

5 Research and Study on Desirable Trademark Protection by Adjusting the Borderless Character of the Internet and the Territorial Nature of Rights in Trademarks

Due to the particular nature of the Internet, use of a mark or a sign on the Internet could constitute a trademark infringement or an act of unfair competition in any country. In this context, the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) of the World Intellectual Property Organization (WIPO) has been discussing this problematic issue which may be caused by the use of such marks on the Internet, and drafting international rules (abbreviated as 'the SCT provisions' or 'the SCT Draft Provisions' hereinafter) so many times with the aim of resolving it. In this research and study, we first enumerate and review in brief the new forms of trademark used on the Internet. Then, we are to examine how these provisions are theoretically connected with Trademark Law of Japan and other related laws if the SCT provisions come into effect on a worldwide level, particularly focusing on the practical need to amend or revise laws of Japan with respect to the concept and/or definition of 'the use of marks and other signs,' the requirements for exemption from liability for infringement, and remedies that we should provide with.

I New Forms of Use of Trademarks on the Internet

1 Domain Name

A domain name is comprised of numbers, signs and/or characters (in general combined with alpha-numeric ones), which is allocated to identify a specific Internet-site (computer) and indicates each location as the "address" of the site in the Internet world. Organizations for domain name registration hold fast to their stance that registering domain names merely serve to uniquely identify each computer, do not grant any rights.^(*) On the other hand, traders and business entities use trademarks in order to distinguish their goods and/or services from others (Section 2 of Trademark Law of Japan), and the Law ensures the maintenance of the business reputation of persons using trademarks by protecting trademarks (Section 1 thereof). Therefore, domain names and trademarks by nature have nothing to do with each other and there does not have any conflicts between them.

However, since you cannot make yourself known in the Internet world unless your domain name is recognized by others, it stands to reason that trademark right owners should desire to register their domain names whose character strings are associable with and/or easily evoked from their own trademarks upon registering domain names. In the meantime, there are not so few people who make abuse of the authority given to such owners, as to register their domain names

whose character strings are associable with such authentic owners' (particularly well-known) marks in order to obtain unjustifiable interest (so-called cyber-squatting). Cyber-squatting should be eliminated because it deviates from the original purpose and meanings of domain names in that it is conducted for an abusive purpose. Although domain names and trademarks have by nature nothing to do with each other due to the difference in their functions and roles, and therefore there could not cause a situation where "a domain name infringes a trademark right", domain names registered or used by such unjustifiable purpose are, in fact, the subject matter of judicial actions and/or oppositions with the Patent Office (or other competent authority corresponding to it) for the reason that cyber-squatting shall constitute infringement of trademark rights.

2 Meta-tag

Meta-tag is additional information written in and placed within the head tag that is utilized in a webpage program in HTML (Hyper Text Markup Language) format for identifying the webpage(s) that Internet users would like to access. Meta-tag itself does not appear on the screen displays as long as Internet users view webpages with their computers. Also, since the services of so-called search engines search, retrieve and find out the webpages, referring to the information written in and placed within the tags contained in each webpage as keywords, meta-tags are considered

(*)1 See Japan Network Information Center, Article 2 of the Rules for Attributional Type (Organizational Type) and Geographical Type JP Domain Name Registration and Article 2 of the Rules for General-Use JP Domain Name Registration.

as signs having an effect to attract Internet users. Accordingly, there may be cases where unauthorized use of trademarks owned by others as meta-tags are recognized as use of signs that are likely to cause confusion with the registered trademarks owned by the others (to constitute trademark infringement).

3 Hyperlink

A hyperlink (commonly called link) allows Internet users to access to a subdirectory of the website or a webpage owned or operated by another person only to click on an address in text normally called URL (Uniform Resource Locator) or a framed link button, both displayed on the webpages. As to link buttons, they include each URL of the hyperlinked webpage in HTML format but do not show their URLs themselves on the display. Some of them indicate trademarks owned by the owners of the hyperlinked webpages (link logos).

Since hyperlinks merely introduce webpages owned by other people on the Internet, they may usually be considered as non-infringement of trademark rights or copyrights and cause no problems, given that webpages clearly indicate that the link(s) transport Internet users to other person's webpages or have been created in a manner that such transportation can be recognized in their normal estimation by Internet users. Nevertheless, if a certain webpage owner includes on his/her webpage a description that may cause confusion with hyperlinked webpages owned by the third parties or has created the webpage as to imply that such hyperlinked webpages are owned by the owner (including cases where the webpage displays or implies as if he/she has a special relationship with the owners of the hyperlinked webpages), the act may be considered as an infringement of trademark rights or other rights.

4 Banner Advertisement

A banner advertisement is an ad placed on a part of a webpage in the same manner as advertisements of the third parties are shown in newspapers or magazines. It is usually placed on the webpage by the owner thereof upon request of the advertiser (and afterwards by concluding a contract between the owner of the website and the advertiser), so there does not cause any problems in general. However, if the owner of the website places third parties' advertisements with their trademarks on his/her website without their consent, there could be the cases where such act should be considered as trademark infringement.

5 Frame (Framing)

Frames are used to divide a webpage into multiple windows. By writing frame descriptions in the HTML document in order for such division, it is possible to display different sorts of information in each window and/or make the windows work with each other.

A problem may arise, however, if a owner of the website divides a webpage into two windows to concurrently show his/her own webpage and a webpage owned by the third party in each window respectively therein, misleading Internet users to conceive that the information provided by the third party displayed on one of the divided window is somewhat related to his/her own webpage (displayed on the other window). There was a case where The Japan Newspaper Publishers & Editors Association made a protest against such framing that has been created by a U.S. web establisher in his website, and then the frame was eliminated upon their protest. It is reported that the protest has been made based on the copyright on newspaper information.

6 Search Engines

A search engines is a program that searches webpages for specified keyword(s) and returns the list of documents. Internet users utilize search engines as online services for searching webpage (s) that they would like to obtain with the keyword(s). It searches and retrieves the same or similar word(s) written in or placed within meta-tags (contained in all webpages), as the keyword(s) that Internet users have fed, and provides them with the corresponding webpages. The search engines providers follow the business of 'providing search engines for obtaining data on a global computer network' (Class 42 [former 42P02], Appendix Table 1, Trademark Law Enforcement Regulations of Japan). The matter in dispute shall be reviewed in I 8 (3).

7 Examples of Disputes over New Forms of Trademark Use on the Internet

(1) Japan

[Case] H10 (wa) No. 323 "JACCS case" seeking for an injunction to prohibit the act of unfair competition, etc. (1998)

[Parties concerned]

Plaintiff: JACCS Co., Ltd.

Defendant: Nippon-kai Pact Inc.

[Court] Toyama District Court (decision on December 6, 2000; appeal filed as of May 5, 2001)

[Factual Background]

The defendant, after applying for the registration of the domain name "jaccs.co.jp",

obtained it and established its website on the Internet. On the website, it was selling many kinds of goods including mobile phones and portable toilets by using several signs including the sign "JACCS". Meanwhile, it also made an offer to the plaintiff to transfer the domain name for value. Accordingly, the plaintiff filed a lawsuit against Nippon-kai Pact for an injunction to cease the use of the domain name and the sign "JACCS" on the website, stating that the use of the domain name and use of the sign on the website by the defendant should fall under Article 2 (1) (i) and (ii) of the Unfair Competition Prevention Law.

[Court decision]

(i) Points at issue

① Whether or not the use of the domain name falls into "the use" as "indication of goods and/or services." under Article 2 (1) (i) and (ii) of the Unfair Competition Prevention Law

② Whether or not the use falls under any other requirements under Article 2 (1) (ii) of the Law.

- The degree of inherent or acquired distinctiveness and recognition (famousness), of the plaintiff's trade name "JACCS"

- Is the domain name substantially identical or confusingly similar to the plaintiff's trade name?

③ Whether or not an injunction to prohibit the use of the domain name is appropriate, and whether or not the claim made in this case is an abuse of right?

④ Whether or not an injunction to prohibit the use of the sign "JACCS" on the defendant's website is appropriate?

(ii) Court decision

Regarding Point ①:

The court stated that a domain name was originally not a character string that had anything to do with the registrant's name, appellation and so on, but that it was usual for applicants to file applications for the registration of domain names with character strings indicating their own names, or words or terms bound up with them. Therefore, it is reasonable to determine whether or not use of a domain name has the function to identify the origin of goods or services, i.e., whether or not the use falls into "the use" as "indication of goods and/or services" under Article 2 (1) (i) and (ii) of the Unfair Competition Prevention Law, by comprehensively examining the meaning of the character string of the domain name and the detail of the website accessible with the domain name. The court has decided that the defendant's use of the domain name fell into "the use" as "indication of goods and/or services" because the domain name was used in conjunction with the sign "JACCS" on the website, and has served to distinguish the origin of the ads of

goods on the website.

Regarding Point ②:

The court has admitted that the sign "JACCS" had already acquired its fame and reputation in Japan as the plaintiff's trade name by 1998, when the defendant started to use the same-strained term as a domain name. In deciding whether or not the domain name "jaccs.co.jp" was identical or confusingly similar to the plaintiff's trade name, the court stated that the decision should be made by comparing the third level domain "jaccs" as the main portion of the domain name, with the plaintiff's trade name "JACCS", and consequently decided that they were confusingly similar to each other. The court accordingly judged that the defendant's use of the domain name constituted the act of unfair competition in Article 2 (1) (ii) of the Unfair Competition Prevention Law.

Regarding Point ③:

Since the defendant has notified the plaintiff in writings as of mid-July, 1998, that the defendant had obtained the domain name "jaccs.co.jp", and made an offer to the plaintiff to transfer it for value, the court assumed that the defendant had obtained registration of the domain name with a purpose to draw money from the plaintiff. The court recognized that the defendant would intend to continue using the domain name in the future, which was in result, likely to cause confusion with or to damage the plaintiff's trade name. Therefore, the court judged that the use of the domain name by the defendant should be prohibited.

Regarding Point ④:

The court admitted that the plaintiff's trade name "JACCS", which was also the registered trademark, was famous and well-known, and that the sign "JACCS" displayed on the defendant's website were substantially identical (it does not matter if there exist difference in their typeface and color). It also admitted that the use of "JACCS" for business activities on the website fell into "the use" as "indication of goods and service", and that the defendant's act of using the sign "JACCS" on the website constituted an act of unfair competition in Article 2 (1) (ii) of the Unfair Competition Prevention Law. Therefore, the court admitted that the defendant was likely to use "JACCS" again for its business activities on its website and to damage the plaintiff's business interests, and judged that the use of the sign "JACCS" on the defendant's website should be prohibited.

(2) United States

Case 1: Bally Total Fitness Holding Corporation v. Andrew S. Faber
U.S. District Court for the Central District of California

Plaintiff: Bally Total Fitness Holding Corporation

Defendant: Andrews S. Faber

(a) Factual Background

The plaintiff, who operated health clubs, owned several registered trademarks and service marks including "Bally," "Bally's Total Fitness," and "Bally Total Fitness" in conjunction with these clubs. Meanwhile, the defendant has invited complaints about the plaintiff's health clubs and published them on its own website. The sign "sucks" appeared together with the plaintiff's trademarks and the description "Bally Total Fitness Complaints! Un-Authorized" beneath the marks on the website when accessed by Internet users. The defendant used the term "BALLY" as a meta-tag of the website.

Accordingly, the plaintiff filed a lawsuit against the defendant based on trademark infringement, unfair competition, and dilution of the trademark right.

(b) Court decision

In this case, the court judged that an act of displaying registered trademarks owned by others on the Internet and the use of such trademarks (in word format) as a meta-tag did not constitute infringement or dilution of a trademark right, provided that there was no commercial purpose involved.

Case 2: Cardservice International, Inc. v. McGee, 950 F. Supp. 737 (E.D. Va. 1997)

U.S. District Court for the Eastern District of Virginia

Plaintiff: Cardservice International, Inc.

Defendant: Webster R. McGee, WRM & Associates d/b/a

EMS-Card Service on the Caprock

(a) Factual Background

The plaintiff provided wide variety of services on credit card and debit card services, and owned a registered trademark "Cardservice International" in conjunction with these services. Meanwhile, the defendant, Webster R. McGee, operated and managed a private enterprise called WRM & Associates, providing services similar to the plaintiff's. Later he obtained the domain name "cardservice.com," and placed ads of a company named "EMS-Card Service on the Caprock" on his website.

Accordingly, the plaintiff filed a lawsuit against the defendants based on trademark infringement, unfair competition, and other disobedience of the laws.

(b) Court decision

The point at issue in this case was whether or not the use of the domain name (substantially identical to the registered trademark owned by the plaintiff) and the use of the trademark similar to the said registered trademark on the Internet

should constitute trademark infringement. The court has judged that the use of such domain name and the use of such trademark on the Internet should constitute trademark infringement.

Case 3: Playboy Enterprises, Inc. v. Netscape Communications Corp.; Playboy Enterprises, Inc. v. Excite, Inc.

U.S. District Court for the Central District of California

Plaintiff: Playboy Enterprises, Inc.

Defendants: Netscape Communications Corp.; Excite, Inc.

(a) Factual Background

The plaintiff owns registered trademarks, "playboy" and "playmate". Meanwhile, the defendants, Netscape Communications Corp. and Excite, Inc., operate search engines on the Internet, and were selling and marketing spaces for banner ads which has been pre-programmed so that the banner ads relating to search keyword (s) could be displayed on or attached to the page(s) where the search result were to be listed up by entering certain specific keyword(s) such as "playboy" and "playmate" with search engines.

Accordingly, the plaintiff filed a lawsuit against the defendants based on infringement and dilution of the trademark rights.

(b) Court decision

The point at issue in this case was whether or not the use of the registered trademark owned by plaintiff as a search keyword(s) should constitute trademark infringement. The court has judged that such use does not fall into "use of a trademark", and therefore that the use did not constitute trademark infringement.

Case 4: Playboy Enterprises, Inc. v. Terri Welles, 7 F. Supp. 2d 1098 (S.D. Cal. 1998)

U.S. District Court for the Southern District of California

Plaintiff: Playboy Enterprises, Inc.

Defendant: Terri Welles

(a) Factual Background

The plaintiff owns the registered trademarks, "Playboy", "Playmate", "Playmate of the Month", and "Playmate of the Year", and two websites. Meanwhile, the defendant has been calling herself the "Playmate of the Year" or "Playmate" ever since she first appeared in the December 1980 issue of Playboy magazine as the "Playmate of the Month". Also, she started to manage a website titled "Terri Welles - Playmate of the Year 1981" in 1997.

Accordingly, the plaintiff filed a lawsuit against the defendant based on trademark infringement, unfair competition, and dilution of the trademark rights.

(b) Court decision

The point at issue in this case was whether or not the use of the trademarks owned by

plaintiff on the Internet and the use of the registered trademarks owned by plaintiff as meta-tags should constitute trademark infringement. The court has judged that the use of the trademarks owned by plaintiff on the Internet did not constitute a trademark infringement provided that it should fall into "fair use", and that the use of the trademarks owned by plaintiff as meta-tags also did not constitute trademark infringement if such use was in good faith and appropriate.

Case 5: Playboy Enterprises, Inc. v. Universal Tel-A-Talk, Inc.

U.S. District Court for the Eastern District of Pennsylvania

Plaintiff: Playboy Enterprises, Inc.

Defendant: Universal Tel-A-talk, Inc. Adult Discount Toys Stanley Huberman

(a) Factual Background

The plaintiff owns registered trademarks including "PLAYBOY", "RABBIT HEAD DESIGN", and "BUNNY", and two websites. Meanwhile, the defendants used the plaintiff's trademarks to advertise online adult photographs on their website, and hyperlinked their website with that of the plaintiff's.

Accordingly, the plaintiff filed a lawsuit against the defendants based on trademark infringement, unfair competition and dilution of trademark rights.

(b) Court decision

The point at issue in this case was whether or not intentionally adopting the trademarks owned by plaintiff in order to exploit their fame and then using them on the Internet, including their conduct to hyperlink the website with the website owned by plaintiff without any consent should constitute trademark infringement. The court has judged that such use should constitute trademark infringement because such use and/or conduct might confuse Internet users.

8 Comprehension of Issues

There are several points at issue in the present Trademark Law of Japan as mentioned below in light of the domestic and foreign judicial cases mentioned in I 7 regarding use of trademarks on the Internet as well as the *status quo* of websites, trademarks used thereon, and various services provided thereon.

(1) Definition of the "Use in Respect of Services"

The use of a trademark on the Internet may fall into "act of displaying or distributing advertisements relating to the goods or services" under Section 2 (3) (vii) of Trademark Law of Japan at present. However, it is debatable whether every use of a mark on the Internet

wholly falls under the provision. Therefore, the revision of the Law should be taken into consideration in order to clear it up as follows:

① "acts of applying the mark on the goods or their packaging" in Section 2 (3) (i) thereof should be changed to something along the lines of "acts of applying the mark on the goods or on their packaging, or act of displaying the mark on computer displays in conjunction with the goods in electronic form on it which is transmitted / disseminated / delivered via a telecommunications line";

② "acts of assigning, delivering, displaying for the purpose of assignment or delivery, or importing, the goods on which or on the packaging of which a mark has been applied" in Section 2 (3) (ii) thereof should be changed to something along the lines of "acts of assigning, delivering, displaying for the purpose of assignment or delivery, or importing, the goods, on which or on the packaging of which a mark has been applied, or in conjunction with which a mark has been displayed on computer displays in electronic form on it which is transmitted/disseminated/delivered via a telecommunications line";

③ "acts of applying a mark to articles for use by persons to whom the services are provided (including articles assigned or leased - hereinafter the same) when providing services" in Section 2 (3) (iii) thereof should be changed to something along the lines of "acts of applying a mark to, or acts of displaying a mark on computer displays in electronic form on it which is transmitted/disseminated/delivered via telecommunications line in conjunction with, articles for use by persons to whom the services are provided (including articles assigned or leased - hereinafter the same) when providing services";

④ "acts of providing services by use of articles to which a mark has been applied for use by persons to whom the services are provided when providing services" in Section 2 (3) (iv) thereof should be changed to something along the lines of "acts of providing services by use of articles, to which a mark has been applied, or in conjunction with which a mark has been displayed on computer displays in electronic form on it which is transmitted / disseminated / delivered via telecommunications line, for use by persons to whom the services are provided when providing services";

⑤ "acts of displaying, for the purpose of providing services, articles to which a mark has been applied and supplied for use in the provision of services (including articles for use by persons to whom the services are provided when providing services - hereinafter the same)" in Section 2 (3) (v) thereof should be changed to

something along the lines of “acts of displaying, for the purpose of providing services, articles, as substantial being or in electronic form, to which a mark has been applied or supplied, or in conjunction with which a mark has been displayed on computer displays in electronic form which is transmitted / disseminated / delivered via telecommunications line, for use in the provision of services (including articles for use by persons to whom the services are provided when providing services - hereinafter the same)”;

⑥ “acts of applying a mark to articles related to the provision of such services belonging to persons to whom the services are provided when providing services” in Section 2 (3) (vi) thereof should be changed to something along the lines of “acts of applying a mark to, or displaying a mark on computer displays in electronic form on it which is transmitted/disseminated/delivered via telecommunications line in conjunction with, articles related to the provision of such services belonging to persons to whom the services are provided, when providing services including via a telecommunications line”; and

⑦ “acts of displaying or distributing advertisements relating to the goods or services, price lists or business papers with respect to the goods or articles on which a mark has been applied” in Section 2 (3) (vii) thereof should be changed to something along the lines of “acts of displaying or distributing advertisements relating to the goods or services, price lists or business papers, or releasing to public such documents/papers in electronic form which is transmitted / disseminated / delivered via telecommunications line, with respect to the goods or articles on which a mark has been applied or displayed on computer displays”. Meanwhile, a mark remains invisible and is not directly displayed via a telecommunications line as long as it is used as a meta-tag. But there is much room to apply Trademark Law of Japan under the situation where acts of placing the same strained terms intentionally in a meta-tag as registered trademarks owned by others in the said intentional user’s webpage program has been rendered for the purpose of attracting Internet users to his/her own website.

(2) Regarding Computer Program (downloadable software)

WIPO Committee of Experts of Nice Agreement has adopted that computer program (downloadable software, including musical sound recordings) should be included in Int. Class 9 under Nice Agreement held in October 2000, which will come into effect on January 1, 2002.

Since goods shall conventionally mean and be interpreted as “tangible property that are marketable, tradable, and exchangeable” under

Trademark Law of Japan, “computer program” is intangible and therefore not included in the scope of “goods” thereunder. At present, computer software is assumed and deemed goods in Nat. Class 9 in the practical examinations by Japan Patent Office, but in order to clearly apply the Law, it may be a good idea to stipulate “computer program downloadable to others via telecommunications line shall be deemed goods” in Trademark Law Enforcement Regulations of Japan.

(3) Others

In the aforementioned JACCS case, Toyama District Court has decided that even an act of establishing the link function on the defendant’s webpage which enables Internet users to automatically access to the third party’s webpage where the sign “JACCS” was displayed constitutes “use” of the trademark owned by the plaintiff.

Nevertheless, it remains questionable whether such decision is even applicable to the case where the said third party is completely unrelated to the defendant, and therefore it should be further reviewed. Internet users surfing the Internet would naturally assume that a provider of goods or services has changed into other person when the domain name (of the URL) changes into other’s one. In the meantime, search engines providers whose services are rendered in the name of “Yahoo!” and “InfoNavigator” actually provide Internet users with substantially the same service. Even in this case, it seems unlikely that many Internet users assume that the search engines providers and the services provided on the hyperlinked page have somewhat (commercial) related with each other. If search engines providers and link service providers were to be held liable following the above decision mentioned in the court, it would diminish the providers’ motivation to provide such services. Therefore, further review should be required in examining this issue.

II Exemption from Infringement

This section discusses whether or not use of a sign or mark on the Internet should fall into trademark infringement or constitute an act of unfair competition under the Unfair Competition Prevention Law of Japan, and whether or not it could be exempt from liability for such infringement, in accordance with “Draft Provisions concerning Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet” (issued on January 25, 2001, SCT/5/6; hereinafter “the SCT Draft Provisions” or “the SCT Provisions”) currently reviewed in SCT in

WIPO, particularly focused on the requirements and procedural provisions thereunder. The purpose is to find out how much the SCT (Draft) Provisions can be consistent with the existing and applicable laws of Japan, and how much the legal revisions would be required if the SCT Provisions were to thoroughly come into effect in Japan.

1 Structure of SCT Draft Provisions

The SCT Draft Provisions are intended to stipulate how the use of a sign on the Internet should be treated and handled when applying trademark law (or corresponding law thereto) or other national laws of each country. The underlying idea is that use of a sign on the Internet shall constitute use in a Member State (a State member of the Paris Union for the Protection of Industrial Property, or of the WIPO: Section 1 (i) of the SCT Draft Provisions) only if the use has a "commercial effect" in that Member State (Section 2 thereof). If use of a sign on the Internet is recognized as use of the sign in a Member State, trademark law or other national law(s) of that Member State are, in principle, to be directly applied (Sections 5 and 6 thereof).

Under laws of Japan, if the use is recognized as "infringement" of the right(s) in trademark or trade name, the owner of the right(s) may require the person who infringes it/them to discontinue or refrain from such use (refer to Section 36 of Trademark Law; the principal clause of Section 20 (1) and that of Section 21 (2), both under the Commercial Law; and Section 3 of the Unfair Competition Prevention Law). Moreover, if such infringement is conducted either intentionally or by negligence, the person who has infringed shall also be held "liable" for compensate damages which the owner has suffered from and on account of such infringement (Section 38 of Trademark Law; the proviso of Section 20 (1) and that of Section 21 (2) both under the Commercial Law; and Section 4 of the Unfair Competition Prevention Law).

On the other hand, the United States has a different legal system, under which compensation for damage as "remedies" to be provided for infringement is enumerated together with injunction, attachment of objects, seizure of property, abolishment, disposal and removal, without any consideration whether or not the infringement is conducted either intentionally or by negligence, in general.^(*) In other words, all of these are placed on the same level under the concept of "liability" for infringement. In this sense, the SCT Draft Provisions seem to have

been structured, strongly influenced by the US legal system, and are rather difficult to comply with the current Laws of Japan.

2 Infringement of Rights in Trademarks in Japan

(1) Liability for Use prior to Notification of Infringement

The SCT Draft Provisions stipulate that, even if the use of a sign on the Internet falls into infringement of a trademark right(s) in a certain Member State, the user of that sign shall not be held liable for such infringement prior to receiving a notification of infringement, if the following requirements are all met:

- ① the user owns a right in the sign in another Member State or uses the sign with the consent of the owner of such a right;
- ② any acquisition of a right in the sign, and any use of the sign, has not been in bad faith; and
- ③ the user has provided, in conjunction with the use of the sign on the Internet, information reasonably sufficient to contact him by mail, e-mail or telefacsimile.

(Article 9 thereof)

Since the user infringing a right neither intentionally nor by negligence shall not be held liable for compensation for damage under Japanese legal system, it may well say that the requirement ② mentioned above shall be applied in preference to such element conventionally adopted in Japan. The extent to which the requirements are to be loosened (compared with Japanese legal system) is to be determined by taking account of all relevant circumstances, including whether (a) the person who is alleged to have infringed had knowledge of the right in the identical or similar sign belonging to another, or could not have reasonably been unaware of that right, at the time when he/she first used the sign, acquired the right or filed an application for acquisition of the right, whichever is earlier, and whether (b) the use of the sign would take unfair advantage of, or unjustifiably impair, the distinctive character or the reputation of the right in the sign owned by and/or belonging to others (Article 4 and Note 4.02 of the SCT Draft Provisions).

Regarding the requirement ③, there are no provisions, under the relevant Laws of Japan regarding signs or trade name including Trademark Law and Commercial Law, stipulating different liabilities depending upon whether the user has provided information reasonably sufficient to contact him. However, the requirement was added strategically from the

(*) See e.g. Donald S. Chisum & Micael A. Jacobs, *Understanding Intellectual Property Law* 5-349~350 (1992 New York).

view point of 1) the difficulty to identify the person who uses the sign on the Internet and where he/she locates or exists, and 2) doubtfulness about whether remedies to be provided for are effective despite the owner of the right desires to cope with the act which is suspected infringing his/her right.

(2) Liability for Use after Notification of Infringement

The SCT Draft Provisions (SCT/5/6 Prov.) stipulate that, if the user referred to in Section 9 (i.e. the user of a sign on the Internet) has received a notification that his/her use infringes another right, he/she shall not be held liable, provided that such specific requirements are taken expeditiously as mentioned below:

- ① to avoid commercial effect in the Member State without unreasonably burdening his/her commercial activity, and
- ② to avoid confusion with the owner of the conflicting right.

However, the requirement has been changed under the SCT Draft Provisions (SCT/6/2) as mentioned below:

- ① (that he/she) indicates to the person sending the notification that he owns a right in the sign in another Member State, or uses the sign with the consent of the owner of such a right, or that he is permitted to use the sign, in the manner in which it is being used on the Internet, under the law of another Member State to which he has a close connection,;
- ② (that he/she) gives relevant details of that right or permitted use, and;
- ③ (that he/she) expeditiously takes reasonable measures which are effective to avoid a commercial effect in the Member State referred to in the notification, and to avoid confusion with the owner of the right referred to in the notification. (see Section 10 thereof)

Here, we should pay attention to the requirement ③ above. If the commercial effect is (perfectly) avoided, there should be no room for discussing or contesting confusion, because such use would be no longer "use of a sign in the Member State" defined in Section 2 thereunder. However, since it is impossible to perfectly and definitely avoid a commercial effect on using a sign on the Internet, the goodwill, reputation of and honor in business, which were established by the owner of the sign through using the sign, could not be recovered sufficiently if the measure(s) effective to avoid confusion were not concretely stipulated. In this context, the conventional concept of the nature of "indications" available to avoid or prevent confusion under the relevant Laws of Japan should be reviewed.

(3) Notification of Infringement

As described (1) and (2) above, the SCT Draft Provisions individually stipulate liabilities of the user of the sign on the Internet for the use prior to the notification of infringement and for the continuing or ongoing use even after receiving it. In this respect, the SCT Provisions will introduce a completely new way of thinking to Japanese legal system concerning the requirements for constituting infringement and for imposing liability for damage. In practice, however, the requirements for making the notification effective (Section 11 thereof) would be more important. Basically, the SCT Draft Provisions are formulated with an eye of resolving conflict(s) between registered trademark rights (headings of Explanatory Notes). In the case where the use of a sign on the Internet which is alleged to infringe trademark right(s) is simply protected under the Unfair Competition Prevention Law, since the scope of the protection of the sign thereunder is not defined in terms of "designated goods or services" as is defined under Trademark Law, it is doubtful that the use be not held liable for the infringement. Therefore, it is necessary to review whether or not the requirements under Section 11 thereof has excess or deficiency comparing with notifications of infringement commonly and actually prepared and sent to the user in business practice.

(4) Use of a Sign That Is Not Based on Industrial Property Right

The unsolved issue concerning Sections 9 and 10 of the SCT Draft Provisions is whether or not the similar rules would be applicable even in the cases where the users of signs do not own any rights in the signs in any Member States or use the signs without any consent of the owners of such rights (where the requirement ① in (1) above is missing). Since there are pros and cons of the argument among the Member States, it is likely to be left to the policy of the respective States.

However, actually, it is quite unlikely that many people would start commercial use of a sign without acquiring any legal protection for it. In other words, users of signs who do not own any industrial property rights may mean in practical those whose trademark applications are pending, those whose registrations have been revoked due to some legal defect, and those who own the rights in country/ies other than Member States. My private view regarding this matter will be mentioned in 3 (1).

3 Infringement of Trademark Rights Protected in Foreign Countries

Infringement of trademark rights protected in

foreign countries by Japanese people is principally an issue to be resolved in compliance with the Laws of those foreign countries. There may be cases where problems would arise whether the legislative systems and the practical operations of those foreign laws are, upon comparing with laws of Japan, appropriate and adequate, especially with regard to such issues as acceptance of court decision(s) made in those countries and enforcement thereafter (Section 118 of the Civil Procedure Law of Japan) and corporate executives' liability for damage (Section 266 of the Commercial Law, etc.). However basically, here in this section, it would be sufficient only to think of the advantages and disadvantages for Japanese people (citizens) and no need to go into examination of the relation between foreign laws and Laws of Japan.

(1) Disclaimer

The decision for the content of the "reasonable" measures to be taken under Section 10 (iii) of the SCT Draft Provisions would basically be left to the respective Member States, but at least, a disclaimer satisfying the requirements under Section 12 thereof is deemed qualified to one of such measures. The requirements thereunder are: ① the disclaimer includes a clear and unambiguous statement in conjunction with the use of the sign, to the effect that the user has no relationship with the owner of the right which is alleged to be infringed, and does not intend to deliver the goods or services offered to customers located in a particular Member State where the right is protected; ② the disclaimer is written in the language or in the languages used in conjunction with the use of the sign on the Internet; ③ the user inquires, before the delivery of the goods or services, whether customers are located in the Member State referred to in item ①; and ④ the user in fact refuses delivery to customers who have indicated that they are located in that Member State. The requirement ① is general statement and the requirements ② to ④ are concrete and practical means to make the requirement ① valid and effective.

The first point at issue is that users in bad faith cannot benefit from all existing limitations or exceptions described in the SCT Draft Provisions. It is because the principal clause of Section 12 restricts the person who is not held liable to "a user referred to in Section 9". In contrast, there may be also an opinion that even users in bad faith should benefit from the Section if the commercial effect can be avoided. However, users in bad faith have intention to damage and/or unjustifiably impair other persons' trademarks or to take advantage of the fame, goodwill and/or reputation of other persons in doing their own

business, and therefore their uses of signs are inconsistent with avoidance of a commercial effect, i.e., their indication of a disclaimer. If users in bad faith were not held liable merely because they avoided a commercial effect, it would be intolerable, particularly for the owners whose trademark rights had been infringed and for consumers who had received different goods/services (esp. for value) being confused and misled by the users' fraudulent acts. For the reasons above, the limitation under Section 12 shall be considered reasonable and pertinent.

The second point at issue is the fact that Section 12 thereof stipulates the requirements for exemptions for the user of a sign on the Internet (only) when and after receiving a notification of infringement, because it requires "a disclaimer as a ... measure under Section 10." It has also been pointed out that, in practice, it is more desirable to avoid in advance the room for being held liable by voluntarily indicating a disclaimer that satisfies the requirements in Section 12 prior to a notification of infringement. This issue was also raised in the SCT at the beginning. Indeed, in business practices, when the user makes trademark search and finds an owner(s) in a certain Member State(s) who is likely to allege infringement, and if the user take a measure(s) in advance to indicate a disclaimer in compliance with Section 12, he/she eventually benefit from the same exemption and the requirements under Section 10 are also to be met, only to maintain the disclaimer even after receiving notifications of infringement from the owner(s) of the right(s) in that Member State(s). Therefore, it seems unnecessary to extend the scope of Section 12 as to stipulate that a disclaimer shall be eventually effective prior to the notification of infringement. Instead, it would be more beneficial to establish a "safe harbor" provision concerning determination of an commercial effect (Section 3) in order to make it foreseeable in business practice at a stage when the (potential) user of the sign has no idea of who may allege infringement (*it may generally be the (potential) user's attitude that he/she does not intend to use the sign in a certain Member State(s), in order to avoid liability to the owner(s) who allege(s) in that Member State(s) where no commercial use is planned and therefore trademark search has not been conducted*). This is because under the present SCT Draft Provisions "disclaimers" constitute merely one factor among what a competent authority can consider for determining whether the use of a sign on the Internet has produced a commercial effect in the Member State concerned (Explanatory Notes 3.06).

For instance, the authorities of the United States and Japan individually have established a certain safe harbor provision in the form of guidelines

regarding application of Securities Exchange Law (or corresponding law of U.S.) to securities trading utilizing the Internet.^(*3) It would also be beneficial to establish a similar provision in Section 3 of the SCT Draft Provisions (or its Explanatory Notes) in order to resolve difficulties in business practice.

Thirdly, since Section 12 thereof refers to Section 10, we have to review, as in the case of Section 9, regarding whether a disclaimer be allowed to exempt the user from liability even if the user of a sign does not own any industrial property rights in any (Member) States. If the original purpose for establishing the SCT (Draft) Provisions were to provide benefits to the legitimate owners of rights who have satisfied specific legal requirements so that their rights could not be unexpectedly disadvantaged due to the particular nature of the Internet, there is no need to provide benefits to users of signs who do not own any industrial property rights (refer to Explanatory Notes 9.04 and 9.05). However, even if application of the SCT (Draft) Provisions to such signs were denied, the users of such signs still have a chance to make a plea and to request the application of exemption clause under national laws of the Member State in question. If the users still could not benefit from any such protection, they will undoubtedly be exempt from liability by avoiding a commercial effect in that Member State. Considering in this way, it is rather reasonable not to provide the benefits under the SCT (Draft) Provisions to such users.

(2) Avoidance of a Commercial Effect

The important factor for users of signs to be exempt from liability is that they do not do business/commercial activities with the Member State(s), be it for avoiding a commercial effect (Section 3 (1) (b)) or as a requirement for making a disclaimer effective (Section 12). In this context, the question of whether it is possible to confirm that no business activities are rendered with the Member State has been discussed for some time. If the goods or services are physically delivered, we can confirm to a certain extent from the place of such delivery. But in the case of sales of digital contents, there are no way to confirm the place of the customer in the normal course of delivering or providing the goods.

The Explanatory Notes for the SCT (Draft) Provisions mention opinion by International Bureau to the effect that the place of the

customer can be confirmed in most cases if the payments are made via credit card (Refer to 12.06 thereunder). Nevertheless, since financial institutions are obliged not to disclose or leak customers' personal information to the third parties, it is unlikely that digital contents dealers would be able to obtain information on the location of the customers from financial institutions. If the digital contents dealers (i.e., users of signs on the Internet) were still required to confirm the place of the customers under the SCT (Draft) Provisions, it would place excessive burden on them, and it would deviate from the scope required as "reasonable measures" stipulated thereunder. Accordingly, the question of what digital contents dealers should actually do for taking "reasonable measures effective" to avoid a commercial effect still remains unclear and indefinite.

This problem should also be solved by improving Section 3 and by establishing a certain safe harbor provision. The guidelines regarding application of Securities Exchange Law (mentioned (1) above) in determining a commercial effect serves as a highly useful reference in this respect also.

III Remedies

This section discusses the relation between the SCT (Draft) Provisions and current Trademark Law of Japan focusing on "remedies". While remedies provided for the infringement under Trademark Law can roughly be divided into civil remedies (Sections 36 and 39 thereof) and penal remedies (Sections 78 onwards thereof), Herein this section we will argue limited to the former.

1 Civil Remedies (General)

Section 36 (1) of Trademark Law of Japan stipulates that the owner of a trademark right or of a right of exclusive use (hereinafter "trademark owner(s)") may require a person who is infringing or is likely to infringe the trademark right or right of exclusive use (hereinafter "trademark right(s),") to discontinue or refrain from such infringement. This is so-called "claim for an injunction (or "right(s) to claim an injunction" hereinafter)". In addition, the trademark owner(s)

(*3) See: Securities and Exchange Commission, Statement of the Commission regarding Use of Internet Web Sites to Offer Securities, Solicit Securities Transactions or Advertise Investment Services Offshore, Release Nos. 33-7516, 34-39779, IA-1710, IC-23071 (March 23, 1998) in the U.S.; Financial Services Agency, (Important points to note in supervising securities companies, investment trust management companies and investment companies, as well as securities investment advisors), Part 1, 4-4 (*Gaikoku Shouken Gyousha Ni Yoru Inta-netto Nado Wo Riyou Shita Kurosu Bo-da-Torihiki* (Cross-border transactions by foreign securities dealers using the Internet)).

may demand the destruction of the articles by which the act of infringement was committed, the removal of the facilities used for the act of infringement, or other measures necessary to prevent the infringement (Section 36 (2) thereof). These are collectively called "demand for destruction (hereinafter)". In order to exercise the right(s) to claim an injunction based on a trademark right, it is merely required that the trademark right(s) is in the status quo of being infringed (including at risk of likely to be infringed), and it is not required that trademark right(s) has been infringed either intentionally or by negligence. Moreover, a person who has infringed a trademark(s) intentionally or by negligence is liable to compensate for the damage that the trademark owner(s) has incurred. Furthermore, with regard to a person who has damaged and/or injured the business reputation of a trademark owner(s) by infringing the trademark right(s) either intentionally or by negligence, the court may, in lieu of damage or in addition thereto, order him/her to take measures necessary for the recovery of the business reputation of the trademark owner(s) (Section 39 of Trademark Law; Section 106 of Patent Law).

2 Theory under Japanese Laws Concerning Act of Tort

Current Trademark Law approves claim for an injunction as long as the act in question meets the requirements, provided that the claim does not fall into abuse of right (see Article 10*bis* (2) of the Paris Convention, etc.) or are revoked. In contrast, the SCT Draft Provisions requires "the remedies provided for the infringement of rights in a Member State ... shall be proportionate to the commercial effect of the use in that Member State" (Section 13 (1) thereof). In this sense, it does not seem that the concept of "remedies" thereunder directly correspond to claim for an injunction regulated under Trademark Law of Japan.

With regard to claim for an injunction in Japan, it is taken for granted that the comparison shall be made between the demerit (merit) in approving the claim for an injunction and the demerit (merit) in allowing the infringement as it is by rejecting the claim for an injunction. Supposing that this approach were maintained (of course this does not necessarily mean that the current structure of Trademark Law remains unchanged), the SCT (Draft) Provisions are expected to be sufficiently in accordance with the above comparison theory administered in Japan when they are adopted as a treaty and come into effect in Japan. If so, it would not be destructive of current Japanese legal system including

Trademark Law, even if some amendment were made as to restrict (in a manner similar to Section 13 (1) of the SCT Draft Provisions) the scope of the claim for an injunction based on a trademark right(s), which is an absolute right, only in cases where the treaty be applied.

3 Relationship between the SCT Draft Provisions and Current Laws of Japan

This section reviews some specific problems that would occur if the SCT (Draft) Provisions are adopted as a treaty and come into effect in Japan, with an eye on current Laws of Japan.

(1) First of all, there is a question of whether it is possible for Japanese courts to make a decision to oblige the user of a sign on the Internet to "take a measure(s) to avoid a commercial effect and confusion", if the trademark owner(s) claims for an injunction against the user to take such measure as to avoid a commercial effect and confusion. Under the current Japanese legal system including Civil Procedure Law and Civil Execution Law, it is unlikely that the trademark owner's claim against the user for avoidance of a commercial effect or confusion based on a trademark right(s) would ever be approved because the claim (contents of its obligatory right) would be unspecific. If such abstract/comprehensive decision were made, in enforcing the obligatory right, the enforcing authority would be consequently entrusted to make a substantive-law-like-decision of "which measures could be available to avoid commercial effect" and "which measures could be available to avoid confusion," which is against and contrary to the purpose of the current legitimate civil execution system.

From the above viewpoint, it is useful to know that Section 14 of the SCT Draft Provisions stipulate as follows: "In determining remedies," the court "shall take into account limitations of use by imposing reasonable measures designed: (i) to avoid a commercial effect in "Japan", and (ii) to avoid confusion with the owner of the infringed right", and these measures "may include, inter alia; (a) a clear and unambiguous statement in conjunction with the use of the sign on the Internet, to the effect that the user has no relationship with the owner of the infringed right or the person affected by the act of unfair competition, written in the language or in the languages used in conjunction with the use of the sign on the Internet, and any other language indicated by the competent authority; (b) a clear and unambiguous statement in conjunction with the use of the sign on the Internet to the effect that the user does not intend to deliver the goods or services offered to customers located in "Japan", written in the language or in the

languages used in conjunction with the use of the sign on the Internet, and any other language indicated by the competent authority; (c) an obligation to inquire, before the delivery of the goods or services, whether customers are located in "Japan", and to refuse delivery to customers who have indicated that they are located in "Japan"; (d) gateway webpages" (Section 14 (2) thereof). In other words, if the SCT (Draft) Provisions were adopted as a treaty, the portion containing these specific measures would also be effective in Japan, i.e., the measures specified in (a) to (d) above would be acceptable and available to "avoid a commercial effect" and "avoid confusion". Therefore, it seems quite possible to file a lawsuit to the court claiming that the infringer should take such specific measures, in light of the current system of Civil Procedure and Civil Execution. It would also be possible to file a lawsuit claiming the user to attach a "statement" (to the infringer's website) mentioned in (a) or (b) as an equivalent for an advertisement of apology. (2) Next, there is a problem of whether the court would be able to make a decision to oblige the user of a sign on the Internet to "take measures to avoid a commercial effect or confusion", if the trademark owner(s) claims for an injunction to prohibit the use of the sign on the Internet based on the trademark right(s) under the Trademark Law. As reviewed in the previous issue (1) above, even if the court could definitely make a decision to oblige the user to take measure(s) to avoid a commercial effect or confusion, what the trademark owner(s) is seeking for is merely "injunction of the use" or "discontinuing the use", not "avoidance of a commercial effect or confusion". Since this goes against "right of exclusive control" under Civil Procedure Law, it should not be admissible as an answer to this problem. Considered from this standpoint, although the SCT Draft Provisions stipulate restrictions, as specified in Section 15 (1) thereof, that remedies to prohibit the use of the sign on the Internet should be avoided wherever possible, the trademark owner(s) (plaintiff) only claims for "injunction to prohibit the use of the sign on the Internet" unconditionally. Hence, acceptance of the claim for the injunction could sometimes cause a conflict with the restrictions set forth therein.

In the meantime, since one of the fundamental essence of the SCT (Draft) Provisions is that use of a sign on the Internet that does not have a "commercial effect" does not constitute infringement under Trademark Law, both claiming for "the injunction to prohibit the use of the sign on the Internet" and making a decision of "avoidance of a commercial effect or confusion" (as a concrete and definite

enforcement, obliging the user to take such measures as specified in Section 14(2)(a) to (d)) could never be different from the view point of legislative logics.

4 Pros and Cons of Claim for Global Injunction

Section 15 of the SCT Draft Provisions stipulates on (1) a remedy that should be avoided wherever possible and (2) a remedy that should not be imposed, in any case, regarding injunctions to prohibit the use of the sign on the Internet. The International Bureau mentioned that, because "an injunction to cease every use of a sign on the Internet would go far beyond the territory for which the infringed right in that sign has effect(i.e. global injunction)", Member State(s) should, as far as possible, refrain from granting such global injunction based on "the principle of proportionality" (Explanatory Notes 15.01 Para. (1)). It also mentioned that "in cases of bad-faith use, such as cybersquatting", the provision does not interfere with national laws which provide for prohibitions of such use (Explanatory Notes therein).

The pros and cons of "global injunction" and other related problems have to be reviewed, taking account of the particularity and global nature of the Internet as well as the truly legal aspects including international jurisdiction, and approval/enforcement of decisions made by foreign court(s). From the viewpoint of the territorial scope of trademark rights and the judicial jurisdiction, the territorial scope of the claim for an injunction(s) in the case of filing a lawsuit with Japanese court(s) shall be "within Japan". Let us suppose that, with regard to the use of a sign on the Internet that has a commercial effect in Japan, the trademark owners(s) in the said sign in Japan claims for an injunction to prohibit its use on the Internet, and that the claim is accepted by the court. In this case, the enforcement of the court decision makes the use of the sign on the Internet cease not only in Japan, but also in any other countries simultaneously, i.e., resulting in "global injunction". However, it is not appropriate to conclude, merely focusing on this fact, that Japanese court(s) and current laws of Japan may impose global injunction beyond the territory of Japan. It is only a reflective and appendant effect caused by limits of current technology. If there were a technological mechanism to prevent the use on the Internet only within Japan, the court would make a decision to order it. If the SCT Provisions are adopted as a treaty and come into effect in Japan and it will also bind upon courts of Japan, courts are to be inevitably and substantially forced not to make any decisions that will cause

an effect of global injunction even if it was a “reflective/appendant” result/effect, except cases where injunction is approved based on Section 15 thereof.

Then, how should we handle the cases where claim for an injunction is not approved pursuant to Section 15 (2) of the SCT (Draft) Provisions, and where such claim has conventionally been approved based on Trademark Law? If the said claim is rejected for the reason that no injunction could be approved pursuant to the SCT (Draft) Provisions, it would go against legal justice. So, a desirable interpretation would be that, as a consequence of “the principle of proportionality”, courts could make a decision to oblige the user to take (a) measures specified in Section 14 (2) (a) to (d) of the SCT Draft Provisions even without any allegation of such obligation by the trademark owner(s), assuming that the claim for an injunction corresponds to the decision of such obligation (as having a unique and specific contents, especially for the enforcing authority). Such interpretation seems the best way to harmonize the purport of Law and the purport of the SCT (Draft) Provisions (Because of this, it would be desirable to adopt a flexible interpretation regarding the issue of the “right of exclusive control”).

IV Report of Overseas Research

1 General

The fifth session of the SCT of WIPO was held for five successive days from September 11 to 15 of 2000, to examine the SCT Draft Provisions (SCT/5/2 provisions) prepared and issued by the SCT on June 21, 2000. The information obtained in the session is old, I will outline those limited to other important issues as follows:

2 Outline of the SCT 5th Session

In the beginning of the session, Mr. Uemura, Deputy-Director General of WIPO, expressed his wish to utilize the SCT Provisions for developing international harmonization not as a “treaty”, but as a more flexible “recommendation”. In response to his expression, the session as a whole seemed to have recognized the meaning in deepening the discussions on various issues concerning handling of trademarks and signs used on the Internet.

(i) Issue concerning the scope of the subject matter to be protected

With regard to the issue of whether “industrial property right(s)” in the SCT Draft Provisions is identical to “industrial property” in

Article 1 (2) of the Paris Convention, the International Bureau responded that “industrial property” in Article 1 (2) of the Paris Convention only summarized and enumerated the subject matter of “industrial property” that Contracting Parties were required to protect as a minimum without precluding the protection of additional subject matter such as rights in layout designs of integrated circuits, plant varieties and geographical indications and that the SCT (Draft) Provisions follow the same approach. It also added that each Member State was able to decide and stipulate in its national laws which subject matter it wanted to protect as “industrial property (rights)” in addition to the subject matter mentioned in Article (2) of Paris Convention if required, and that the term “industrial property right” was merely being used for convenience.

(ii) Liability of online service providers

It was pointed out that the SCT (Draft) Provisions were being regulated with an eye of the users and the use of a sign on the Internet, and that it did not include any provisions regarding liability of the Internet service providers. A proposal was made to include in the SCT Provisions a statement to the effect that the Provision should discriminate between users of the sign on the Internet and online service providers, and ensure that the latter should not be imposed the same liability on as the former were imposed on. The International Bureau admitted that it had not taken account of the existence of service providers upon regulating of the Provisions, and although it showed its understanding of the gist of the proposal, it merely explained that the liability of service providers would be left to the national laws of the Member States individually.

(iii) Refusal of sale/offer

With regard to the proposal that Section 10 (a) (iv) of the SCT Draft Provisions (SCT/5/2) requires that the user should “actually” refuse sale/delivery of goods to customers located in a *certain* Member State, a question was raised on what measure should be taken if the customer (including potential customer) willing to buy digital content indicated a false address when obtaining the content online. The International Bureau explained that if payments were made via credit card, companies (users of the sign on the Internet) would require a billing address in most cases, and that if the addresses were false, such payment would be refused and therefore there would cause no problem. However, it would be difficult to find out whether the address is true or not if the payment is made by e-cash etc. In the remaining cases, it has to be decided whether to place the risk of fraudulent behavior on the user of the sign, or on the holder of the conflicting

right. It was also pointed out that measures to avoid conflict should not unreasonably burden the commercial activity of the user of the sign (cited from the Draft Report of SCT/5/6 Prov.) (Refer to II 3 (2) herein for my personal view regarding this matter).

V Underlying Problems and Summary

As a result of examining the SCT Draft Provisions, many points still remain at issue as mentioned above. One of the reasons is that the fundamental concept on which the SCT (Draft) Provisions are based has not been established.

One of the ideas therein is, because it is difficult to determine in which Member State(s) a sign is used on the Internet, a criterion of "commercial effect" has been introduced, and under the criterion the use of the sign shall constitute "use" in that Member State(s) only if the use has a commercial effect and the existing national laws of that Member State(s) shall be applied (2nd Paragraph of Preamble, Sections 5, 6, 7, etc. of the SCT Draft Provision).

Another idea is, taking account of the particularity of the Internet, i.e., the fact that a sign used on the Internet is simultaneously and immediately accessible irrespective of territorial location (3rd Paragraph of Preamble thereof), that the Member States are required to amend or revise the related provisions regarding the requirements and effects in their national laws. That the requirements for exemption from liability for infringement are loosened to a considerable extent (Sections 9-12) and that the special provisions are introduced for remedies (Section 13 onwards), both of which seem to be based on the idea.

As mentioned above, since two quite different ideas on the use of a sign on the Internet are concurrently underlying the SCT (Draft) Provisions, it is necessary to contemplate which idea is desirable to be placed more emphasis on in drafting and establishing the SCT (Draft) Provisions, and which outcome shall be more desirable for Japan in preventing and settling disputes, and co-existing with rights in signs in practice.

If the SCT Provisions are adopted as they are at present, current Laws of Japan must be supplemented with special provisions in order to implement and comply with the Provision. As for "exemption from infringement" first of all, there seems to be no other way but to adopt Section 9 of the SCT (Draft) Provisions, and also to adopt Sections 10 to 12 thereof more or less in the same manner as they are stipulated at present. In

that case, the two possible measures that could be taken under Trademark Law of Japan would be (1) to establish a specific clause/provision regarding the reason for rejection to the effect that use in compliance with Section 9 to 12 of the SCT Provision shall not constitute infringement nor act of unfair use or (2) to do so regarding the reason for defense against the exercise of the (trademark) right(s) to claim by the trademark owner(s) pursuant to Sections 36 and 37 of Trademark Law of Japan. This is, of course, merely a matter of theoretical restructuring the legal system, so the actual legislation may be conducted by establishing special provisions in Trademark Law or in Unfair Competition Prevention Law, or otherwise establishing a new law such as so-called a "special law concerning Trademark Law and other related law regarding the use of trademarks or other sign on the Internet". As for "remedies", further detailed study should be required including the possibility of making drastic changes in the conventional legal interpretation in order to harmonize in a broad sense Civil Procedure/Enforcement system with the SCT Provisions, and to provide appropriate remedies in practice.

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