

18 Desirable Intellectual Property Rights System for Promoting Sound Development of E-Commerce, etc. via the Internet

Researcher: Takashi Kimura^(*)

The rapidly developing Internet has been showing its significant progress also in the field of e-commerce in recent years. One of archetypal examples is a system where on-line purchasers submit their credit card information via the Internet at the point of ordering books or concert tickets, and have them (tangible goods) delivered to their home at a later date, or enable to directly and immediately download digital contents such as e-books, music in digitized form or application software for personal computers, onto their personal computers via the Internet.

This report reviews the problems on trademarks, copyrights, and acts of unfair competition that occur in the field of e-commerce under such circumstances, and discusses whether they can be dealt with under the current legal system and which kind of legal system should be adopted/established if they could not be appropriately resolved under the current legal system.

1 Introduction

In recent years e-commerce via the Internet has been developing rapidly and showing its diversification of use. This paper will review various problems relating to intellectual property actually occurring in the field of e-commerce and discuss whether they can be dealt with under the current legal system, and which kind of legal system shall be adopted/established if they cannot be appropriately resolved under the current legal system.

2 Prevention of Collision between Rights, Prevention of Abuse

In this section, (1) trademarks and trade names, (2) domain names, and (3) digital contents and other copyrighted works will be discussed as subject matters of IPR that may often cause problems on the Internet.

(1) Trademarks and trade names

(i) Locus of the problem

When business entities place advertisements or conduct e-commerce business on the Internet, their trade names and/or trademarks are usually carried on (their) websites and are displayed on PC displays (trade name(s) shall be hereinafter included in "trademark(s)"). Suppose that a trademark, the registration of which a certain Japanese company "J" has been awarded in Japan, is identical or similar to another trademark, the registration of which a certain British company "B" has been awarded in the U.K., and moreover, that the businesses conducted by the two companies with the use of their respective trademarks are also identical or similar. In the case where both

companies conduct their business in the countries where they have their said trademarks registered respectively, if Company B places its advertisement on the Internet, Company B's trademark, which is included in that advertisement, would be displayed on the PC screens of those living in Japan. That would fall into "an act of displaying or distributing advertisements relating to the goods or services...on which a mark has been applied" under Section 2(3)(vii) of the Japanese Trademark Law.

(ii) Applicable legal system

In order to coordinate such a dispute as mentioned in (i), it is beneficial to review and make reference to the Joint Recommendation Concerning the Protection of Marks, and other Industrial Property Rights in Signs, on the Internet (hereinafter called the "Joint Recommendation") drawn up by the Standing Committee on the Law of Trademarks, Industrial Design and Geographical Indications (hereinafter called the "SCT") which has been established in the World Intellectual Property Organization (hereinafter called "WIPO"). Although the Joint Recommendation is not internationally binding, it should be actively utilized and referenced in applying and interpreting the trademark law (and its implementing regulations) of the respective countries with regard to disputes on infringement of trademark rights caused via the Internet. The author will outline briefly the Joint Recommendation by referring to several concrete examples as follows.

(a) Collision between trademark rights owned by individual business entities – General

Under the aforementioned hypothetical situation, since Company B advertises its products on the Internet, people living in Japan are also able to browse its advertisement (the English version) as

(*) Manager, Planning Division, Intellectual Asset Operations Unit, NEC Corporation

well as Company B's trademark. According to the Joint Recommendation, the act of advertisement by Company B does not fall into "use (of a sign)" unless it produces any "commercial effect" in the countries where Company J's trademark right is effective (interpretation of Article 2 thereof), and therefore Company B does not infringe Company J's trademark right effective in Japan.

(b) Collision between trademark rights owned by individual business entities –Particulars: use after notification of infringement–

Next, the Joint Recommendation provides for "Use After Notification of Infringement" in Article 10, i.e., that "if the user (of a sign) referred to in Article 9 has received a notification that his use infringes another right, he shall not be held liable if he:

(i) 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;

(ii) gives relevant details of that "right" or permitted use; and

(iii) expeditiously takes reasonable measures which are effective to avoid a commercial effect in the Member State referred to in the notification, or to avoid infringement of the "right" referred to in the notification." (The words in brackets have been inserted by the author for convenience.)

The "reasonable measures which are effective to avoid a commercial effect" in (iii) above are concretely enumerated in Article 12 (titled "Disclaimer as a Measure Under Article 10").

If Company B's trademark (Company B owns a trademark right in the U.K.) used on the Internet may have a "commercial effect" in Japan, where Company J has a registered trademark which is identical with or similar to the said Company B's trademark, it would be sufficient for the former to take measures for avoiding the "commercial effect" set force in Article 12 thereof such as expressing a disclaimer on their homepage to the effect that they do not intend to sell their products to potential customers living in Japan, and to refuse to sell their products in fact despite orders from them.

However, in the case that the subject of the dealing is intangible which shall be offered electronically (e.g., digital music or application software program which can be downloaded onto the customer's PC via the Internet) there are no means to identify and/or check the country/ies

where orderers live. Also, to impose obligation on business entities to identify the country/ies where the customers live would only result in a downturn in e-commerce. The measures set force in Article 12 thereof seem reasonable under the present circumstances, but future discussions are expected.

(c) Disputes caused by abuses and/or misuse by unauthorized third parties

Article 4 of the Joint Recommendation stipulates "the use in bad faith". Since the term "bad faith" ^(*) and "(a sign is) used in bad faith" do not exist in Japanese laws, the exact content and meaning remain controversial. As the criteria for determining whether there is "bad faith" or "(a sign is) used in bad faith," as long as we deduct from the effect of Article 4(2) and its Explanatory Notes, the meaning shall be considered to be a broad concept including such circumstances as "malicious intent to conduct an act of unfair competition," "*dolus eventualis* (willful negligence) of ambivalence towards triggering an act of unfair competition or even taking advantage of it," and "having caused an act of unfair competition by (gross) negligence." A person who uses a sign "in bad faith" or acquired a right "in bad faith" can not claim for the application of the provisions from Article 9 to 12 of the Joint Recommendation, and shall be held liable for the infringement of others' rights stipulated thereunder. Naturally, as the Joint Recommendation is only a "recommendation" which has no legal binding force, it is very hard to predict to what extent the purport of the concept "(in) bad faith" in the Joint Recommendation would be taken into consideration and reflected in the Trademark Law or the Unfair Competition Prevention Law (or any corresponding statute) of the respective countries/territories.

(iii) Applicable Japanese law and points at issue

Under the circumstances, in order that the indication or display of a mark via/through the Internet should fall into the definition of "use of a mark" under the Japanese Trademark Law, the following revisions were made (effective as of September 1, 2002); Section 2(3)(ii) was changed to "*importing, or providing through telecommunication lines, goods...*"; the new clause "acts of providing services by indicating a mark on a screen when providing services through a screen by electromagnetic means (that is, electronic, magnetic and other means which cannot be perceived by human perception)" was added and established as a new definition of "use of a mark" under Section 2(3)(vii); and the clause "acts of displaying or distributing advertisements relating to the goods or services, price lists or business papers

(*1) There is no legal term in Japan corresponding to the term "(in) bad faith". Hence, the term "(in) bad faith" is sometimes translated or explained as "*akui (de)*" (*Japanese*: "with the intent to harm others") as a generic expression. But the term "*akui (de)*" as a legal term in Japan is that, for instance, a party "knows" that the other party's act is not entitled regarding the act of law which that should bind the parties. The term "(in) bad faith" is also sometimes translated or explained as "*gaii*," but is also inappropriate.

with respect to the goods or articles on which a mark has been applied” (corresponding to Section 2(3)(vii) of the Law that was effective until the end of August 2002), was rectified as to add the sentence “, or providing information on them by applying a mark thereon through electromagnetic means” in Section 2(3)(viii). Naturally the scope of “act of trademark infringement” also enlarged with the above revision, but two problems exist between the right to demand an injunction (Section 36 of the Trademark Law) as a remedy against infringement and that of the Joint Recommendation.

The first is the consistency with the measure stipulated in the Joint Recommendation. For instance, suppose that an owner of a trademark right require the third party who is using a mark identical with or similar to the trademark on the Internet to cease/discontinue the use of the mark, claiming that the use infringes his trademark right. The problem is whether the disclaimer stipulated in the Joint Recommendation, which has no legal binding force, could be approved as a measure that should fall under or substitute a suspension of infringement or an injunction in Japanese courts. The author thinks that, as long as the user of the sign sufficiently provides a disclaimer that denies use of the sign (mark) in Japan such as placing a statement on the user’s website to the effect that “We do not intend to do business with this product in Japan”, the act would no longer fall under “use” in Section 2 of the Japanese Trademark Law taking into consideration of the definition “use (of a mark)” therein, and that courts in Japan may approve the disclaimer as a measure in substitution of “a suspension of infringement or an injunction”.

The second problem is that an effect of the injunction against a person having used the mark(s) owned by another person as a right(s) on the Internet “in bad faith” under the Joint Recommendation may lead to infringement of the jurisdictions of other countries, since the mark is to be deleted from the computer server in compliance with the injunction, the prohibition of use (deletion) becomes effective not only in Japan, but also all around the world. This issue on the said effect of worldwide injunction has also been contested at the SCT. The author considers that such worldwide injunction may be approved, or rather, should be handed down, at least, against the person who constitutes an act falling under Article 10*bis*(2) or (3) of the Paris Convention. A strict attitude should be taken against acts of unfair competition by way of the use of signs/marks on the Internet.

(2) Domain names

(i) Outline of applicable law

Although a domain name simply has the function of “uniquely distinguishing/identifying a computer” (i.e., just an address on a computer network) and does not have any specific meaning (i.e., a right) by itself, business entities’ motive for

adopting their own trademarks or trade names as their domain names is quite understandable. Hence, disputes frequently occur over the attribution of domain names between those who used others’ own trademarks, trade names, or personal names with reputations as their domain names so as to take advantage of the others’ fame, and those who legitimately own the said trademarks, trade names or personal names with reputations, all of which are identical with or similar to the said domain names.

Under the circumstances, the Japanese Unfair Competition Prevention Law, revised and promulgated on June 29, 2001, established the provision “the act of acquiring or possessing a right to use a domain name identical with or similar to others’ indications of goods, etc. (i.e., the indication of a name, trade name, trademark, mark or other goods or services regarding their business), or using the said domain name, in order to make an illicit profit or to cause damage to others”, as one of acts of “unfair competition” in Article 2(xii). In addition, the definition of “a domain name” was added in Article 2(7) thereof. Therefore, legal disputes over domain names on the Internet have been resolved “at any rate” in terms of the legislative framework.

(ii) Interpretation of law and points at issue

The requirements for constituting “unfair competition” as set forth in Article 2(xii) are:

- (1) the act is conducted “in order to make an illicit profit” or “(in order) to cause damage to others”;
- (2) the domain name is “identical with or similar to another person’s indication of goods, etc.”; and
- (3) the act is “acquiring or possessing a right to use (the) domain name or using such a domain name”.

Taking a look at (2) first, as far as the “JACCS Case” (decided at Toyama District Court, Japan in December, 2000) and several WIPO Panel decisions on domain name disputes are studied the determinations of the similarity seem to be made in accordance with the decisions made by Trademark Authorities (i.e., Japan Patent Office in Japan) as to whether marks filed applications for trademark registrations are identical with or similar to prior registered trademarks. Considering the *status quo* where domain names are mostly selected in close connection with trademarks, trade names, or personal names of their owners’ own, the practice for decisions mentioned above seems appropriate.

As for (1) above, when an act is conducted for the purpose of one’s own legitimate interests or when he does not intend to cause any damage to others from the very beginning even though his acts resulted in damages to the others, the act does not constitute unfair competition⁽²⁾.

Lastly, as for (3), literally, the mode of acts is not limited to “using” a domain name, but also to acquiring or to possessing the right to use the domain name and even to possess the right (i.e. domain name) after acquiring it without any actual

use of it.

Incidentally, differing from WIPO Panel decisions, a complainant (claimant) cannot demand the owner of the domain name in dispute (respondent) to transfer the domain name to the complainant under the Japanese Unfair Competition Prevention Law^{(*)3}.

(iii) Conflicts between legitimate domain name owners

There are cases where multiple domain names simply differ in their top-level domains (TLDs) but are identical in the distinctive portions. For example, suppose that both a Japanese Company "J" and a British Company "B" (not affiliated or have capital relationship with each other) own the registration for the same mark "ABC" in Japan and in the U.K., and that Company J was granted the registration "abc.co.jp" with Japanese domain name registration agency and Company B was granted the registration "abc.co.uk" with the British domain name registration agency. As long as the two companies do their business *bona fide* using their trademarks "ABC" respectively, they would have to respect and accept the existence of each other's registered domain names. If the situation "caused trouble in business," there would be no other way but to solve it as a practical matter relating to business strategies between the two companies, for example, by way of buying the other company's domain name through negotiation. This is because it is not the legal problem to be settled under the Unfair Competition Prevention Law or the Trademark Law.

(3) Digital contents

(i) Point at issue

One of the merits and enchantment of utilizing the Internet is that a user can easily obtain various contents such as digitized music, photographs, books, and PC application software (hereinafter collectively called "digital contents") by downloading them onto a user's PC via the Internet.

The distinctive features of digital contents include: (1) exact copies of the original information can be reproduced unlimitedly at a low cost; (2) the quality of data does not deteriorate; and (3) there does not exist any concept of "stock". Together with the convenience of being able to distribute digital contents via the Internet, the digital contents market is expected to expand continuously.

Therefore, for those who are doing or planning to do business utilizing the Internet (hereinafter collectively called "content provider(s)"), the key to success their business depends upon how much degree of digital contents can be lined up which (potential) customers are seeking for. However, to the contrary, some content providers are, on their own website, dealing digital contents copyrighted by others without any authority, which often causes problems.

(ii) Applicable law

Almost all digital contents are, essentially, protected as works under the Copyright Law and related treaties/conventions on copyright (see the events enumerated in Article 10(1) and Article 5 of the Japanese Copyright Law). Therefore, a content provider's act of copying and distributing on the Internet digital contents whose copyrights are owned by other parties without any authorization of the copyright owners or their exclusive licensee^{(*)4}, is to infringe the copyright owners' rights of reproduction (Article 21 of the Copyright Law) and the rights of public transmission, etc. (Article 23 thereof), as well as the rights of distribution (Article 26 thereof) in the case where the digital content is a reproduction of a cinematographic work, and the right of transfer of ownership (Article 26*bis* thereof) and the right of lending (Article 26*ter* thereof) when the digital content is a reproduction of other type of work (music, photographic, etc., other than cinematographic work).

Furthermore, the neighboring rights (Articles 89 to 100*quinquies* of the Law) will also be

(*)2 Most of the mass media reports on the WIPO Panel decision on the "jal.com" case (D2000-0573) explained that "there were legitimate interests" by only referring to the fact that the domain name was a combination of the initials of an individual's name. However, as is revealed, the Panel has decided that "the Respondents have rights to and/or a legitimate interest in the domain" referring to the fact that the registrant (the Respondent) had registered the domain name in 1993, when the Internet was not yet diffused, and that he had been using it as a domain name of the company he ran. It further discloses that the registrant had been always and continuously taking "measures to avoid confusion" by drawing attention to the senders of e-mails addressed to Japan Airlines Company Limited (JAL; Complainant) had been mistakenly sent to his company, and forwarding those e-mails to JAL, so the use of the domain name was neither "in bad faith" nor "with the intention to cause confusion".

(*)3 The WIPO Panel in the "三共.com" (sankyo.com) case (D2000-1791) held that the domain name in dispute should be transferred to Sankyo Co., Ltd., the Complainant. However, considering if this case were filed in Japanese court and an order of transfer were established as a statutory remedy, a question would arise whether the transfer to the Complainant were really appropriate. This is because there are in fact many companies in Japan whose names are crowned with the word/term "Sankyo". Naturally, if all companies whose names are crowned with "Sankyo" belonged to and were affiliated to same business group, solely Sankyo Group, it would be sufficient that the attribution and the management of the domain name could simply be decided within the Group after the domain name has been transferred to the Complainant. But in fact, since there are several Sankyo-crowned companies which have nothing to do with Sankyo Group, those companies might well object to such a transfer order.

(*)4 Article 63 of the Copyright Law uses the term "exploit (a work)" but the term is not defined thereunder, different from the terms "work (an invention)" and "use (a trademark)" defined respectively under the Patent Law and the Trademark Law.

infringed according to the type of digital contents as work(s). For example, one of the frequently observed modes of infringement is that a content provider obtains a music CD-ROM, reproduces its copies electromagnetically or electronically with a computer and distributes the copies in electronic form via the Internet (needless to say, the act infringes the copyright owned by the lyric writer(s) and the composer(s) of the music). This act also infringes various rights granted to the "producer of the phonogram" (Article 89(2) thereof; refer to Article 2(1)(v) and (vi) thereof for the definitions of "phonograms" and "producers of phonograms") who produced the said music CD-ROM and enjoys the neighboring rights, particularly the right of reproduction (Article 96 thereof), the right of making transmittable (Article 96*bis* thereof), and the right of transfer of ownership (Article 97*bis* thereof).

Apart from the issue of a neighboring right, however, book publishers sometimes electronically process books or photograph collections which they have already published into electronic books or electronic photograph collections and distribute them via the Internet. A publisher is defined as "an owner of the right of publication" in Article 80 thereof, and the contents of the right of publication are basically decided by an agreement between a copyright owner (re-defined as "the owner of reproduction right" in Article 79 thereof) and the publisher (the "contract of establishment" as mentioned in Article 80 thereof). If the owner of the right of publication is granted a license to distribute electronic books or electronic photograph collections via the Internet by an agreement with the owner of reproduction right, a content provider's act of electromagnetically or electronically reproducing a book or image which was published or issued by publishers and of distributing that reproduction on the Internet would infringe the rights of the owner of the right of publication under the Copyright Law.

(iii) Practical points at issue, "modes of use by end users"

The act conducted by Napster Inc., which provided on-line users with program software that enabled them to freely exchange music files among them, did not distribute any digital contents, and therefore it did not constitute any infringement of the rights stipulated in the Japanese Copyright Law. This is because Japanese statute law system does not allow courts to find, on their discretion, "aid of copyright infringement" without any legal basis, as is allowed for in U.S. courts. Moreover, since the Japanese Unfair Competition Prevention Law limits the acts of "unfair competition" to those enumerated in the each events of Article 2(1) thereof and it does not have a general clause regarding "prohibition of acts of unfair competition", as is stipulated in the German and Swiss corresponding laws, the above act conducted by

Napster Inc., does not constitute an act of "unfair competition".

Accordingly, acts such as conducted by Napster Inc., could only be regulated based on an unlawful act under the Japanese Civil Code (Article 709 thereof). However, the plaintiff would have to bear immense burdens, including the burdens to prove *intention or negligence*, the presence of an act of infringement, and the causal relation between the act of infringement and damage, and therefore, it could not be expected that it could be decided as "an unlawful act". If such acts were to increase in the future and they could cause troubles to right owners, the Copyright Law and the Unfair Competition Prevention Law should be amended so that such acts could be the subject matter of injunction/regulation.

Incidentally, it is often overlooked in the presence of such software as Napster and Gnutella, but the true copyright infringers are the end users who exchange the music files using the software. Under the circumstances, the business entities (mainly producers of phonograms) have been making their own efforts to defend rights in their works, such as taking technical measures to make digital contents only exploitable (viewable) on the PC on which the contents have been downloaded from the Internet. However, it depends ultimately on the end users' attitude towards respecting copyright and their improvement of their morals.

3 Legal measures for the development of e-commerce, etc. (toward promoting further convenience)

In this section, (1) electronic signatures/electronic certifications, (2) prohibition of unauthorized computer accesses, (3) protection of databases, will be reviewed as indispensable elements for such systemic and institutional improvement by referring to the status quo and the legal system of Japan as well as relevant EU Directives.

(1) Electronic: signatures/electronic certification

(i) Outline

Different from a contract under the Civil Code, a contract under the Commercial Code or other special laws shall not be made effective fundamentally unless it is entered into in writing, so in order to make e-commerce effective, a system should be established where the electronic signature contained in/attached to an electronic document etc. regarding e-commerce, which corresponds to or is presumed to be a written contract (hereinafter referred to as a "Digital document(s)" for convenience), shall have the same legal effect as that of a person's signature or seal. Furthermore, it is needed to establish the system which enables to confirm (1) whether or not the Digital document is the one that has been

transmitted by the authentic person (so-called "posing" issue), and (2) whether or not the document has been falsified by a third party, both from the viewpoint of the security of commercial transactions. In response to the above requests, the Law concerning Electronic Signatures and Certification Services (Law No. 102 of May 31, 2000; hereinafter called as "Electronic Signatures Law") was enacted.

(ii) Comparison with the EU Directive related to Electronic Signatures (1999/93/EC)

Since the EU has adopted the "Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures" (hereinafter called the "EU Directive 99/93/EC"), the Directive will be overviewed and compared with the Electronic Signatures Law of Japan (outlined above). The purport of the Directive is plainly stated in the *Whereas* clauses; Based on the recognition that "electronic communication and commerce necessitate 'electronic signatures' and related services allowing data authentication, divergent rules with respect to legal recognition of electronic signatures and the accreditation of certification-service providers in the Member States may create a significant barrier to the use of electronic communication and electronic commerce" (Whereas clause (4) thereof).

Article 5 thereof provides that "Member States shall ensure that advanced electronic signatures which are based on a qualified certificate and which are created by a secure-signature-creation device: (a) satisfy the legal requirements of a signature in relation to data in electronic form in the same manner as a handwritten signature satisfies those requirements in relation to paper-based data; and (b) are admissible as evidence in legal proceedings". The Article allows electronic signatures to make the same legal effects as is stipulated in Article 3 of the Electronic Signatures Law of Japan.

The Directive also stipulates in Article 6(1) that "as a minimum, Member States shall ensure that by issuing a certificate as a qualified certificate to the public or by guaranteeing such a certificate to the public a certification-service-provider is liable for damage caused to any entity or legal or natural person who reasonably relies on that certificate" and in Article 6(2) that "as a minimum Member States shall ensure that a certification-service-provider who has issued a certificate as a qualified certificate to the public is liable for damage caused to any entity or legal or natural person who reasonably relies on the certificate for failure to register revocation of the certificate" (unless the certification-service-provider proves that he has not acted negligently). This is the part that considerably differs from the Electronic Signatures Law. The Electronic Signatures Law has no

provision on civil liabilities of an accredited certification service provider, such as compensation for damages. Of course, there is room for filing a claim based on the Civil Code, but together with the difficulty of proving the damages, it would be difficult to secure a remedy for the injured party. Now that the Electronic Signatures Law aims at sound development of electronic signatures and the national economy, the Law should introduce provisions on civil liabilities and transfer of the burden of proof.

(2) Prohibition of unauthorized computer access

(i) Preamble

When placing an order for goods or services with a business entity doing business over the Internet, requesting a service from such a business entity, or accessing a members-only website hosted by a business entity, an Internet user usually enters his "membership number (or ID number)" and "password" on the business entity's website. This is a minimum measure required for confirming whether the user is an authentic users/member. Without this measure, a third party posing as an authentic member may place a false order for goods, and then the business entity delivers the unnecessary goods to the person who has deemed to be an orderer on account of the false order but who did not actually place the order. There exist serious factors of confusing or hindering e-commerce.

In order to prohibit such unauthorized computer access by third parties, the Unauthorized Computer Access Law (Law No. 128 of 1999; promulgated on August 13, 1999) entered into force on February 13 of 2000. The Explanatory Document released by the National Police Agency explains that unauthorized computer access is "an act of making available a restricted specific use of a specific computer by evading the restrictions placed by an access control function on the specific use," and its concrete contents are: (1) an act of making available a specific use by removing the restrictions on the specific use by entering the identification code, such as a password, of the authorized user; and (2) an act of attacking a security hole. The types of "identification code(s)" are unlimited (e.g., ID number, password, fingerprint, iris, voice, or signature), the "specific use(s)" are also unlimited (e.g., falsifying a website carried by others, placing an Internet shopping order, inspecting data, transferring data files, or establishing dial-up access), and the "specific computer(s)" can be the one owned either by an individual or a company. In addition, as we can find out from the text "an act of making available a specific use" in Article 2(2)(i) thereof, an act shall fall into "unauthorized computer access" prohibited under the Law at the point of making a specific use merely available even though such specific use has not yet been

performed. Such an unauthorized computer access will be punished either with a penal servitude for not more than one year or a fine of not more than 500,000 yen (a fine of not more than 300,000 yen for violation of Article 4 thereof) (Articles 8 and 9 thereof).

(ii) Comparison between the Unauthorized Computer Access Law and the EU Directive 98/84/EC

Regarding unauthorized computer access, the "Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access" (hereinafter called the "EU Directive 98/84/EC") was adopted, whose purport is to establish unified protection standards for services based on, or consisting of, conditional access under the recognition that "the viability of those services (broadcasting services and information society services) will often depend on the use of conditional access in order to obtain the remuneration of the service provider; whereas, accordingly, the legal protection of service providers against illicit devices which allow access to these services free of charge seems necessary in order to ensure the economic viability of the services" (Whereas clause (6) thereof with the author's modification as to add the part of (2) thereof).

Article 4 thereof lists the following as infringing activities: (a) the manufacture, import, distribution, sale, rental or possession for commercial purposes of "illicit devices"; (b) the installation, maintenance or replacement for commercial purposes of an "illicit device"; and (c) the use of commercial communications to promote "illicit devices." In addition, Article 5 thereof provides for sanctions on the infringer and remedies for the service providers who suffered from the infringement.

The EU Directive 98/84/EC does not mention any measures against so-called "illicit acquisition of a password of another person's own" under the Unauthorized Computer Access Law of Japan. As long as an "illicit device" is not involved in or concerned, e.g., a mere act of illicitly acquiring such information as a password from a third party and accessing a paid distribution service by entering that information on the "normal" PC (which is not designed to or adapted to give access to a protected

service in an intelligible form), such an act would not be prohibited under the Directive. However, such an act will be subject to criminal punishment under the national laws of Member States of the EU since it falls into "illegal access" provided in Article 2 of the Convention on Cybercrime ETS No. 185, which was opened for signature by the Council of Europe on November 23, 2001.

On the other hand, while the Directive provides for both civil and criminal liabilities which are remedies for the injured parties and sanctions on the infringers, the Unauthorized Computer Access Law is a criminal law and procedure, so the injured parties can not help seeking remedies and compensations based on the Civil Code, which burdens them a lot. Furthermore, the content of criminal punishment for an act of unauthorized computer access seems to be rather light considering the purpose of the Law. Future discussions are expected.

(3) Protection of databases

(i) Applicable law and points at issue

Not only search engine service providers like "Yahoo!" and "Google", but also many websites nowadays have respective search functions within their sites. In order to make it possible to search anything in the website, it is requisite that the information/content providers have in advance established "database(s)" that the various information they have collected are organized and systematized. The term "database" is defined in Article 2(1)(*xter*) of the Copyright Law of Japan, and Article 12*bis*(1) stipulates that databases that are "not creative" are not protected as copyrighted works^{(*)5}.^{(*)6}

Since no protection of rights is extended for uncreative databases, databases are, even though enormous cost, time, and labor were spent by business entities in their production, frequently reproduced and used (even processed and sold as goods in some cases) by third parties easily and at little expense, which often cause problems. If the value of those databases as property rights is denied this will not only cause the stagnation of users' convenience but also impede the development of businesses and economy. Accordingly, there increases an argument that such databases should be protected as rights.

(ii) EU Directive on database protection

Protection of databases is stipulated in the

(*)5 "Town Page", a Golden Pages (classified telephone directory) was found to be a compilation (Article 12 of the Copyright Law) and its electronic database version "Town Page Database" was found to be a database work both in the NTT Town Page case (Tokyo District Court decision of March 17, 2000 (Hanrei Jihou No. 1714, p.128)).

(*)6 Of course, business entities would be able to file actions based on the Civil Law or the Unfair Competition Prevention Law, but it would be extremely difficult to prove infringement of right. It is noteworthy that, in the Automobile Database case (March 28, 2002; Tokyo District Court; 1996 (wa) 10047, etc.; unfair competition; civil action) and its interlocutory decision (May 25, 2001; Tokyo District Court; 1996 (wa) 10047), the court found an unlawful act under Article 709 of the Civil Law, stating that "it (the act to be held liable) does not necessarily have to be the exact infringement of a statutory right, but should be sufficient to be infringement of interest that deserves legal protection". For the finding of an unlawful act, see the interlocutory decision mentioned above.

“Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases” (hereinafter called the “EU Directive 96/9/EC”). The purport of the Directive is that, since “the making of databases requires the investment of considerable human, technical and financial resources while such databases can be copied or accessed at a fraction of the cost needed to design them independently (and) the unauthorized extraction and/or re-utilization of the contents of a database constitute acts which can have serious economic and technical consequences” (Whereas clauses (7) and (8) thereof), it seeks to safeguard the position of makers of databases against misappropriation of the results of the financial and professional investment made in obtaining and collection the contents” (Whereas clause (39) thereof).

In this context, Chapter III (Articles 7 to 11) thereof provides for the “SUI GENERIS RIGHT”, and Article 7(1) stipulates that “Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent ‘extraction’ and/or ‘re-utilization’ of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database”, which means that databases with no creativity also are legally protected to a certain level. Such right becomes effect from the date of completion of the making of the database and expires fifteen years from the first of January of the year following the date of completion (Article 10 thereof).

(iii) Movement in the United States

In the United States, no right is granted for databases that are not protected as works, similar to the Japanese and EU system. In the U.S. Supreme Court decision on *Feist Publications, Inc. v. Rural Telephone Service Co.* in 1991 (499 U.S. 340 (1991) 499 U.S. 340), the court held the same effect.

On the other hand, the bill for the Collections of Information Antipiracy Act (H.R. 2652) was submitted to the House of Representatives in October 1997. It was drafted from the viewpoint of preventing unfair competition and was passed in the House of Representatives on May 20, 1998 and was sent to the Senate in July of the same year (S. 2291), but it was abandoned with pros and cons. The purport of the bill (H.R. 2652) was later modified and submitted as a different bill (H.R. 354) with almost the same content as that of the EU Directive 96/9/EC other than the requirement of “(the extraction) causes harm to the market”. Under these circumstances, a movement of extending some protection for databases without any creativity seems to be developing also in the United States.

(iv) Whether or not legislative protection is required in Japan

It is quite understandable that the makers of databases demand some legal protection for their databases which they have exerted their technical abilities and/or expertise and spent enormous expenses in collecting and verifying the data to be contained in their databases. In that sense, the author would like to evoke an argument of whether or not Japan should legislate the right(s) similar to “sui generis right” under the EU Directive 96/9/EC and H.R. 354 (the revised version of H.R. 2652) of the United States.

However, even if the “sui generis right” were enacted in Japan, whether or not a certain portion is a “substantial part” of a database as stipulated in the EU Directive 96/9/EC, etc. would ultimately depend upon judicial decisions. Moreover, scrutinizing the two court decisions mentioned in footnotes 5 and 6, the author receives a strong impression that the issue could not be resolved conclusively until judicial decisions, and simultaneously comes up with the doubt about the need for the enactment since (the author believes that) judicial decisions reasonably determine the matter from the viewpoint of “legal interest worth protecting” based on the Civil Code and/or the Unfair Competition Prevention Law. Nevertheless, discussions on enactment of the right are highly expected to enlighten both business entities and users on rights with respect to databases.

4 Restriction on intellectual property for the development of e-commerce

(1) Arbitrary license and compulsory license

It is desirable that patented inventions regarding encryption technology, technology for preventing/repelling unauthorized computer access and illegal decryption, and technology for expelling/eliminating computer viruses that may fundamentally harm and destruct e-commerce should be workable by providers (business entities) engaged in e-commerce in general. On the other hand, if the patentee of the said invention refuses to grant a license to a person seeking to work the invention, there still remains an opportunity to work the patented invention by demanding an trial for invalidation of the patented invention (Section 123 of the Japanese Patent Law) or by requesting an arbitration decision to grant a non-exclusive license (hereinafter referred to as an “arbitrary license” for convenience), or by taking both procedures concurrently. The author will discuss arbitrary licenses under Section 92 and 93 which may actually cause problems in connection with patented inventions regarding e-commerce, and the comparison between these two Sections and the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to

as the “TRIPS Agreement”) as well as “Mutual Understanding between the Japanese Patent Office and the United States Patent and Trademark Office” (hereinafter referred to as the “JPO-USPTO Agreement”) as follows.

(i) Arbitrary license in Section 92 of the Patent Law

It is highly expected that many inventions will come on the scene that utilize (an) other patented inventions in the field of such technology as mentioned above. The requirements for granting an arbitrary license for an invention to be utilized for another patented invention are stipulated in Section 92 of the Japanese Patent Law. Besides, the provision similar to the Section thereof is stipulated in Article 31(l) of the TRIPS Agreement. However, at the point of applying the Section to these provisions, the existence of Item 3 of “Actions to be taken by the JPO” of the JPO-USPTO Agreement presents a problem, stating that “Other than to remedy a practice determined after judicial or administrative process to be anti-competitive or to permit public non-commercial use, after July 1, 1995, the JPO is not to render an arbitration decision ordering a dependent patent compulsory license to be granted”. Opinions are divided over whether or not the JPO-USPTO Agreement is domestically effective since it has taken no procedure for obtaining the approval of the Diet set forth in Article 73(iii) of the Constitution of Japan, but from the standpoint of supporting the domestic effectiveness of the JPO-USPTO Agreement, it would be impossible to grant an arbitrary license on account of Item 3 of the JPO-USPTO Agreement even if the requirement in Article 31(l)(i) of the TRIPS Agreement were satisfied. Irrespective of the determination on whether or not we should recognize the effectiveness of the JPO-USPTO Agreement, it would be beneficial to approach the United States to add a sentence in the current JPO-USPTO Agreement to the effect that Item 3 of the “Actions to be taken by the JPO” in the JPO-USPTO Agreement shall not be applied to inventions of encryption technology regarding e-commerce (including technology of electronic signature/certification), technology for preventing/repelling unauthorized computer access and illegal decryption, and technology for expelling/eliminating computer viruses” (then, the corresponding provision must also be established with respect to Item 3 of the “Actions to be taken by the USPTO”). Arbitrary licenses became argument, especially regarding patents concerning essential drugs, and the dispute was taken up at the WTO Ministerial Conference held in Doha in November 2001, where a comprehensive resolution policy was drawn up. As is the case with the dispute, further arguments should also be made on arbitrary licenses for working (practicing) inventions with respect to e-commerce.

(ii) Arbitrary license in Section 93 of the Patent Law

Section 93 of the Patent Law stipulates that “where the working of a patented invention is particularly necessary in the public interest,” a person who intends to work the patented invention may request an arbitrary license if no agreement is reached in the prior consultation between the parties or no such consultation is possible. As the interpretation of “the public interest” in this section, the Ministry of Economy, Trade and Industry (abbreviated as METI) and the Industrial Property Council enumerates examples in 2.(1)(5) of “Saitei Seido no Unyō Yōryō” (Outline of Operating Rule of the Arbitration System, hereinafter referred to as the “Arbitration Rule”) adopted by the parties thereto as of December 1, 1975 (amended as of April 24, 1997).

As a matter of course, if the patentee exclusively works the invention or grants a license with the fee that would be judged to be unreasonably high (or outrageously high that it can practically be construed as license refusal) by abuse of a dominant bargaining position to maintain or strengthen his/her price leadership, and as a result, if it may reflect higher service charges which makes consumers/users to refrain from or hesitate in conducting e-commerce, it will fall into 2.(1)(5)(i)(ii) of the Arbitration Rule. In such a case, granting an arbitrary license under Section 93 thereof can be highly expected.

5 Summary

With the rapid progress of technology relating to e-commerce, arguments are expected to develop over granting some kind of rights or finding some association with rights to facts and/or things that have long been considered to have nothing to do with intellectual property, such as domain names and “sui generis rights” for databases that do not contain any creation.

Indeed, wide recognition and understanding by citizens are required for what is not stipulated and established as a “right” in the current laws in order to be approved as a “right” in the future. All the more, the author looks forward to the future movement of how such new “rights” will be associated with the existing laws, how they should be treated toward the problems on licenses and under the Anti-Monopoly Act.

