acts. Customer inducement and sales below cost are not listed there, and the courts have consistently refused a broad interpretation of what can be considered unfair.⁵

In the 1990s, entrepreneurs aggrieved by unfair trade practices, boycotts, or cartels have become more assertive in bringing their complaints before the courts.⁶ Of particular importance were claims aimed at a further supply of goods under (unlawfully terminated) long-term contracts⁷ or at ascertaining the nullity of acts contravening the AMA.⁸ Yet it became clear that only a claim for injunctive relief could effectively remedy antitrust wrongs.⁹ At the end of 1998, a study group convened by the Fair Trade Commission issued an interim report on providing injunctive relief against antitrust violations.¹⁰ The report very cautiously endorses the provision of injunctive relief against antitrust violations, yet raises some additional points on matters of jurisdiction and appropriate legal construction:

It would be appropriate to introduce a system of private injunction against antitrust violations from the viewpoint of improving the system of remedies for victims, and for deterring unlawful conduct. Yet, in order to make the system of injunctive relief appropriate and effective, further studies should be made on the plaintiff's standing to sue and the jurisdiction of the court.¹¹

Suggestions were also made by some academics.¹² Basically, two proposals emerged. One was to implement the catalogue of unfair trade practices under the General Guide-

5 Most recently Tokyo High Court, 19 October 2004, 1904 Hanrei Jihô 128 – *Kojima*, for misleading price indications; concurrently reprinted in this volume.

6 The most important cases are mentioned by M. MURAKAMI, *Fu-kôsei na torihiki hôhô no kaitai to haishi* (Type and prevention of unfair business methods), 1316 *Jurisuto* 109 (2006); W. VISSER 'T HOOFT, *Japanese Contract and Antitrust Law* (London 2002); C. HEATH, *Bürgerliches Recht, Wettbewerbsrecht und Kartellrecht in Japan*, WuW 1995, 93.

7 E.g. Supreme Court, 18 December 1998, 1664 Hanrei Jihô 3 and 14 – *Shiseido* and *Kao*; Osaka District Court, 21 June 1993, 829 Hanrei Taimusu 232 – *Jeans*; Osaka District Court, 24 July 1992, 1046 *Jurisuto* 241 – *Oppen*. All these claims were unsuccessful, though.

8 Tokyo District Court, 16 September 1993, *supra* note 1, – *Nomura*; Osaka District Court, 31 August 1992, 1458 Hanrei Jihô 111 – *Nengajô*; Tokyo District Court, 23 October 1992, 810 Hanrei Taimusu 202 – *JAL Tickets*; Osaka District Court, 5 June 1989, 734 Hanrei Taimusu 241 – *Construction Steel*.

9 In the case Osaka High Court, 30 July 1993, 833 Hanrei Times 62 – *Toshiba Elevator*, the court affirmed an unlawful boycott, but awarded only nominal damages of about €600.

10 An annotated Japanese version of the report can be found in K. HIGASHIDE, *Dokusen kinshihô ihan kôî ni kan suru shijin ni suru sashitome soshô seidô* (Injunctive relief in a private action based on antitrust violations), 580 *Kôsei Torihiki* 4 *et seq.* (1999). An English summary is available at the Fair Trade Commission's homepage at www.jftc.go.jp.

11 K. HIGASHIDE, *supra* note 9, at 10.

12 M. MATSUSHITA (ed.), *Fu-kôsei na kyôsô kôî to minjiteki kyûsai* (Unfair trading acts and civil relief), NBL Bessatsu 43 (1997); TSUSANSHÔ (ed.), *Fukôsei na kyôsô kôî ni tai suru minjiteki kyûsai seidô no arikata* (Unfair trading acts and how the system of civil relief

lines into the Unfair Competition Prevention Act and thereby allow private suits by competitors (but not consumers).¹³ The solution that was actually taken implemented a right of injunctive relief into the AMA, now Sec. 24:

A person whose interests have been infringed or are likely to be infringed by a violation of Sec. 8(1)(v) [acts of trade associations inciting entrepreneurs to engage in unfair trade practices] or Sec. 19 [unfair trade practices] and who thereby incurs or is likely to incur serious damage, is entitled to request cessation or prevention of such violation from the entrepreneur or trade association engaging in such acts.¹⁴

Although the provision is limited to unfair business practices, undue restraints of trade under Sec. 2(5)(3) AMA also often qualify as unfair business practices, e.g. in the case of boycotts. The limitation is thus less serious than it looks at first sight.¹⁵ Less clear is the limitation on acts that cause “serious damage”, a limitation that is not contained in comparable provisions of Sec. 709 Civil Code or the Unfair Competition Prevention Act. One commentator has remarked that “it is impossible to give a logical explanation” regarding this limitation.¹⁶ Neither is it clear what is exactly meant by “cessation or prevention of violation”. The term is certainly more narrow than the one employed in Sec. 48 AMA. In other words, the courts are not meant to grant plaintiffs the same scope of remedies as the Fair Trade Commission would have had at its disposal. Thus, it is clear that the plaintiff can demand cessation, such as, “The defendant shall not engage in X”, or also, “The defendant shall not hinder the plaintiff in engaging in X”.

Yet would a right of cessation also include the right to demand performance, e.g. in cases where the supply of goods is concerned? One commentator has expressed doubts about this, not only due to the wording of the provision but also the limitations of the Civil Enforcement Act.¹⁷ He finds it desirable that the courts be more assertive in this respect; on the basis of the current law – e.g. in cases of boycott (because of breach of a non-competition clause) – he suggests that the plaintiffs demand the following: “The defendant shall not refuse to deal with the plaintiff because the latter has engaged in business relationships with X”, or “The defendant shall not enforce a clause whereby the plaintiff is prevented from engaging in business relations/supply with X”, or “The defendant shall not prevent the plaintiff from supplying/receiving supplies from X”.

should be), NBL Bessatsu 49 (1998); K. HIGASHIDE (ed.), *Dokusen kinshi-hô ihan kôei to minjiteki kyûsai seidô* (Anti-competitive acts and the system of civil relief), NBL No. 55 (2000); K. HIGASHIDE, *Dokkin-hô ihan to minji soshô* (Civil suit and anti-competitive acts) (Tokyo 2001).

13 The 1994 Unfair Competition Prevention Act does not protect consumers (unlike the AMA) and grants remedies of injunctive relief and damages only to competitors.

14 The provision was introduced by law No. 76 on 19 May 2000, and came into force on 1 April 2001.

15 Correctly M. MURAKAMI, *Dokusen kinshi-hô to sashitome, songai baishô* (The AMA and claims for injunctive relief and damages) 32 (Tokyo 2001).

16 *Id.* at 34.

17 *Id.* at 37/38.

The above-mentioned author is of the opinion, however, that an order to supply can be issued by the courts on a preliminary basis.¹⁸

The above case at issue is one of the first where Sec. 24 AMA was actually invoked, yet ultimately without success. In other reported cases, the plaintiffs also failed to obtain relief against allegedly anti-competitive behaviour of other.¹⁹ Some academics regard this as a problem of missing precedents or the absence of a real right (such as an intellectual property right) that would merit protection by injunctive relief.²⁰ Yet, the most consistent pattern in all cases under Sec. 709 Civil Code and Secs. 24, 25 AMA is the lack of sufficient evidence of wrongdoing.²¹ Just as in IP cases, the evidence is usually with the alleged infringer. In the case at issue, how could Yamato prove sales below cost if not by an inspection of the defendant's cost structure? Already in a previous case where Japan Post was accused of price-dumping, the action failed due to a lack of evidence.²² It would thus be expedient to provide means of discovery similar to Sec. 105 Patent Act (order of documents in the possession of the other side related to infringement and damages). Otherwise, it is unlikely that claims under Sec. 24 AMA will ever become an effective way of antitrust enforcement by private competitors.

The discussion in Japan is interesting, not least in the light of the Commission's Green Paper on Damages Actions for Breach of the EC Antitrust Rules of 19 December 2005²³ and the comments thereto submitted by the Munich Max Planck Institute.²⁴ The Japanese experience shows that a rule whereby facts ascertained by the competition authorities can no longer be questioned in private antitrust actions is not enough and needs to be accompanied by proper rules on the production of evidence, and possibly by certain presumptions on the amount of damages. Furthermore, it should be clarified that remedies can also include an order for continuous supply.

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18 *Id.* at 39.

19 *E.g.* Tokyo District Court, 19 October 2004, 1904 Hanrei Jihô 128 – *Kojima*; Tokyo District Court, 15 April 2004, 1872 Hanrei Jihô 69 – *Mitsuimaru*; Osaka High Court, 5 July 2004, not yet reported – *Kansai Airport*.

20 These two reasons are mentioned by A. KANEKO, *Dokusen kinshi-hô jô no sashitome seikyû to wakai* (Antitrust settlements and requests for injunctive relief), 651 *Kôsei Torihiki* 27.

21 Mentioned by Y. ÔUCHI, *Sashitome seikyû soshô to kôsei torihiki iinkai* (FTC and claims for injunctive relief), 662 *Kôsei Torihiki* 34, 35.

22 In Osaka District Court, 31 August 1992, 1458 Hanrei Jihô 111 – *Nengajô*, Japan Post had sold stamped New Year's cards for the price of a stamp, suggesting zero production costs for the cards as such.

23 COM (2005) 672 final.

24 DREXL ET AL., Comments on the Green Paper, 37 IIC 700 (2006).

Unfair Competition Prevention Act Sec. 2(1)(iii) – “Shoulder Hip Belt”

A claim against the slavish imitation of the configuration of goods requires an achievement based on own efforts of time and labour and must fail where the configuration was copied from others.

Tokyo District Court, 26 April 2006

Doria v. Amuse

Facts

The plaintiff has marketed some outdoor hiking gear, inter alia a “shoulder hip belt” whose specific form and shape was allegedly copied by the defendant that also markets shoulder hip belts. Sued for damages under the UCA provision against slavish imitation, the defendant asserts that its goods had been imported from China, where they were developed by company A and marketed in the U.S. and China already prior to the plaintiff’s marketing of its goods in Japan. The court held that the plaintiff’s goods had been jointly developed by the plaintiff and the Chinese company C. Much of the evidence centred around the rather inscrutable relationships between various companies in China, Japan, and the U.S. involved in the development and marketing of hiking goods, especially whether company C had copied from company A.

Reasons

On the contents of Sec. 2(1) (iii) UCA:

The provision of Sec. 2(1)(iii) on the marketing of goods that are an imitation of the shape of another’s goods amounts to unfair competition as follows. Where a person has successfully invested time and labour in order to develop and market a product, the copying and marketing of such a product by an imitator can save the latter significant costs and risks while at the same time depriving the first person on the market of the benefits of such a head start. Between the first comer and the imitator, this amounts to unfair competition that in principle destroys the trust in the development of markets and products. Thus, for the person who has invested time and money in the development and marketing of a product shape that despite its arbitrary selection is copied and subsequently brought to the market in the form of goods, this is an act of unfair competi-

tion. In such a case, the profits the first comer can expect shall be protected against subsequent imitation. Injunctive relief and damages under Sec. 2(1)(iii) UCA is limited to the person who himself has developed and marketed goods whose shape has been copied....

Evaluation of facts:

On the basis of the established facts, the Chinese company A started with the marketing of its goods in March 2000 both in China and the U.S. According to the evidence, the shape of the goods marketed by company A in its main features corresponds to the shape of the goods marketed by the plaintiff, although there are minor differences. This is indirectly admitted by the plaintiff, arguing that the shape of A's goods is an imitation of the plaintiff's goods. Both company C and company A operated in adjacent markets that were in the vicinity of Hong Kong. Thus, company C, a large production and sales company in China, had knowledge of the production and sales of the goods produced by company A.

Therefore, company C has not alone developed and marketed the shape and the most important details of the plaintiff's goods, and consequently neither has the plaintiff. Accordingly, the plaintiff cannot claim damages under Sec. 2(1)(iii) UCA...

Translated from 1964 Hanrei Jihô 134 - 147 by Cristopher Heath.

Comment

1. Sec. 2(1) (iii) was introduced in 1994 in the aftermath of a Tokyo High Court decision that found the slavish imitation of decorative wallpaper “an infringement of business interests if a third party sells identical goods of virtually the same design in the same geographical area at a lower price.”¹ The provision currently protects against the “imitation of the configuration of another's goods” within three years from the selling date in Japan. The reason for giving protection against slavish imitation is the imbalance between the high developments costs of the original and the cheap production costs of the imitation, and the corresponding necessity to protect the first developer's head start profits² – a view also reiterated in the decision at issue here. One should add that Japan has no system for protecting unregistered designs, and due to the requirement of substantive examination, there is otherwise no effective protection of short-lived designs.

1 Tokyo High Court, 17 December 1991, 25 IIC 805 [1994] – *Decorative Veneer*.

2 Tokyo High Court, 17 December 1991, 25 IIC 805 [1994] – *Decorative Veneer*; *Sangyô kôzô shingi-kai chiteki zaisan seisaku bukai hôkoku* (Deliberation Committee on Intellectual Property Rights), January 1993, 15.

In the first ten years of its existence the provision has not seen many cases where it was successfully invoked;³ in most cases the courts found the products dissimilar,⁴ ordinary,⁵ functional,⁶ or part of an ensemble that as a whole was deemed dissimilar.⁷

2. Despite this rather marginal existence, considerable criticism against the provision has recently been voiced by *Kenneth Port*,⁸ essentially for three reasons: first, the provision was not consistent with U.S. law; second, product configurations under Japanese law should better be protected by three-dimensional trade marks; and third, the scope and economic reasoning remained dubious. The first criticism is a kowtow to U.S. readers rather than a serious argument,⁹ the second point has been dealt with in the negative by a Tokyo High Court decision of 2006,¹⁰ but the third point should indeed be taken seriously. Not least, the above decision gives rise to some interesting questions.

For one, the provision is meant to give a period of three years of market exclusivity in Japan, yet it does not (or so it seems) reward the making available of products on the Japanese market, but the development of such goods. The issue is somewhat unclear in view of the above “*NuBra*” decision that allowed the sole import distributor of NuBra strapless bras to sue for infringement, although the development of such goods was not his (though the damage to the market share in Japan certainly was) – a point that might need further clarification.

Next, the defences to an alleged infringement are not yet entirely clear. In the above case, the defendant could successfully prove that the plaintiff’s goods were developed by a Chinese company that had probably copied them from the defendant’s supplier, for which reason the configuration of the goods could not count as the plaintiff’s achievement – a classical unclean hands defence Japanese courts have been reluctant to

3 Tokyo High Court, 26 February 1998, 1644 Hanrei Jihô 152 – *Dragon Node* (successful in first instance only, but overturned on appeal); Osaka District court, 17 September 1998, 282 Hanketsu Sokuhô 17 [1998] – *Toaster*; Osaka District Court, 26 November 1998, 284 Hanketsu Sokuhô 18 [1999] – *Lune Louran Paris*; Tokyo High Court, 5 December 2005 – *Women’s Shirt*; Osaka District Court, 26 July 2004, 37 IIC 480 [1996] – *NuBra*.

4 Tokyo High Court, 26 February 1998, 1644 Hanrei Jihô 152 – *Dragon Node*.

5 Tokyo District Court, 27 June 1997, 1610 Hanrei Jihô 112 – *Animal Tag*.

6 Osaka District Court, 26 November 1998, 284 Hanketsu Sokuhô 18 [1999] – *Lune Louran Paris* (obiter dictum).

7 Tokyo District Court, 24 May 2005, 1933 Hanrei Jihô 107 – *Manhole Steps*. Osaka District Court, 29 September 2004, 37 IIC 235 [2006] – *Design Award*.

8 KENNETH L. PORT, “Dead Copies” under the Japanese Unfair Competition Prevention Act: The new moral right, 51 St. Louis University Law Journal 93 [2006].

9 Particularly in view of the fact that a number of other countries have similar provisions or a general clause on unfair competition prevention interpreted by the courts as giving protection against slavish imitation. See below 3.

10 Tokyo High Court, 29 November 2006, 1950 Hanrei Jihô 3 – *Hiyoko* (forthcoming in IIC 2007).

apply in the past.¹¹ Future decisions need to clarify, though, what exactly the thrust of this defence should be: Does the defendant need to prove that the plaintiff has copied? Or would it be sufficient (or even necessary) for the defendant to show that his goods were not copies of the plaintiff's due to his own or a third party's independent development? The wording of the provision seems to favour the "copyright approach" whereby an independent development does not amount to "copying" or "imitating". The defence should thus be that either the plaintiff has not spent time and money on the goods' development,¹² or the defendant independently developed the marketed goods.

3. Due to the limitations contained in IP laws, making the slavish imitation of configurations an act of infringement has given rise to heated debates ever since. On the one hand, there are those who would not acknowledge any protection of achievements beyond established intellectual property rights, including those mentioned in Art. 10bis Paris Convention – a position often found in Common Law countries¹³ (which, though, often allow copyright to cover this perceived gap).¹⁴ On the other hand are those that regard protection against slavish imitation as a solution to the perceived wrong of "ploughing with another's calf"¹⁵ or to gaps to be subsequently filled by legisla-

11 In the only case where this was an issue under Sec. 2(1) (iii) UCA, the court rejected the estoppel of unclean hands out of hand: Osaka District Court, 10 September 1998, 1659 Hanrei Jihô 105 – *Bear's Collection*. The estoppel was accepted, though, by Sendai High Court, 12 February 1992, 793 Hanrei Times 239 – *Earthbelt* in a case where the plaintiff had obtained recognition for its goods by mistakenly labelling them as patented.

12 E.g. Swiss Supreme Court, 4 February 2005, 37 IIC 610 [2006] – *Search Spider*: "The effort required for the exploitation of the results of the work is unreasonably small in proportion to the objectively necessary effort for the initial creation of the data."

13 E.g. English High Court, 4 October 2006, *L'Oréal v. Bellure*, headnotes in 37 IIC 747: "The law of passing off is not designed to protect a trader against others selling the same goods or copied goods. The passing off claim instead hinges on the names and packaging of the offending products. No assistance can in this respect be derived from decisions in other countries where the cause of action appears to have been based on a more general idea of unfair competition than represents the law in the United Kingdom."

14 See e.g. the cases of the British House of Lords in *Leslie v. Young* [1894] A.C. 329 (copyright protection for a railway time table); English High Court, *BBC v. Wireless League Gazette Publishing*, [1926] Ch 433 (protection of TV programme guides). Recently also Dutch Supreme Court, 16 June 2006, 37 IIC 997 – *Trésor Perfume* (copyright protection for perfume smells).

15 In this sense I understand PAOLA FRASSI, Protection under Modular Products under Italian Law, 32 IIC 267 [2001]. Very clear also Austrian Supreme Court, 15 September 2005, 38 IIC 749 [2007] – *Friendfinder*: "Anyone who without any achievement of his own, without any creative effort of any consequence, adopts wholesale the unprotected achievement of another to compete with the injured party using the latter's own painstaking and expensive achievement acts dishonestly within the meaning of Sec. 1 of the Act Against Unfair Competition."

tion,¹⁶ a position that has found an increasing number of critics.¹⁷ This ambiguity is reflected in diverse patterns of international recommendations on the subject¹⁸ and domestic legislation.¹⁹ The picture gets even more diverse when taking into account decisions that protect certain types of achievements such as news²⁰ or fashion designs.²¹

4. Viewed in an international context, the Japanese provision against slavish imitation is nothing out of the ordinary. In the context of Japanese IP protection, the provision finds justification in the absence of swift design protection, high hurdles to obtaining protection under copyright law for works of applied art, and proof of secondary meaning for the registration of three-dimensional trade marks. Case law has applied the provision rather cautiously, and *Kenneth Port's* allegation that a claim against slavish imitation might stifle competition unwittingly pays tribute to a country that not so long ago was considered to promote a “copy-culture”.²²

Cristopher Heath

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- 16 MATTHIAS LEISTNER, *The Legal Protection of Telephone Directories*, 31 IIC 950 [2000], and the decision of the German Supreme Court, 6 May 1999, 31 IIC 1055 [2000] – *Tele-Info-CD*.
- 17 E.g. against “eternalising” the shape protection of Lego bricks, Canadian Supreme Court, 25 November 2005, *Kirkbi v. Ritvik*, 37 IIC 605 (refusal to grant trade mark protection); in the same vein, Commercial Court Zurich, 17 December 2002, GRUR Int. 2004, 258 – *Lego Formmarke* (overturned on appeal and now remanded back). More critical towards admitting claims against slavish imitation now also German Supreme Court, 8 December 1999, GRUR 2000, 521 – *Modulgerüst*.
- 18 While the WIPO Model Provisions against Unfair Competition 1994 include no protection against slavish imitation, AIPPI in 1995 recommended a text that included protection against slavish imitation also in the absence of confusion: Resolution to Question 115, adopted at the 34 AIPPI Congress in Montreal 1995.
- 19 Spain (Sec. 11 UCA 1991) and Switzerland (Sec. 5c UCA 1986) specifically protect slavish imitation without confusion, while the new German UCA 2004 in Sec. 4 (9) only lists acts of slavish imitation that entail a confusion of origin.
- 20 US Supreme Court, *International News Service v. Associated Press*, 248 US 215. It is well-known that Rudolf Callmann took this case as a starting point for his (failed) attempt to introduce the concept of unfair competition prevention to US law: *Rudolf Callmann, He who reaps where he has not sown: Unjust enrichment in the law of unfair competition*, 55 Harvard Law Review 595 [1942].
- 21 German Supreme Court, 19 January 1973, GRUR 1973, 480 – *Modeneuheit*: Protection of fashion clothing for one season.
- 22 CHRISTOPHER HEATH, *Japan – eine Kopierkultur?*, 5 Zeitschrift für Japanisches Recht / Journal of Japanese Law 5 (1998) 114.