

8 Research and Study on the Unfair Competition Prevention Law (Protection of Domain Names)

In Japan, the use of the Internet has rapidly increased and come to be more and more inseparable from the economic activities of corporations and the social lives of individuals. As a result, the social and economic value of domain names as being the “doors” to the Internet has also been increasing. At the same time, however, conflicts over domain names have come to be increasingly elicited in relation to trademarks and other related rights.

In this research and study, with the aim of promoting the sound development of the Internet while securing adequate protection of trademarks and other intellectual property in Japan, we first examined protection of various indications under the current Japanese law system as well as the trends in Japan and foreign countries, and then reviewed what measures could be taken and the limit under the existing Japanese laws such as the Civil Code, Trademark Law and the Unfair Competition Prevention Law and by domain name registries to adjust between the domain name system and trademark and other related rights. Furthermore, with regard to the direction of necessary revisions in related laws, we also discussed the subject and scope of protection, the form of new regulation, the requirement of being well-known, the requirement of unfair purpose, how to determine similarity, remedies, international issues and the necessity of penalties, etc.

I The Issues

1 Outline of the Domain Name System

When information is to be transmitted via the Internet, a host computer connected to the Internet needs to be identified. The identification number of the host computer is an Internet Protocol address (IP address), which is, however, made up of a mere sequence of numbers (ex. “112.16.11.181.”) and is difficult to remember. For this reason, domain names^(*) which are expressed in a much easier-to-remember form by using characters like the alphabet and have a one-to-one correspondence with IP addresses were devised. In this sense, domain names function as “addresses” on the Internet.

Domain names can be classified into two groups according to the last string of characters (the Top level domain).

(1) General Domains (general Top Level Domains :gTLDs)

At present, there are the following types of general domains: “.com” (for commercial organizations), “.net” (for network administrators), “.org” (for non-profit organizations), “.edu” (for U.S. universities), “.gov” (for U.S. government), “.mil” (for U.S. military), and “.int” (for international organizations). Of these domains, “.com”, “.net” and “.org” may be registered by anybody regardless of nationality. The number of registrations for “.com” domains is approximately 20.5 million as of December 2000.

(2) Country Code Domains(country code Top Level Domains: ccTLDs)

These domains consist of two-letter country codes such as “.jp”, “.uk”, “.de”, “.kr”, and requirements for registration differ among nations. For example, in the JP domain, domain names such as the “.co.jp”, are now registered based on the principle of one domain name for one organization. The number of registrations in the JP domain was 230 thousand as of December 1, 2000.

For the present, domain name registration in both gTLDs and ccTLDs are made on a first-come-first-serve basis at each registry. No preliminary examinations are made with regard to possible conflict with registered trademarks and famous trademarks.

2 Administrative Systems for Domain Names

Since November 1998, the overall administration of domain names including both gTLDs and ccTLDs which includes the formulation of policies for domain name management, the allocation and coordination of network resources, and root server system management has been carried out by the Internet Corporation for Assigned Names and Numbers (ICANN).

For gTLDs, registrars around the world that are accredited by the ICANN accept the applications of domain name registration and the

(*1) In this report, the term *domain name(s)* will be used to mean the portion which is required to register at a domain name registry. For example, in case of the Uniform Resource Locator (URL) <http://www.abcd.efg.co.jp/news>, the domain name of this URL is efg.co.jp. (This portion is sometimes called the domain name in the narrow sense).

VeriSign Global Registry Service assumes responsibility for the registry services for all gTLDs.

For ccTLDs, on the other hand, the Network Information Center (NIC) of each country administrates the domain names registered within that country. In Japan, the Japan Network Information Center (JPNIC) is in charge of both the registration and administration services for the JP domain.

3 Occurrence of Problems on Domain Names, Trademarks and Other Rights

(1) Domain names have the following characteristics:

- A domain name may not be used unless registered at the registry
- More than one of the same domain name cannot coexist and, the first person or organization who registers a certain domain name will have exclusive right to its use.

(2) Recently, as a result of these characteristics of domain names and the increase of their asset value and social value, the following acts have been frequently observed and quite a few cases have developed into conflicts.

- Registering a domain name identical with or similar to another's trademark and thereby precluding the registration and use of the same domain name by the trademark owner; an act trying to sell or rent such a domain name to the trademark owner or a third party for profit.
- Registering a domain name identical with or similar to another's trademark and using it as the URL of one's own web site, thereby trying to cause confusion among the public and attract people to one's own web site.
- Holding a domain name identical with or similar to another's trademark and using it as the URL of, for example, an adult site, thereby tarnishing or diluting the good image or goodwill accompanied with that trademark.

(3) If such acts are permitted, corporations (trademark owners) would become unable to use domain names that are identical with or similar to their own trademarks, which represent the owners' goodwill and appeal to their consumers that may, in turn, have been built by their own hard work. As a result, other adverse effects would also be likely to occur; for example, the trademark owner would lose his competitive advantage; the domain name registrant could gain unjust enrichment by free-riding on the value of another's trademark; and when the value of the trademark deteriorates, this could also cause damage to the third parties. If we want to secure a fair competition environment for Internet activities and give effective protection to the

trademark owners' goodwill and appeal to customers, which are represented by their trademark, the above-mentioned problematic behavior should be kept in check by establishing the necessary and appropriate requirements for the registration and use of domain names, provided that when such requirements are determined, the necessity of securing the free registration of domain names is also taken into account.

II International Trend

1 WIPO

In June 1998, the U.S. recommended that the World Intellectual Property Organization (WIPO) initiate an appropriate scheme for developing a uniform approach to resolving trademark/domain name disputes through international discussions. Hence the WIPO had started its examination of the issues such as necessary procedures for domain names disputes resolution and of protection of famous and well-known marks used in domain names.

The WIPO had, therefore, established a framework for international discussions called The WIPO Internet Domain Name Process in July 1998, and had published a report entitled Final Report of the WIPO Internet Domain Name Process in April 1999. Regarding administration of domain names, the WIPO suggested that (1) the alternative dispute resolution (ADR) procedure should be applied to disputes that will arise from bad faith infringement of trademark, (2) a system should be established in order to prevent and cancel the domain name registration of famous or well-known marks by third parties, in this report.

Additionally, in accordance with the examination made by the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT), rules regarding conflicts between well-known marks and domain names were also incorporated into the WIPO Joint Recommendation Concerning Provisions On the Protection Of Well-Known Marks in September 1999. This recommendation requires member states to regard a domain name as being in conflict with a well-known mark at least where that domain name, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark and the domain name has been registered or used in bad faith, and to give the owner of such a well-known mark the right to request the registrant of the conflicting domain name to cancel the registration, or transfer it to the owner of the well-known mark.

Furthermore in July 2000, in response to the requests of Australia, the U.S.A and the E.U., the WIPO has started The Second WIPO Internet Domain Name Process. In this second protocol, the possibility of applying a uniform approach to resolving trademark/domain name disputes is discussed in regards to personal names that are not used as trademarks, International Nonproprietary Names (INNs) for Pharmaceutical Substances as recommended by the World Health Organization in order to protect patient safety worldwide, names of international intergovernmental organizations (such as the United Nations), geographical indications, indications of source or geographical terms, and tradenames. The final Report of the Process is expected to be published in mid-August 2001

2 ICANN

The ICANN, taking the Final Report of the WIPO Internet Domain Name Process into account, had approved the Uniform Domain Name Dispute Resolution Policy which is to be followed by all ICANN accredited registrars, and the Rules for Uniform Domain Name Dispute Resolution Policy which are to be followed by all dispute-resolution service providers (currently, the WIPO Arbitration and Mediation Center, the U.S. National Arbitration Forum [NAF], Disputes.org/e resolution Consortium [DeC], and CPR Institute for Dispute Resolution [CPR]) in October 1999 and has implemented them from December 1999.

Under this policy, all registries are obliged to cancel, transfer or otherwise make changes to domain name registrations as a remedy available to the right-holders of a trademark, when (1) a domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights, (2) the registrant of that domain name has no rights or legitimate interests in respect to the domain name; and (3) that domain name has been registered and is being used in bad faith.

Based on this policy, over 2,500 complaints were made to the dispute resolution service providers qualified by ICANN within one year from December 1999.

3 The U.S.

In the U.S., a number of actions relating to domain names have been brought in since the late 1990s^(*2). In these actions, while most courts have

made their decisions based on the Trademark Dilution Act of 1995 which became effective on January 16, 1996, some courts had interpreted the Act's requirement of dilution made by commercial use rather strictly and had decided to refuse the claims of trademark owners^(*3). Such a situation brought in the strong demands for enacting an act that will specifically address domain name related disputes and, in November 1999, the Anticybersquatting Consumer Protection Act was enacted.

This Act provided that a person who registers, traffics in, or uses (1) a domain name that is identical or confusingly similar to another person's distinctive mark; is identical or confusingly similar to or dilutive of another person's famous mark; or is a trademark, word, or name protected under the U.S. Trademark Acts and (2) has bad faith intent to profit from that mark, shall be liable to injunction and damages and such a domain name may be subject to confiscation, cancellation or transfer. This Act also intends to restrain the registration by the owner of a domain name that includes the personal name of another person who is in life, in whole or in part, or a name confusingly similar thereto, for purposes of selling or otherwise transferring such domain name to such other person or any third party for financial gain.

4 Europe

(1) European Commission

Any apparent move to establish rules concerning the adjustments of trademarks and domain names has not yet risen. However, according to a communication published in April 2000 and entitled The Organisation and Management of the Internet: International and European Policy Issues 1998-2000, the Commission suggested the necessity of establishing a code of conduct for registration organizations in order to prevent unfair use of domain names.

(2) Movements of major Member States

In Belgium and Italy, new enactments concerning the unfair registration of domain names is reportedly in examination. (When the bills will be drawn up has not yet been decided.)

In the U.K., Germany and France, on the other hand, there is no movement towards the enactment of new laws, and the courts of these countries have adjudicated domain name related disputes by applying the existing laws such as trademark law, unfair competition prevention law,

(*2) See, for example, Panavision International LP v. Toeppen, F.Supp. 616 (C.D. Cal 1996).

(*3) See, for example, Juno Online Service, LP v. Juno Lighting, Inc., 979 F.Supp. 684 (N.D. Ill. 1997); Lockheed Martin Corp. v. Network Solution, Inc., 985 F.Supp. 949 (C.D. Cal. 1997).

and civil code. It is noteworthy that, in Germany, there is a court decision in which the cancellation of registration for a domain name that is similar to a trademark of another party but is not in use was awarded under Art. 1 (general provision) of the German Unfair Competition Law^(*4).

5 Korea

Though disputes concerning domain names have been increasing since 1998, there are still only a few cases in which court decisions have been made. It seems to take much more time for a case law regarding domain name-related disputes to be established in a reliable manner.

In Korea, the Commercial Code, Trademark Law and Unfair Competition Prevention Law are thought to be applicable for preventing the unfair registration and use of a domain name which is in conflict with another's legitimate interest. Application of the Trademark Law and Commercial Code, however, required the existence of use as a trademark or misidentification or confusion regarding other person's business operation, and in some cases, is it difficult to prove these requirements. As a result, provisions of the Unfair Competition Prevention Law are often referenced in domain name actions in Korea.

So far, there have been both court decisions that have admitted the claims of plaintiffs based on the Unfair Competition Prevention Law, etc.^(*5), and those that have dismissed the claims of plaintiffs^(*6).

III Current Situation in Japan

1 Actual State of Domain Name Disputes in Japan

In Japan, there are only a limited number of domain name/trademark dispute cases which have been brought before courts. However, cases in which Japanese companies have made appeals to the dispute resolution procedures provided by the ICANN or to courts in the U.S. have been increasing.

2 Actions Taken by the JPNIC

The JPNIC established dispute resolution procedures for JP domain names in October 2000.

The JPNIC's the JP Domain Name Dispute Resolution Policy was drafted based on the ICANN's Uniform Domain Name Dispute Resolution Policy. Under this Policy, if (1) the domain name of a registrant is identical or confusingly similar to any mark such as a trademark or service mark in which a complainant has rights or legitimate interests; (2) the registrant has no rights or legitimate interests in respect to the domain name registration; and (3) the domain name of the registrant has been registered or is being used in bad faith (intend to unfair purpose), the complainant is allowed to request the cancellation or transfer of the registration of the domain name as a remedy.

Furthermore, from October 2000, the JPNIC has altered its domain name management practice regarding the existing domain name space (for example, "xxx.co.jp", "yyy.or.jp" etc.) so that transfer of a domain name registration can be made upon mutual agreement of the interested parties. In addition, the JPNIC has decided to introduce a general-use JP domain name system that allows, for example, a registrant to register more than one domain name at the second level, and application for general-use domain names have already started from spring 2001.

3 Possible Resolutions under the Existing Statutes and their Limitations

This section will present our discussion for measures that can be taken under each of the relevant statutes in Japan and their limitation.

(1) Possible Resolutions under the Current Statutes

(i) Standards for evaluating use of domain names
In a report published in 1997^(*7), our Institute had suggested the following standards regarding the question of how domain names can be deemed to be used as trademarks.

- Comprehensive evaluation on the function the domain name plays in the URL will be required to decide whether use of a domain name should or can be seen as being used as

(*4) See, for example, *Epson v. Engelke* (D.C. Dusseldorf, 1997).

(*5) Seoul District Court decision, Oct. 1999, 99-41812 (Chanel case); Seoul District Court decision, Nov. 24, 1999, 99-2810 (hiramat case) (interim injunction was ordered to prevent the use of a domain name); and Seoul District Court decision, Jul. 18, 2000, 2000-1189 (legokorea case) (interim injunction was ordered to prevent the use of a domain name).

(*6) East District Branch of Seoul District Court decision, Nov. 18, 1999, 99-8863 Viagra case; Incheon District Court, Jun. 16, 2000, 2000-1637 (jooyontech case).

(*7) The Institute of Intellectual Property (IIP), "Network Syouhyou Mondai Chousa Kenkyu Iinkai Houkokusho (Report of the Committee on the Trademark Disputes regarding Digital Networks)" (1997), available at URL (<http://www.jpo.go.jp/tousi/net.htm>).

a trademark, and such a function should be evaluated from, for example, in what conditions the domain name is being used and what contents and structures that website has.

- For example, when no trademark from which the sender of the information can be identified appears on that website and such an identification can be made only from the URL, the domain name used in the URL may be seen as a trademark.
- On the other hand, regarding a case where, although a distinctive trademark appears in the website, a domain name which is identical with or similar to a famous or well-known mark that is different from the said trademark is used in the URL for the website, it should be, in principle, evaluated on a case-by-case basis and from the particular circumstances of that case. There may be cases where the conclusion that such a domain name should be seen as being used as a trademarks in its function should be made based on their particular circumstances.

(ii) Applicability of the Unfair Competition Prevention Law

If the following requirements are satisfied, it can be decided that an act of using a domain name is a practice of unfair competition under the Unfair Competition Prevention; (A) the act can be deemed as an act of using an indication of goods, etc. the meaning of this term is defined by Art. 2 (1)(i) of the Unfair Competition Prevention Law as a “name connected with a person’s business, tradename, trademark, mark, container or package of goods, or any other indication used for the indication of goods or business”, and (B) can be deemed as

- (a) an act of using an indication of goods, etc. that is identical with, or similar to, another person’s indication of goods, etc. that has become well-known among consumers and thereby causing confusion with another person’s goods or business (Art. 2(1)(i)), or
- (b) an act of using an indication of goods, etc. as one’s own which is identical with, or similar to, another person’s famous indication of goods, etc. (Art. 2(1)(ii)).

In addition to this, when the domain name being used includes the name of a place which is misleading with respect to the place of origin, etc. of the goods or services, it can be deemed as an act prohibited under Art. 2(1)(xii) of the said Law i.e. an act of “indicating on goods or for service, or in an advertisement thereof or in a document or correspondence used for a transaction, which is likely to mislead with respect to the place of origin [, etc.] of such goods”.

When an act of using a domain name falls

into any of the above mentioned acts, and

- (a) thereby another party’s business interests are infringed or are likely to be infringed, the infringed party will be entitled to request an injunction preventing or suspending such infringement (Art. 3),
- (b) thereby the other party’s business interests are intentionally or negligently infringed, the infringed party will be entitled to claim damages which result therefrom (Art.4),
- (c) thereby the other party’s business reputation is intentionally or negligently injured, the injured party may request those measures necessary to restore the business reputation (Art. 7).

In addition to the above remedies, a person who commits, for an unfair purpose, any act of unfair competition described in Article 2 (1)(i) or 2(1)(xii) shall be subject to the criminal penalties.

(iii) Applicability of the Trademark Law

Japanese Trademark Law defines the term trademark as marks “which are used in respect of goods by a person who produces, certifies or assigns such goods in the course of trade” or “which are used in respect of services by a person who provides or certifies such services in the course of trade” (Art. 2(1)). The Law also defined what acts will be deemed as use of a mark.

Use of a domain name will become a prohibited act under the Trademark Law when (A) it can be considered to be use as a trademark and (B) can be considered to be use as (a) “a registered trademark with respect to the designated goods or designated services” (Art.25), or (b) “a trademark similar to the registered trademark in respect of the designated goods or designated services, or use of the registered trademark or of trademark (domain name) similar thereto in respect of goods or services similar to the designated goods or designated services” (Art. 37(1)). In any of these cases, the owner of the trademark is entitled to request an injunctive relief (Art.36). If such a use of domain name has been made intentionally or negligently under the Japanese Law, an act of infringing a trademark will be automatically presumed as being made negligently, unless being proved otherwise by the infringer, the owner of the trademark can also claim damages (Art. 36 of the Trademark Law; Art. 709 of Civil Code). When such a use of a domain name has injured the business reputation of the trademark owner and has been made intentionally or negligently as mentioned above, the existence of negligence will be automatically presumed, the owner of the trademark can also request those measures necessary to restore the business reputation (Art. 103 and Art. 106 of the Patent Law that will be applied *mutatis mutandis*

to the infringement of a trademark right under Art. 39 of the Trademark Law). Furthermore, if it is proved that such a use of a domain name has been made in bad faith, the user of the domain name shall be liable to criminal penalties. It is also noteworthy that the act of using a defensive mark in respect to the designated goods or designated services will be deemed as an act of infringing the principal trademark right under Article 67 of the Trademark Law.

(iv) Applicability of the Civil Code

In the Civil Code, there is a provision that seems to be applicable to domain name disputes, even when the disputed use of the domain cannot be deemed as an act of using an indication of goods, etc. or a use as a trademark. That is Art. 709, which is a provision that allows an injured party to claim damages against another party who has committed an unlawful act (a tort). To be found as an unlawful act to which Art. 709 is applicable, the following requirements should be satisfied: there is injury to another's interest by the act; the act has been intentionally or negligently made; there is actual damage by the act; there is a reasonable and probable causation between the act and actual damage. Art.709, however, allows only compensation for damage. Under this provision, injunctive relief is, in principle, not available.

In relation to this provision, readers should note that the name of a natural person may be protected as a part of the right to one's personality, and therefore there is a possibility that an injunctive relief may be awarded against an injury to the name of a natural person^(*).

(v) An example of court decision (under the Unfair Competition Prevention Law)

The decision made on December 16, 2000 (www.jaccs.co.jp case), Toyama District Court held that "character sequences which indicate the name of domain name owners are often used in domain names, and if such a domain name is identical with a certain proper noun, most people think the owner of that proper noun is the registrant of the domain name. Therefore, when such a registrant of a domain name sells goods through the website, it is reasonable to conclude that such a domain name may have the function of distinctively indicating the source of the goods sold on the website," and found that the defendant's use of a domain can be considered as an act of using an indication of goods, etc. Base on this finding, and considering the facts that there exists the possibility that the defendant will continue to use the domain name and use of the domain name by the defendant may mislead

people regarding the source of the goods so that more than a few people think they are sold by the plaintiff and thereby the value of the indication of the plaintiff's business may be injured, the Court granted an injunction order to prohibit the defendant's use of that domain name.

(2) Limitations of Measures Available under the Current Statutes

First of all, the Civil Code does not provide sufficient relief for the injured party, because in principle, injunctive relief cannot be obtained under the Civil Code.

On the other hand, under the Unfair Competition Prevention Law and the Trademark Law, injunctive relief may be available against use of a domain name that is in conflict with another's indication of goods, etc. or a trademark, when the act of using that domain name is deemed as an act of using an indication of goods, etc. or use as a trademark.

In some cases, however, these Laws cannot be said to extend sufficient protection to owners of legitimate interests. Because a domain name cannot be used without registration and the registration of a domain name is allowed to only one person (two different persons cannot register the same domain name), if a person registers a domain name that is identical with or similar to an indication of goods, etc. or the trademark of another party, even if the registrant does not use that domain name, the owner of the indication of goods, etc. or the trademark cannot register and therefore cannot use that domain name, and may suffer a disadvantage therefrom.

Also, even when such a domain name is not only registered but also used by the registrant, protection provided by the current Laws is limited to cases where such a domain name is considered to be used as an indication of goods, etc. and therefore, it can be concluded that, in the current form, these Laws cannot necessarily provide sufficient protection for all domain name dispute cases, particular when considering the unique nature of the Internet.

In addition, each of these two Laws have their own limitations. Regarding the Unfair Competition Prevention Law, it can be pointed out that problems may arise regarding the facts that (i) protection provided under the Law is limited only to that for well-known or famous indications of goods etc., and (ii) the existence of confusion is required to invoke the effect of Art.2(1)(i) of the Law.

Regarding the Trademark Law, there are the following flaws: (i) protection provided by the Law is limited only to that for registered trademarks,

(*) See Supreme Court decision (in banc), Jun. 11, 1986, 40 Minshu 4 at 872 (Hoppou Journal Case); Supreme Court decision, Feb. 16, 1988, 42 Minshu 2 at 27.

and (ii) because use as a trademark in relation to goods or services which is identical with or similar to the designated goods or service of the trademark is required to obtain protection under the Trademark Law, when the disputed use of a domain name apparently does not fall into this category, protection provided by the Trademark Law is not available at all (except for cases in which the trademark used as a domain name by a person other than the trademark owner has been also registered as defensive marks).

4 Limitations of the Registry's Preliminary Examination and Registration Agreement with Registrants

As a way to correct the current situation, it seems possible to require the domain name registry to take voluntary measures before registration for dispute prevention or measures for dispute resolutions which may be required after registration, as follows.

(1) Ex ante Measures for Preventing Domain Name Disputes: the Registry's Strict Preliminary Examination before Granting Registration of Domain Names

At present, no examination for registration is conducted at the registry regarding possible conflict with another party's trademark or other indications of goods or business. As a result, an applicant can choose and register any domain name without restriction, as long as the same domain name has not already been registered by another person.

It seems to be a possible way to correct this situation by introducing a preliminary examination system where the registry will conduct an examination for precluding the registration of a domain name that is identical with or similar to another's registered trademark or famous indication of goods, etc. However, such measures seem to also have some limitations.

Under the current statutes, protection for registered trademarks and indications of goods etc. will be awarded only when certain requirements such as, the requirement of being used in relation to certain categories of goods or services (registered trademarks) and the requirement of being well-known or famous (indications of goods etc.) are fulfilled. Such a situation would require the registry to conduct its preliminary examinations on a case-by-case basis and in a very careful manner.

On the other hand, there is constant demand for an easy, quick and cheap registration procedure for domain names. If a thorough substantial examination is to be made for each application for domain name registration, however,

problems would necessarily arise, such as the delay of registration procedures and the needs to establish an adequate preliminary examination system.

Considering these factors, even if it is decided that a preliminary examination by the registry should be introduced, it would be very realistic to establish a system in which an application for domain name registration would be rejected only when the reason to prohibit registration becomes obvious only by a relatively easy and simple examination. Such an examination system, however, can play only a limited role in preventing domain name disputes.

(2) Measures for Dispute Resolution Based on Registration Agreement between the Registry and Registrants

Currently, international efforts are continuously being made in order to establish an ADR procedure and thereby provide an easy and simple measure to resolve domain name-related disputes, as manifested by the ICANN's Uniform Domain Name Dispute Resolution Policy. This Policy are now incorporated by reference into registration agreement between registrars /registries and applicants for domain name registration (including registrants whose domain names had already been registered when the Policy came into effect). As a result of this, when a third party initiates a proceeding before one of the ADR service providers, a registrant will be contractually obligated to participate in the ADR procedure. If a panel of the ADR service provider finds that the domain name in question has been registered and/or used in bad faith and orders the cancellation or transfer of that domain name, the registrant will also be obligated to accept the cancellation or transfer that the registry should be made in accordance with the ADR panel's decision. Such ADR procedures seem to be effective measures for resolving domain name disputes. In fact, the ICANN's procedures have been used by many parties after their introduction in December, 1999, which has been thought to be proof of the effectiveness of this procedure.

Disputed parties are not to be finally bound by a decision of the ADR panel and are allowed to bring their cases before a competent court any time before, during or after the ADR procedure. Even if an action before a court is initiated, however, the above-mentioned contractual agreement may work as a basis of resolution.

In a court proceeding, however, a third party of the domain name registration agreement (i.e. owner of a trademark right) will participate as a party and the judge will make his/her decision based on findings regarding rights and obligations the parties have under the substantive law. Therefore, even in a case where cancellation or

transfer of the disputed domain name has been already ordered in the ADR proceedings, there is a concern that such adjudication may be reversed by the court decision.

In conclusion, although some advantage can be expected from the idea of utilizing a contractual agreement between registries /registrars and applicants as a basis of dispute resolution, this cannot become an ultimate measure for dispute resolution and, for that purpose, it seems necessary to revise the current statutes in a direction towards making them more suitable to resolving domain name disputes.

IV Directions of Statutory Revision

1 General Discussions

(1) The Necessity of Revision of the Current Law

(i) Because a domain name functions as an indication of the identity of participants in a transaction made on the Internet as mentioned above, in order to prevent problems such as the occurrence of misled perception between such an indicator and another party's trademark and to maintain business order for the Internet transactions, the introduction of suitable regulations which will cover registration and use aspects of domain names should be examined.

(ii) Under the existing statutes, when a domain name identical with or similar to another party's trademark or other indications are registered or used, there is concern that a corporation's goodwill and appeal to consumers, as represented by the trademark, could not be sufficiently protected because the following unique characteristics of the Internet and domain name system exist.

① Since the same domain name cannot be registered by two or more different persons, a person's act of registering a domain name identical with another person's trademark will effectively preclude the trademark owner from using that trademark as his/her domain name. In addition, when the registrant of such a domain name performs an act interfering with the trademark owner's business, such as offering to resale the domain name to the trademark owner at a very expensive price, there can be a case where the trademark owner will suffer damage even if confusion is not likely to occur.

② Over the Internet, business information and non-business information are both distributed in a

mixed manner and non-business information can also be continuously transmitted to the public. Because of such a nature of the Internet, one can confuse the public or tarnish another's business reputation which are represented by trademark even by an act that is not done for business purposes.

In the discussions about possible regulations for protecting indications of business, etc., these characteristics should also be taken into consideration.

(iii) The necessity of an adequate balance with existing measures under the current statutes such as measures to prevent unfair application under the Trademark Law

Regarding the registration of trademark and trade name, there are statutory measures for preventing disputes similar to domain name related ones. Firstly, Art.4(1)(xix) prohibits the registration of trademarks which are well known among consumers in Japan or abroad and trademarks identical with or similar thereto, and which are used by the applicant for unfair intentions. It is believed that the following applications will fall under the prohibited category under this provision: "where no trademark identical with or similar to a foreign well-known mark is registered in Japan, an application made with the intention of convincing the foreign trademark owner to purchase the trademark right resulting from that application, of preventing the trademark owner's entry into Japanese market, or of forcing the owner to make an agency agreement with that applicant; application made with the intention of diluting the source indicating function or tarnishing the reputation of a nationally famous trademark by registering a mark identical with or similar to that famous mark, even if no fear of confusion would occur from such an application; applications for a trademark identical with or similar to another's well-known mark, made with other unfair or bad faith intention."^{(*)9}

In addition, Art.21(1) of the Commercial Code provides that "no person shall, for an unfair purpose, use any trade name which is liable to induce others to believe that it represents the business of another person." Taking into account the fact that domain names have become very important in the economic activities of the Internet, it seems appropriate to introduce measures for domain names that are similar to those for registered trademarks or trade names.

(2) Considerations

In more specific discussion about the new

(*)9 Industrial Property Legislation Revision Deliberation Office of the JPO, "Heisei 8-nen Kaisei Kogyoshoyuken-ho no Kaisetu (Explanation for industrial property laws revised in 1996)," 143 et seq. (Japan Institute of Invention and Innovation, 1990).

statutory regulation for domain names, attention should be paid, in particular, (i) to establish an adequate balance between the interest of trademark owners and that of domain name registrants, and (ii) to ensure that such a regulation will become consistent with the international trend regarding domain names represented by, for example, the WIPO Joint Recommendation Concerning Provisions On the Protection Of Well-Known Marks.

2 Specific Discussions

(1) Subject of Protection

(i) "Indication of goods and indication of businesses" (Indication of goods etc.)

Subjects covered by the new regulation should generally include Indication of goods etc.. There is no reason to limit the coverage of protection to registered trademarks. Such an approach can be justified by the facts that the WIPO Joint Recommendation Concerning Provisions On the Protection Of Well-Known Marks extends its protection to (well-known) marks and that the ICANN's Uniform Domain Name Dispute Resolution Policy was also established for resolving conflicts between trademarks and service marks and domain names.

(ii) Personal names, geographical indications, etc.

The direction of international trends has not become clear as to what type of rules should be established for preventing possible conflicts between domain names and personal names, place names and others. Considering this and the current situation discussed below in paragraphs ①-⑤, at this stage, it doesn't seem to be necessary to introduce specific protections for personal names, place names and others names of similar nature into the new statutory regulation. However, the introduction of appropriate measures, including legislation, should be considered when situations surrounding these types of disputes and developments of international discussion would require that in the future.

① Personal names

In most cases, it is expected that a conflict of interest between domain names and personal names may arise in relation to the name of a celebrity (for example, a singer, actor, etc.), where the celebrity's name would be regarded as a kind of indication of business.

In addition, the personal name of a natural person is generally protected as a part of the right to one's personality under the existing statutes, and therefore there is a possibility that an injunctive relief may be awarded against an injury on the name of a natural person.

② Place names (geographical indications)

JPNIC provides a category called local government domain names, in which only local governments and their agencies can register (for example, city.chiyoda.Tokyo.jp (for Chiyoda-ward, Tokyo), town.hakone.kanagawa.jp (Hakone-town, Kanagawa prefecture)). Therefore, a case in which a local government or its agency cannot use a domain name that includes their name due to another party's prior registration of that domain name cannot occur.

In addition, when a domain name including a place-name is used in a manner to mislead the public with respect to the place of origin etc. of goods or services, it can be adequately addressed by applying a provision of the current Unfair Competition Prevention Law, i.e. "(the purpose of this Law is, by providing for measures for the prevention of, and compensation for damages from) the act of indicating on goods or for service, or in an advertisement thereof or in a document or correspondence used for a transaction, which is likely to mislead with respect to the place of origin,..." (Art.2(1)(xii)).

③ International Nonproprietary Names (INNs) for Pharmaceutical Substances, and names of international intergovernmental organizations (including their abbreviated names)

Based on discussions in WIPO Internet Domain Name Second Process, further examination is required regarding some issues, for example, what INNs or international intergovernmental organizations will or should identify as being protectable and whether or not the registry can reject an application to seek registration of a domain name which includes an INN or a name of intergovernmental organization.

④ Names of ministries, agencies, or other related organization of Japanese Government
Regarding this issue, voluntary measures are now being examined at the registry (JPNIC) and we should wait and see about the developments of such JPNIC's efforts.

⑤ Words which are contrary to the public order and morals

Since it is expected that the registry will reject applications for domain names which include such words, we should wait and see about the effectiveness of the registry's examination before discussing the need for legislation.

(2) Form of the Legislative Measures

Presupposing that indications of goods etc. would be the subject of newly introduced protection, such a protection should be made through revision of the Unfair Competition Prevention Law (UCPL). This approach would be supported by the following facts:

① Protection for values represented by its indications of goods, etc. (for example,

corporation's goodwill and appeal to their consumers) is now provided by the UCPL. A new regulation to be introduced is also meant for providing thorough and effective protection of indications of goods, etc. against other parties' registration and use of domain names which would injure the indications of goods, etc.

② The new regulation will have to cover the acts of those not only in direct competition with a user of indications of goods, etc. (for example, an owner of the trademark right) but also those who are not in direct competition with the user. An act of preventing a user of indications of goods, etc. from using a domain name identical with or similar to his indications of goods, etc. can be considered as one that would deprive the user of his competitive advantage and impose a relative competitive disadvantage, even when such an act was made by a third party. For the purpose of securing a level playing field for all businesses, it would be justified to define such an act of a third party also as one form of unfair competition.

③ In Germany, there is a court decision in which an injunctive relief (cancellation of registration) was awarded against a third party who had committed an act of cybersquatting, under Art.1 of the German Unfair Competition Prevention Law^(*10). In this case, the defendant who was not a competitor of the trademark owner, a famous corporation, had registered a domain name similar to the trademark of that corporation and tried to sell the domain name to the corporation or other parties.

(3) Well-known Requirement

Art. 2(1)(i) and Art. 2(1)(ii) of the UCPL extends its protection to indications of goods, etc. "well-known among consumers" and "famous" indications of goods, etc., respectively. To be "well-known among consumers", it has been interpreted that it doesn't need to be widely known all around the nation, but only needs to be widely known in a certain region.^(*11) To be deemed as famous, the marks or indications need to have a higher level of recognition than well-known ones.^(*12)

However, for the purpose of providing protection for indications of goods etc. in relation to domain names, it seems appropriate not to incorporate well-known or famous requirement into the new regulation because of the following two reasons.

① The purpose of the above-mentioned two provisions is to protect goodwill and appeal to customers represented by indications of goods, etc. by regulating use of indications of goods, etc. identical with or similar to another party's indications of goods, etc. When an act of unfair competition prohibited by those provisions are made, however, the other party will be still able to use his or her indication of goods, etc., even though the values represented by his or her indications of goods, etc. would be damaged by such an act. In fact, those provision are based on the premise that both a person who commits an act of unfair competition and a person who suffers by that person's unfair competitive act are using the indication of goods, etc. (or one similar to that indication) and requirements of well-known and famous are needed to decide which party's indication of goods, etc. should be protected by the Law.

On the other hand, the new regulations for domain names are supposed to prohibit an act that will prevent the use of an indication of goods, etc. in certain ways (i.e. use as a domain name), even though having a common purpose with the current provisions to protect the legitimate owners' goodwill and appeal to customers that are represented by indications of goods, etc. In other words, acts prohibited by the new regulations will be acts that effectively prevent a person from using his or her own indication of goods or business as his or her domain name by taking advantage of the unique characteristics of the domain name system where registration of the same domain name cannot be made by two or more different parties and a party cannot use a domain name without registering that domain name. Such an interfering act may include various forms; for example, an act committed with the intention of attracting consumers by free-riding on the reputation of another party's well-known or famous indication of goods, etc. and an act committed with the intention, not of attracting consumers, but of causing direct damage to the legitimate owner of a indication of goods, etc. An act of interfering with another party's entering into the Internet business by registering a domain name identical with or similar to that party' indication of goods, etc. earlier than that party, will be a more specific example of the latter type of act. When it is

(*10) See, supra note 4.

(*11) See, Supreme Court decision, May 20, 1959, 13 Keishu 5 at 755.

(*12) Opinions vary as to the more specific meaning of "famous", for example, whether or not it needs to be recognized all over Japan. See Tsuneyuki Yamamoto, "Yousetsu Fusei-Kyosou-Boushi-ho (Commentary on the Unfair Competition Prevention Law)(Second edition)" 101 et seq. (Japan Institute of Invention and Innovation, 1997); Shouen Ono, "Shin Chukai Fusei-Kyosou-Boushi-ho (New Annotated Unfair Competition Prevention Law)," 287 et seq. (Seirin Shoin, 2000).

apparent that the registrant has registered with unfair intent in these types of cases, it seems appropriate to prohibit such an act regardless of to what degree the indication of goods, etc. have been known by the public.

In addition, considering the fact that domain names are used in the internationally wide spread space of the Internet, and therefore have no territorial nature, it does not seem reasonable to introduce into the new regulations a requirement for the indications of goods, etc. to be known in one region of the world.

② Even if the requirement of being famous or well-known will not be incorporated into new regulation, during examination of actual cases, it may be necessary to consider such issues; to what degree the corporation has tried to increase the value of its indication of goods, etc., and to what degree the indication of goods, etc. have become well-known or famous as result of the corporation's effort. These issues, however, can be examined as part of an inquiry regarding the unfair purpose requirement (discussed below).

(4) Unfair Purpose Requirement

(i) Necessity of unfair purpose requirement

Regarding what act should be regulated by the new regulation, there may be three possible ways for drafting the text of the regulation, as follows

① To provide that broadly that "an act of registering and/or using a domain name identical with or similar to another party's indication of goods, etc." should be prohibited (irrespective of with what intention such an act was made).

② To provide that an act mentioned in ① should be prohibited when it is done for "unfair purpose".

③ To provide an exhaustive list of prohibited acts in an objective manner and in a manner more limited than ②.

When deciding what type of acts should be explicitly prohibited by the statutory provision, attention should be paid to the fact that a legitimate user of the indication of goods, etc. may suffer serious damage when another party merely registers or uses a domain name identical with or similar to the user's indication, because of the unique characteristic of the domain name system where no person can use a domain name without registration and where the same domain name cannot have two or more different owners.

From this viewpoint, the alternative ① can be deemed as a provision that will provide a thorough protection for the indications of goods, etc. in relation to domain names. If the alternative ① is adopted, however, an injunction

to cancel or prohibit the registration or use of a domain name could be awarded even when the use of that domain name was made by a person who has legitimate interest in that domain name or when the domain name was used for a non-commercial purpose. That is an approach that unduly favors the interests of the indication owners and would be likely to impede the freedom of domain name registration.

On the other hand, among acts that will effectively prevent a person from using his or her own indication of goods, etc. as his or her domain name by taking advantage of unique characteristics of the domain name system, there may be various types of acts such as an act committed with the intention of free-riding on the reputation of another party's well-known or famous indication of goods, etc. and an act committed with the intention of causing direct damage to the legitimate owner of a indication of goods, etc. Considering this fact, it seems difficult to define the categories of acts to be regulated in an objective and limited manner, as proposed in the alternative ③.

In order to achieve a good balance of interests between the domain name registrants and trademark right owners while securing a consistency with the international movement of WIPO and ICANN, it is considered most appropriate to adopt an approach that is based on the alternative ②. The UCPL defines unfair purposes as "a purpose to obtain unfair profits, a purpose to cause injury to another person or any other unfair purpose" (Art. 11(1)(ii)). This definition also seems to be appropriate for the purpose of the new regulation.

Whether an unfair purpose can be found or not in a certain case is an issue that, ultimately, should be decided by a court after comprehensively understanding the specific factual situation of that case, such as whether or not the registrant has a legitimate interest in the disputed domain name, and in what manner and with what intent the disputed domain name has been used. Generally speaking, however, even when the domain name registrant recognizes that his domain name is identical with or similar to another party's indication of goods, etc., if the registrant has a legitimate interest in that domain name^(*13) and his or her use of the domain name is made in a manner that would not constitute an act of free-riding on the reputation represented by the other party's indication of goods, etc. or would not tarnish the reputation of that indication of goods, etc., it seems that unfair purpose will not be found by the court.

(*13) In Japan, for example, it is believed that many famous corporations will have legitimate interest in domain names which include the word "asahi".

Incidentally, the U.S. Anticybersquatting Consumer Protection Act and domain name dispute resolution policies of the ICANN and JPNIC provide examples of factors or situations that should be considered in determining whether a person has a bad faith intent (an unfair purpose). In Japanese UCPL, however, it seems difficult to provide examples of such factors, because other provisions of the UCPL that have the unfair purpose requirement do not use these types of examples. But, considering the fact that the term unfair purpose is a very comprehensive and abstract one, the need for appropriate guidelines should be studied. Such guidelines should be prepared by a relevant governmental authority and should be based on views set out in Japanese or foreign court decisions or ADR adjudication made under the ICANN or JPNIC's dispute resolution policy.

(ii) Noncommercial use and fair use

The dispute resolution policies of ICANN and JPNIC and the U.S. Anticybersquatting Consumer Protection Act presume that a registrant has right or legitimate interest in his or her domain name when use of the domain name by the registrant is considered to be noncommercial use or fair use.

For specific examples of noncommercial use and fair use, an act of registering and holding a domain name identical with or similar to another party's indication of goods, etc. for the reason that that domain name is to his or her taste, or act of using a domain name identical with or similar to another party's indication of goods, etc. for the purpose of reviewing or criticizing the user of that indication of goods, etc. or the user's products, may reportedly escape from protection provided by the dispute resolution policies and the Anticybersquatting Act. Regarding the scope of prohibited acts, however, we must wait and see about the accumulation of court decisions and development of discussion.

In any case, when the introduction of a new regulation will be made in the form of revising the UCPL in Japan, it seems possible to ensure consistency with international trends only through the appropriate interpretation of languages as already exists in the Law, such as unfair purpose and business interest (appears in Art. 3 and 4 which provide remedies against acts of unfair competition). Therefore, there seems to be no need to explicitly introduce concepts of noncommercial use or fair use into the UCPL.

(5) Range of Domain Name that should be Subject of the New Regulation

Regarding the issue of the range of domain names that should be subject to the new regulation, it seems appropriate to exclude sub-domain names and file names from the subject of the new regulation and to regulate

them only when they are considered to conflict with another party's indications of goods, etc. under the existing provisions of the UCPL. This is because a person is allowed to name and use any sub-domain names and file names without restriction and a person's use of a certain sub-domain name or file name will not prevent other parties from using the same sub-domain name or file name. On the other hand, since most Internet users actually do not distinguish sub-domain names from domain names in the narrow sense and understand them as one thing, it also appears to be unnecessary to bother excluding sub-domain names from the subject of the new regulation. Considering these facts, further examination will be required for this issue.

(6) How to Determine Similarity

Regarding the issue of how similarity between a domain name and an indication of goods, etc. will be determined, adequate determination may be possible by, while using the expression that already appears in the current UCPL (i.e. identical with or similar to) as well as in the new statutory provision, adequately interpreting that expression after taking into account the inherent characteristics of domain names (for example, they generally consist of alphabets and numbers, and they must have extension label(s) such as co.jp or com.)

(7) How to define Acts that will be Subject to the New Regulation

WIPO Joint Recommendation Concerning Provisions On the Protection Of Well-Known Marks and dispute resolution policies of ICANN and JPNIC define the regulated acts by using such expressions as registration and use of a domain name (in bad faith).

Based on this expression, discussions have been as follows.

① If only one of the terms registration or use, not both of them, is to be used in the new regulation,

(a) for example, in case a person tries to sell, at an expensive price, a domain name that has been registered but not used, it would be apparently insufficient to define the regulated acts as the use of a domain name. In addition, in such cases that

(b) a registrant has a third party use his domain name (for unfair purpose), or

(c) information for Japanese people is transmitted from a site whose domain name was registered in a foreign country, it would be insufficient to define the act to be regulated as use of a domain name. It seems more adequate to define the act to be regulated as registration and use of a domain name in order to cover all of the above mentioned cases.

② Furthermore, if an expression which would be interpreted to mean a single act (such as an act of registering) were used in the new statutory provision, there is a possibility that it could not cover such cases:

- (a) a registrant who did not have unfair purpose intention at the time of registration came to have an unfair purpose intention afterwards (however, has not used the domain name)
- (b) a registrant had registered his domain name with unfair purpose before the revised law had been put in effect, and has maintained that registration and that unfair purpose after the effective date of the revised law.

Therefore, it seems appropriate to draft the new provision by using an expression which would be interpreted as including continuing registration as its scope.

As a result of the above discussion, it is recommended to use such an expression as “registering, holding or using (a domain name for unfair purposes)”^(*14), provided that further examination is required before the actual text of the new provision will be determined.

(8) Remedies

The UCPL provides injunctive relief (Art.3) and damages (Art.4) for civil remedies against acts of unfair competition.

In the following paragraphs, we will discuss what remedies can be made available under the right to request an injunctive relief if an act of registering, holding and using a domain name for unfair purposes will be added to the prohibited categories of by the UCPL.

(i) Prohibition of using the domain name

Under Art.3(1) of the UCPL, it seems possible that a person can initiate a court action against the registrant of the domain name and request an injunction order to prohibit the registrant's use of the domain name^(*15). In addition, under certain circumstances, courts may grant an injunction order that prohibits only a limited form of use, rather than prohibiting use of the domain name for any and all purposes (for example, prohibition to use the domain name for a website where certain categories of goods are offered for sell).

(ii) Cancellation of the domain name registration

Under certain circumstances, the cancellation of domain name registration should be awarded as a remedy. For example, in an action whose cause

is the registration of a domain name made by the defendant for unfair purpose (and where the domain name is actually not used), the possibility of cancellation of the registration should be provided as an injunctive relief. It appears that such a request can be made under Art.3(1) (“preventing or suspending such infringement”) and Art.3(2) (“any other acts necessary to prevent or suspend the infringement”).

Another important issue is who should be sued in an action for cancellation of domain name registration only the registrant or both the registrant and the registry? Since the court decision of an action where only the registrant is named as the defendant will not have a binding power to the registry, it seems more recommendable to name both the registrant and the registry as defendants in order to secure the cancellation of the domain name registration. However, what cause of action can be applied to the registry is still unclear. On the other hand, even when an action is brought only against the registrant, if a contractual agreement between the registrant and the registry assures the implementation of a court decision which orders the cancellation of the domain name registration, the plaintiff may expect the court to make such a decision.

(iii) Transfer of domain name registration

Yet another problem is whether the transfer of a domain name registration should be provided as another remedy to the user of the Indication of goods, etc. Concerning this issue, both the dispute resolution policies of ICANN and JPNIC and the U.S. Anticybersquatting Consumer Protection Act provide for the transfer of the disputed domain name as one of the remedial measures they offer.

In the discussion made by our research committee, some opine that; whether or not the transfer of the domain name should be ordered under Art.3(2) of the UCPL is ultimately an issue the court should decide on a case-by-case basis; however, where the transfer of a domain name to the plaintiff is apparently reasonable, it seems possible for a court to order a transfer of the domain name by declaring such a transfer to be the “other acts necessary to prevent or suspend the infringement” of Art.3(2), the UCPL. Other committee members argued that since prevention or suspension of infringement on business interest can be realized only by canceling the

(*14) The word holding is already used in Art.2(1)(vii) of the Unfair Competition Prevention Law in relation to trade secrets, and the meaning of holding in that provision is interpreted as including circumstances where a person has been licensed to use a trade secret. See, Intellectual Property Policy Office on the MITI ed., “Eigyo Himitsu (Trade Secret)” at 87 (Yuhikaku, 1990).

(*15) In December, 2000, Toyama District Court granted an injunction order to prohibit the defendant's use of that domain name (jaccs.cp.jp case).

registration of the domain name infringing on the plaintiff's interest, it seems difficult to consider a transfer of domain name registration as the "other acts necessary to prevent or suspend the infringement". In addition, there also are opinions that recommend taking a legislative measure to clarify that courts may order a transfer of the domain name.

When a domain name registration is cancelled by a court decision favoring the plaintiff (ex. trademark owner), if a third party will register the same domain name immediately after the cancellation and before the plaintiff's registration, there arises a possibility that a new conflict may occur. It is apparent that such situations should be prevented. However, this could be practically prevented if the plaintiff who had prevailed in the cancellation action files an application for registration at the same time as the defendant's registration is canceled in order to prevent a third party's earlier registration of the same domain name. Alternatively, this issue may be addressed by the registry. For example, when an action for cancellation starts, the registry could give the plaintiff an interim right to receive a transfer of the domain name which will become effective if the plaintiff prevails in the action and a court decision ordering the cancellation of the domain name registration becomes final.

As for this issue, further discussion is required, and in such a discussion, the possibility of using the registry should also be examined.

(9) International Issues

The Internet is now being used globally and domain names such as TLDs may be registered irrespective of an applicant's nationality. Considering these facts, in order to establish a more adequate balance of interest between the domain name system and intellectual property protection system for trademarks and other related rights, further examination is also required regarding several international issues, such as applicable law, where is the *locus delicti* of an act made on the Internet, and the enforcement issue.

However, a consensus has not yet been reached as to those issues both in Japan and internationally. In this report, only an overview of discussions in Japan will be presented as far as the new regulation is concerned.

Firstly, we will conduct an examination on the applicability of the UCPL to international dispute cases.

Regarding a new cause of action which will be introduced by the new domain name-related regulation, there is no established view for deciding its legal characteristics in international private law. If it can be considered that the new cause of action is a sort of tort, applicable law for such a cause of action will be *lex loci delicti* (law of

the place where tort occurred) because Art.11(1) of the Law concerning the Application of Laws in General, which provides general rules of international private law in Japan, dictates that laws of the "place where a fact that constitutes the cause of the claim occurs" shall be an applicable law for tort. Regarding *locus delicti*, there are several opinions, such as those arguing that *locus delicti* is the place where an act of tort occurred (place of infringement theory) and that *locus delicti* is the place where damage occurred (place of result theory) and therefore, no widely accepted theory or no judicial precedent exists. According to the place of result theory, however, it can be concluded that the UCPL is also applicable as long as damage occurred in Japan, even if the act of tort occurs in a foreign country.

Furthermore, regarding the issue where is the *locus delicti* of an act that is made through the Internet (such an act necessarily have the cross-border nature), also no widely accepted theory or judicial precedent exists, and there may be several views. However, it should be understood that coverage of the new regulation would not be limited to acts made regarding JP domain names. For example, it should be considered that the new regulation would cover a case in which, for the purpose of reselling it at an expensive price, a person residing in Japan had registered a domain name similar to an indication of goods, etc. of a Japanese corporation at a foreign registry (for example, registered at the Network Solutions Inc and obtain a .com domain name).

As well, it should be understood that the scope of the protectable indication of goods etc. would not be limited to ones used in Japan but would include ones used only overseas.

(10) Penalties

At the present, it is considered that the new regulation to prohibit acts of registering, holding and using a domain name for unfair purposes needs no specific criminal penalty, because:

① Considering the fact that the Internet and domain name-related activities have developed through the voluntary rules made by private sectors, regulations for them should be limited, in principle, only to minimum essentials.

② Subjects of the new regulation would partly overlap with subjects of Art.1(1)(i) and Art.1(1)(ii) of the UCPL, and the latter provision is not subject to penalty provision of the UCPL. If the whole of the new regulation is to be subject to a criminal penalties provision, the balance between the new regulation and Art1(2)(ii) would be lost.

However, when an act of using a domain name falls into the category of unfair competition stipulated by Art. 1(1)(i) and the existence of unfair purpose is affirmed, it will invoke the

UCPL's penalty provision (Art.13(1)(i)) as a matter of course.

V Conclusion

It has not been long since the problems discussed in this report have come to be elicited, and sufficient discussion has not yet been made in Japan. However, when considering the very important role the Internet is playing within the Japanese economy and society, promoting the sound development of the domain name system, which is one of the infrastructures for the Internet, is an extremely significant issue. There is an especially pressing need to establish an effective rule for preventing and resolving trademark/domain name disputes, which are actually increasing.

We hope that this report will help the efforts that are currently being made at various fronts and that necessary legislation will be promptly made.

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