8 Appropriate Protection of Intellectual Property

While new business styles have emerged with the progress of digitization, there have been acts of competition that are regarded as illegal under tort provisions (Article 709 of the Civil Code) from the viewpoint of maintaining fair competition among business operators, and acts of unfair competition that had not been recognized as problems in the past are now drawing attention as important issues. In order to achieve sound business development, it is necessary to clarify rules to prevent acts that will inhibit such business. Therefore, the Unfair Competition Prevention Act plays an extremely important role.

This study examined the possibilities and challenges of the following measures: (1) regulating the misuse of indications having property value (Consumer-Attracting Indications), which is often observed in merchandizing business, as being unfair competition; (2) establishing an environment where people engaged commercially in the creation and provision of databases can conduct business with a sense of assurance; and (3) establishing complementary provisions or general provisions concerning acts of unfair competition based on the examinations above.

In the FY2006 Study on Appropriate Protection of Intellectual Property, an examination was made of acts of unfair competition in new businesses that have emerged in line with the progress of information digitization and networking and the possibilities and challenges of handling such acts under the Unfair Competition Prevention Act. A separate study was made for the following three areas: (1) indications that have an appeal to attract consumers (hereinafter referred to as "Consumer-Attracting Indications") such as the name or portrait of a famous person, a famous character, or a famous brand logo; (2) collections of information (such as databases and typefaces); and (3) introduction of complementary provisions and the challenges thereof.

1 Possibilities and Challenges of Protecting Consumer-Attracting Indications

Consumer-Attracting Indications, which have the effect of promoting product sales and services provision, are treated as having property value. Amidst the rapid development of e-commerce via the Internet, Consumer-Attracting Indications have further increased in property value in recent years as items that promote product sales and services provision. However, current intellectual property law does not extend sufficient protection to such Consumer-Attracting Indications.

Thus, an examination was made as to whether or not it would be appropriate to regard the misuse of indications having property value as unfair competition under the Unfair Competition Prevention Act in order to maintain fair competition in the merchandising and advertising businesses that make use of the consumer-attracting power of those indications.

Some members actively supported the protection of Consumer-Attracting Indications, stating that the indications deserved to be protected as they involved an enormous amount of effort and investment. However, other members voiced concerns about practical issues such as the possible decline of business activities resulting from becoming excessively conscious about rights following the introduction of the protection of Consumer-Attracting Indications. There was also an opinion that, although some Consumer-Attracting Indications have been protected based on the provisions on malignant acts of unfair competition under

the current Unfair Competition Prevention Act, a substantial practical risk would remain unless the legal basis were clarified.

Furthermore, instead of abstract discussion, the study group made concrete examinations of how to achieve the protection of Consumer-Attracting Indications by using the components of legal provisions as materials. As a result, the study group, which also heard opinions from industry, narrowed down the challenges regarding the legal system to, for example, the need also to consider the effect of an exemption from the application of law when establishing requirements for protectable subject matter.

In the future, even more in-depth discussions should be held including measures on practical issues (such as protectable subject matter and acts to be regulated).

2 Possibilities and Challenges of Protecting Collections of Information (Databases)

Since digitized information is easy to copy and always faces the risk of misuse, some kind of legal protection would be required to regulate very malignant acts. Some digital information is protected by intellectual property rights such as copyright, but some is not protectable by intellectual property rights in spite of having property value, such as databases that lack "creativity" although they involve an enormous amount of production costs. Unless they are appropriately protected, the incentive to create and provide new databases by investing funds and labor would be lost. Therefore, it is desirable to build a system that allows people who engage commercially in creating and providing databases to conduct business with a sense of assurance and to establish an environment that would promote the creation and provision of new databases.

A number of people involved in the business of creating and providing databases sought active protection, such as insisting on the need to clarify the requirements for database protection in order to facilitate business. On the other hand, people involved in the information and communications and electrical equipment industries called for caution, for example: there is a need to examine the necessity of allowing requests for an injunction under the Unfair Competition Prevention Act in addition to those under the current law, by taking into account the actual state of a database business; there are still concerns that the new protection could lead to a monopoly of the information itself; and it is questionable whether sufficient court decisions have been accumulated to set the requirements.

Due to such differences of opinion, this report does not clearly point to whether or not databases should be protected under the Unfair Competition Prevention Act. Instead, the report presents ideas on the possible issues concerning the legal system so as to promote future discussions, based on the understanding that it is appropriate to promote discussions on the demarcation between business acts that should be permitted and business acts that should not be permitted regarding cases where the act at issue is highly malignant and relief through an injunction is considered to be reasonable, such as the Tsubasa System case.

With regard to the "purpose of the protection," there was an opinion that the purpose should be selected from among the creation of data per se, the data entry, and the collection of data, since these elements have come to command the bulk of the costs for creating databases in line with the development of computer technology. However, it was pointed out that the decision on the selection of the purpose of the protection from among these investment areas would also affect the discussions on individual issues including the protectable subject matter (the scope of databases to be protected), the term of the protection, and acts subject to regulation. Thus, specific discussions in the future should be promoted while paying attention to such linkages.

In respect of "protectable subject matter," there was a view that the more a database is widely used, the greater the need

to protect it from misuse, and that it is necessary to consider introducing requirements such as "providing the database to specific persons in business" and "taking measures to manage the database" in order to specify precisely which databases are protectable. On the other hand, there was also an opinion that it would be better not to set such requirements because there are business models where databases are provided for the use of the general public but which are financed by advertising revenues. Meanwhile, there was a comment that because the requirement of "well-known or famous" is ambiguous, a requirement of "utility" should be imposed. However, it was also pointed out that this could cause confusion since there is a question as to how "utility" should be evaluated.

As for the "term of the protection," the following two approaches were suggested: (1) considering the purpose of the protection of databases, the term of the protection should be limited to the period until the database providers recoup their investments; and (2) since the Unfair Competition Prevention Act regulates acts, malignant acts of unfair competition should be regulated for as long as they continue.

Regarding "acts to be regulated," no members objected to making "acts of distribution of reproductions" subject to regulation, and that "mere acts of reproduction (acts of unauthorized use of individual component data)" should not be regulated. However, it was considered necessary to examine further any need for more specific requirements (additional requirements) for regulating such acts as the distribution by a person who is not in a competitive relationship or by an offender for takes delight in other peoples' reactions to the offense. There would also be a need to consider whether or not the "concept of quantity" should be introduced with regard to the reproduction of databases.

With regard to an "exemption from the application of law," it is a matter that is related to both the purpose of the protection and the protection requirements (the scope of the databases to be protected, the term of the protection, and the acts to be regulated). Therefore, it would be appropriate to discuss the matter again after examinations have been made of the purpose of the protection and protection requirements, while giving sufficient consideration to any adverse effects of information monopoly.

3 Possibilities and Challenges of Protecting Collections of Information (Typefaces)

In this digital era, unauthorized copying and alteration of typefaces (a typeface is a set of characters as letters, numbers and marks that has been produced based on a unified concept) have become frequent. In addition, unauthorized copying and alteration of typefaces have become easier due to the advancement in technological innovation and the diffusion of networking and due to the commercialization of technology for embedding digital fonts that incorporate typefaces in an electronic document and transmit the document via the Internet. Because of this, there has been a large number of cases where typefaces have been unfairly misappropriated. Given the increasing importance of font design in various media, the Intellectual Property Strategic Program 2006 of the Japanese government has a section about "strengthening the protection of typefaces," indicating that an examination should be made as to how typefaces should be protected.

Thus, this study group examined how typefaces, which are collections of information concerning font design, should be protected under the Unfair Competition Prevention Act.

There was an opinion from the relevant industry indicating a demand for making typefaces subject to protection. No objections were made to this opinion.

However, the study group unanimously agreed on the idea that individual provisions for protecting typefaces should not be established under the Unfair Competition Prevention Act for the following reasons: (1)

acts of infringement between business operators (designers) are much rarer than such acts between persons other than business operators (end users); (2) it is systematically incompatible to introduce measures against use by persons other than business operators under the Unfair Competition Prevention Act, which basically regulates acts between competitive business operators; and (3) relevant business operators are hoping to have typefaces protected by a framework other than the Unfair Competition Prevention Act, such as granting rights for typefaces.

4 Possibilities and Challenges of Introducing Complementary Provisions

In line with the progress of digitization and networking, new business styles have emerged, and business problems that cannot be dealt with sufficiently under the conventional framework of intellectual property protection have occurred, such as the misappropriation of information products. Because of this, there has been growing attention given as to what kind of rules should be established to secure and maintain fair trade between competitive business operators. The Japanese Unfair Competition Prevention Act lists acts of unfair competition in a restrictive manner. Therefore, when a new type of very malignant act of unfair competition has occurred, it has been added to the Act as "unfair competition," as required, as long as such a requirement can be stipulated to specify such an act as an individual and specific type of act. However, it is generally accepted that even when an act is regarded as an act of unfair competition, it is not regulated unless it falls within the categories of acts listed in the Unfair Competition Prevention Act. Thus, an examination was made as to how to deal with new acts of unfair competition.

On the one hand, there was the following opinion: there seems to be a general consensus that an act of using another person's product, without authorization, for one's own profit should not be permitted; but there are people who think that their acts are unaffected by law if such acts are not covered by the categories of acts of unfair competition, and there are others who suffer enormous damage from such acts but cannot obtain any relief; accordingly, if we establish general or complementary provisions to indicate clearly that any socially unreasonable act conducted for gaining profits shall be regarded as an act of unfair competition, it would lead to sound business practices and enable parties to obtain a reasonable conclusion in specific cases. On the other hand, however, there was a view that more convincing arguments would be required on the necessity of establishing abstract provisions.

One member voiced a concern that the introduction of general provisions could lead to the loss of foreseeability and the decline of business activities. However, there was also a comment that it is more of a problem to rely on Article 709 of the Civil Code and award damages for an act that fails to meet the requirements under the Unfair Competition Prevention Act, and it would be better to establish general provisions as a guideline for determination. With regard to a concern that such an introduction could make foreseeability and the subject of protection ambiguous, there was an opinion that foresesability would not be lost because in recent court decisions, products involving other people's investment or labor, specified types of creations, and products that are not protected by intellectual property law are protected under certain requirements, as according to discussions based on the German Unfair Competition Law held by the committee that made examinations for the 1993 revision of the Unfair Competition Prevention Act.

There was an opinion that, in the case of introducing new provisions as specific "complementary provisions," a possible requirement would be the unfair use of another person's achievement or fame that is not used as an indication of the goods or services. However, there was a comment that what is covered by "achievement" is unclear, and if this is not delimited in the new

provisions, business activities could decline. Regarding this point, it was suggested that, such concern could be removed by adding a restriction that a request for an injunction may only be allowed when the act at issue is especially highly malignant or when the act at issue causes tremendous damage.

There was also an opinion that, when examining complementary provisions, a possible measure would be to expand the scope of the application of provisions on misrepresentation of information regarding the place of origin or similar (Article 2, paragraph 1, item 3 of the Unfair Competition Prevention Act [hereinafter referred to as the "UCPA"]) or provisions on acts of injuring another person's reputation (Article 2, paragraph 1, item 14 of the UCPA).

5 Other challenges

In addition to making examinations regarding the aforementioned "Consumer-Attracting Indications," "collections of information (databases and typefaces)" and "complementary provisions," the study group also raised questions about "other challenges" regarding the Unfair Competition Prevention Act. Such other challenges are acts of providing devices that obstruct the effect of technological restriction measures (Article 2, paragraph 1, items 10 and 11), misrepresentation of information regarding the place of origin or similar (Article 2, paragraph 1, item 3) and acts of injuring another person's reputation (Article 2, paragraph 1, item 14).

However, since concrete examinations were not made with regard to the "other challenges," this report introduces the points that were raised at the study group sessions.

6 Awareness of industry about a revision of the UCPA

This study group has held discussions toward the revision of the UCPA. Thus, in relation to this revision, it conducted a questionnaire survey to investigate the awareness of industry about such revision. The questionnaire was sent to intellectual property staff from about 3,000 domestic companies, and 718 companies responded (collection rate: about 25%).

Not many companies were using or managing Consumer-Attracting Indications at the time the survey was carried out, and there were only a few cases where the respondent companies faced troubles with regard to such indications either in Japan or overseas. Maybe because of this, not many companies had developed a concrete in-house manual concerning Customer-Attracting Indications. Under such circumstances, the opinions of the respondent companies were almost halved over whether or not there is a need for the legal protection of Consumer-Attracting Indications.

As for the modes of the use of databases, about the same number of companies responded that they "produce databases more frequently than use them," "produce and use databases" and "use databases more frequently than produce them." Most companies take technological restriction measures, such as access control using ID and passwords, for the produced databases. A slightly larger number of companies said there was no need for legal protection other than copyright, but many companies said they would not be affected even if legal protection other than copyright were introduced.

About 70% of the companies found legal protection necessary for "business achievements." Many companies thought business achievements were the result of corporate efforts including investment that had property value, and many companies recognized that the legal system for protecting such achievements was insufficient. While there are concerns about the risk of the abuse of rights if the protection becomes excessive, it would be necessary to examine some way of providing protection in the future by, for example, clarifying the requirements for the protection.

Opinions were nearly divided with regard to the need for reviewing the list of indications in Article 2, paragraph 1, item 13 of the UCPA. However, many of the

indications that were referred to as being questionable are difficult to interpret from the list of indications under the current Act, so there would be a need to consider reviewing the current Act while taking into account the changing times.

With regard to Article 2, paragraph 1, item 14 of the UCPA, the number of companies that had experienced having allegations injurious to the company's reputation made or circulated against them accounted for a little over 10%, but the number of companies finding the need for a right to request an injunction against such illicit acts reached about 70%. This is because many companies have come to find the need to take measures promptly against a growing risk of being injured by the acts of unfair competition prescribed in Article 2, paragraph 1, item 14 of the UCPA in line with the development of information methods such as the Internet. Currently, this provision includes restrictive matters such as "competitive relationship" and "false allegation" so there have been cases recently where such acts cannot be regarded as acts of unfair competition under the current Act. Thus, there would be a need to consider the possibility of deleting these restrictions and expanding the current Act.

In addition to this, many opinions were expressed concerning the current UCPA. A particularly notable opinion was that it is difficult to determine whether or not an act corresponds to an act of unfair competition. There is a demand that guidelines be indicated or awareness-raising activities be conducted regarding this difficulty. Many companies also mentioned that acts of unfair competition should be regulated by establishing general provisions or complementary provisions or that the penal provisions should be made stricter. There would be a need to consider such possibilities in the future, including the issues mentioned above, while closely examining the requirements for the protection and the scope of the protection.

7 Status of Major Developed Countries Concerning Regulation of Acts of Unfair Competition

(1) United Kingdom

There are no laws or regulations that generally prohibit unfair competition or that specifically deal with the issue of the commercial use of Consumer-Attracting Indications. It is possible to file a passing-off action or an action on the ground of a breach of confidentiality or an infringement of privacy against the unauthorized use of the portrait of a famous person.

Databases are protected by database right (a new sui generis right concerning databases) or copyright. This is as a result of a European Parliament Directive (96/9/EC [Database Directive]) being implemented in the Copyright Act, and later being embodied in the form of the Copyright and Rights in Databases Regulations 1997 (Database Regulations) that include revisions of the Copyright Act, Designs Act and Patents Act. While the protection by database right requires that there has been a substantial investment in obtaining, verifying or presenting the contents of a database, the protection by copyright requires that a database is "original." In this way, the scope of the protection, the term of the protection and remedial measures are stipulated separately for both rights. The Copyright Act, Designs Act and Patents Act have provisions for prohibiting the circumvention of technological restriction measures for protecting copyright works including databases, and there are also civil and criminal provisions concerning devices for circumventing such technological measures.

(2) Germany

In both the German Civil Code and the German Trade Mark Law, there are provisions for protecting trade names and trademarks from acts of illicit use or defamation. When an infringement lawsuit has been filed, the holder of the right may demand the suspension or correction of illicit use based on the Civil Code or the Trade Mark Law and claim damages, and the court

may order an injunction to stop the infringing act. The German Act against Unfair Competition of 2004 has a general provision stating "Acts of unfair competition, which are likely to not insignificantly interfere with competition to the disadvantage of competitors, consumers or other market participants, are prohibited" (Section 3) and 11 exemplary provisions (Section 4). The Act also grants interest groups such as consumer groups the right to demand a cease-and-desist order (request for an infringement) and the right to claim damages.

Databases are protected as copyright works under the Copyright Law or by database right under the Database Directive of the European Parliament. In order for a database to be a copyright work, the selection or arrangement of materials needs to result from creative effort. Also, the database producer needs to have made a substantial investment. A database producer has an exclusive right over a substantial part of the database, and has the right to exclude repetitive and systematic use of the non-substantive parts of the database. When the right has been infringed, the database producer may claim damages. The term of the protection under the Copyright Law is 15 years. The Copyright Law also prohibits the circumvention of technological restriction measures, and punishes the violation thereof as an offense. There are no provisions on civil remedial measures.

(3) France

France has no law that defines and protects Consumer-Attracting Indications, but the legal system concerning personal rights and the legal system prohibiting unfair competition and parasitic use are mainly applied to protecting rights for Consumer-Attracting Indications. However, these legal systems are not considered to be inhibiting the freedom of business activities in the market. Meanwhile, French law does not have provisions that generally or clearly prohibit unfair competition. Personal rights and civil remedial measures against unfair competition or parasitic use include injunctions, damage claims, publication of court judgments and the destruction of infringing goods. Penal provisions are not applied.

Databases are protected by copyright and database right under the Database Law implementing the Database Directive of the European Parliament. They are also protected by provisions on unfair competition, which are applied when the requirements for the application of provisions on copyright or database right cannot be satisfied. With regard to the requirements for protection by database right, courts determine that substantial investment needs to have been made. For protection under the Copyright Law, there must be originality in the way in which the contents are composed. The scope of the protection, the term of the protection and remedial measures are stipulated separately for both rights. Legal protection for technological measures and limitations thereof are provided for in intellectual property law. Circumvention of technological measures is restricted or prohibited, and criminal penalties are imposed on such circumvention. Civil remedial measures include injunctions, damage claims, and the destruction of infringing goods.

(4) Switzerland

The self-serving use of Consumer-Attracting Indications is not restricted by explicit provisions, but in terms of concept, it is regarded as corresponding to the violation of the general provisions of the Swiss Unfair Competition Law. The Unfair Competition Law also refers to unfair, fraudulent and misleading comparison, illicit use of characteristics of individuals, and illicit use of the names of other people. The general provisions under Article 2 of the Law prohibit any act that is deceptive or that in any other way infringes the principle of good faith and which affects the relationship between competitors or between suppliers and customers, while giving specific examples of acts of unfair competition. An individual or organization whose economic

interests are threatened or prejudiced by an act of unfair competition may seek remedy. Civil remedial measures include injunctions, deterrence of infringement, and damage claims. Criminal provisions are also stipulated.

The Database Directive of the European Parliament is not applied in Switzerland. Databases are protected by the Copyright Law, and the Unfair Competition Law is construed to provide additional protection. An individual or organization whose economic interests are threatened or prejudiced by an act of unfair competition may seek remedial measures against infringement. There are no laws that prevent the circumvention of technological restriction measures and no criminal law provisions that punish such circumvention.

(5) United States

The self-serving use of Consumer-Attracting Indications may constitute the infringement of privacy rights of an individual or the publicity rights of a famous person. Under common law publicity rights, a person who has plagiarized the name, portrait or other personal characteristics of an individual without consent for a business purpose shall be liable to damages. There are no penal provisions under civil law against the infringement of Consumer-Attracting Indications. However, injunctive relief is available. Since unfair competition cannot be comprehended in a restrictive manner, courts have not formed a theoretical definition of unfair competition.

The U.S. Supreme Court has ruled that a compilation work such as a database must contain a minimum level of creativity, rather than involving “sweat of the brow” or “industrious collection,” in order to be protectable under the Copyright Act. A copyright owner may claim an injunction and damages. Intentional infringement constitutes an offense and is subject to penal provisions. Many people say that the protection of databases by copyright is insufficient and they think that protection by contract is more reasonable. However, it is not clear whether or not a legislative measure for database protection is supported at present. The circumvention of technological restriction measures constitutes an offense, and is subject to penal provisions.

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