

17 Trademark Protection on the Internet

- with a Focus on a Comparison between Japan and China -(*)

Research Fellow: Chen Siqin

With the continuing development of Internet technology, new types of trademark protection have become necessary for trademarks used in cyberspace. For example, the service widely known as “search advertising” has stirred up disputes about possible trademark infringement by search keywords. Users of this service who have registered other parties’ trademarks or any part thereof as search keywords have been sued by the trademark holders for alleged trademark infringement. It should be noted that the trademark holders have held liable not only the parties that have allegedly committed a direct infringement of their trademarks in the course of using the service but also the Internet Service Providers (ISPs) as contributory infringers for providing for such service. In China, there has been a series of such lawsuits against Google (China) and Baidu, which is the largest search engine in China. Due to the lack of statutory provisions, court judgments vary from one to another. This is problematic from the perspective of legal stability and predictability, making it difficult to protect trademarks and prevent disputes. Some academic papers suggest that the same problem exists in Japan. However, detailed study has not been sufficiently conducted.

The abovementioned new types of cases represent disputes over trademark protection on the Internet. In this research, a comparative study was conducted on the current laws of Japan and China with a focus on the liability of both direct infringers and ISPs as contributory infringers.

Introduction

With the spread of the Internet and the advancement of information technology, businesses have increased the use of trademarks on the Internet. Consequently, disputes have arisen over the possible infringement of trademarks used online. The dispute that first came to light involved the issue of possible infringement of a trademark by a domain name. This issue has been solved to a certain extent thanks to many court decisions made both in Japan and China and the legal reforms made to address this issue. However, in addition to such domain-related lawsuits, new types of disputes have arisen over possible trademark infringement on the Internet. Some of these disputes have been brought before courts both in Japan and China. Such trials held in China are abundant in terms of number and variety of subjects.

The report of this study will present some of these trials in China and discuss the circumstances in Japan. The purpose of this study is to make a comparative study between China and Japan with regard to the current trademark protection on the Internet and to identify problems and recommend solutions.

I Laws Concerning Trademark Protection on the Internet, Major Types of Disputes, and Legal Reforms

A comparative study of relevant laws of Japan and China, i.e., the trademark law and the unfair competition prevention law, with a focus on the provisions concerning trademark protection on the Internet, has revealed that major differences between the two countries are as follows:

1 An act of trademark infringement and an act of unfair competition

Under the Chinese legal system, trademark infringements are divided into nine specific types under the Trademark Law, the Trademark Regulations, the Interpretation by the Supreme People's Court of Several Issues Relating to Application of Law to Trial of Cases of Civil Disputes over Trademarks (hereinafter referred to as the “Interpretation”). Furthermore, Article 52, item (v) of the Trademark Law has been established as a basket clause for trademark infringement. Any act that falls under any of these

(*) This is an English translation of the summary of the report published under the Industrial Property Research Promotion Project FY2009 entrusted by the Japan Patent Office. IIP is entirely responsible for any errors in expression or description of the translation. When any ambiguity is found in the English translation, the original Japanese text shall be prevailing.

“use of a trademark,” it is rather rare for a court to question the applicability of the concept, “use as a trademark” to a trademark infringement case. On the other hand, the Trademark Act of Japan does not stipulate various types of trademark infringements. Instead, Article 2, paragraph (3) of the Trademark Act defines “use of a trademark” and lists specific examples of acts that constitute “use.” If any person other than the holder of a trademark conducts any of such acts, the person will be found to be infringing the trademark holder’s right to exclusively use the trademark (Article 25). Moreover, under the Trademark Act of Japan, an act of using a mark would be regarded as a trademark infringement only if the use constitutes “use as a trademark,” which requires a trademark to be used in such a way that it performs the function to distinguish the goods of the trademark holder from those of other parties. Therefore, even if an act of using a trademark technically constitutes trademark use specified in Article 2, paragraph (3), the use would not constitute trademark infringement as long as the use of the trademark has not caused any confusion about the source.

With regard to an act of unfair competition, the Law against Unfair Competition of the People’s Republic of China, like the Trademark Law, has a provision describing applicable cases. Any act that does not fall under any of these cases would be subject to a general provision, Article 2, paragraph (1). On the other hand, the Unfair Competition Prevention Act of Japan, which does not have a general provision, only has a provision describing applicable cases in detail.

The two countries are also different in terms of which law, the trademark law or the unfair competition prevention law, provides protection for famous trademarks. To protect famous trademarks under the Japanese legal system, Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act defines as an act of unfair competition an act of using an indication of goods or business that is identical or similar to another person’s famous indication of goods or business. The Trademark Act of Japan merely specifies the system to register defensive marks. Since said item does not require the act in question to have caused confusion, the primary purpose of said item is to restrict an act of diluting or free-riding on a famous indication of goods or business. On the other hand, under the Chinese legal system, a provision concerning the use of a mark similar to a famous trademark has been established not in the Law against Unfair

Competition but in a regulation related to the Trademark Law. Article 1, item (ii) of the Interpretation is a provision concerning protection for famous trademarks. Said item requires misidentification on the part of the “general public,” which is a more comprehensive concept than the “relevant public (consumers),” which is a requirement for protection of regular trademarks under item (i) of said Article. Item (ii) defines the use of an identical or similar trademark for unidentical or dissimilar goods as an act of trademark infringement.

2 An act of trademark infringement and an act of unfair competition on the Internet

In recent years, Japan revised the Trademark Act and the Unfair Competition Prevention Act in order to deal with the development of the Internet. As a result of the revisions, both Acts have come to contain a provision describing what constitutes an act of trademark infringement or an act of unfair competition on the Internet. In contrast, China has not taken any measures except for the establishment of a domain name-related provision in the Interpretation. This means that the conventional provisions including the basket clause of the Trademark Law and the general provision of the Law against Unfair Competition should be applied to an act of trademark infringement and an act of unfair competition on the Internet.

In both countries, new provisions have been established to handle issues related to domain names. The two countries are almost the same in that protection will be provided under the trademark law if a trademark is used in a domain name in such a way that it functions as a trademark (Article 1, item (iii) of the Interpretation of China, Article 2, paragraph (3), item (vii) of the Trademark Act of Japan). Under the Japanese legal system, which treats famous trademarks and regular trademarks in the same manner, an act of unjustly acquiring, owning, or using a domain name for the purpose of acquiring an illicit gain or causing injury to another person would constitute an act of unfair competition. Under the Chinese legal system, a simple act of registering a domain name similar to a famous trademark without any justifiable reason would be found to be malicious. In this sense, China protects famous trademarks more heavily than Japan does.

II Indirect Liability of Operators of Cybermalls, etc., for Trademark Infringements Committed by Online Shops, etc.

1 Liability of operators of cybermalls, etc., in China

In China, lawsuits have been filed for trademark infringements committed by online shops, etc., through the sale of counterfeit goods. In many of the lawsuits, the trademark holders asserted that the operators of cybermalls, etc. (hereinafter referred to as “cybermall operator(s)”) assisted online shops to commit direct infringements because the cybermall operator provided online shops with the means of e-commerce without fulfilling the liability to voluntarily examine goods for sale before receiving a notice from a trademark holder (the liability for ex-ante examination) and the liability to delete infringing information after receiving a notice from a trademark holder (the liability for ex-post remedy). However, such claim that the cybermall operator should be held liable for joint tort was often found to be groundless by the court.

In most of such lawsuits, the court found that the cybermall operator should be held liable if the operator knowingly distributed information for the sale of goods that infringe trademarks. However, the court denied the cybermall operator’s liability for ex-ante examination based on the grounds that the enormity of the amount of goods on sale made it unrealistic to expect the cybermall operator to conduct ex-ante examination. Furthermore, the court found the cybermall operator to be not liable for ex-post remedy either by holding that the operator should not be held liable even if it fails to delete information on infringing goods unless the trademark holder identifies such information by sending the operator an evidence-based notice of trademark infringement. In sum, these court decisions indicate, in substance, that cybermall operators have no liability to delete information on possibly infringing goods unless the trademark holder proves that the goods are, in fact, infringing. While this does not necessarily mean that the court completely exempted the cybermall operator from the duty of due care, the level of due care required of the cybermall operator was rather low because the operator was found to have neither the liability for ex-ante examination nor even the liability to voluntarily examine

possible infringement mentioned in a notice of infringement sent from a trademark holder.

2 Liability of cybermall operators in Japan

Under the tort law and the provider liability limitation law (Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders), cybermall operators would be held liable for joint tort if the operator distributed information concerning online shops’ act of selling goods that infringe a trademark either knowingly or by negligence. To understand the meaning of “knowingly or by negligence,” it would be useful to refer to the trademark guidelines issued by a private organization whose members include provider associations. According to the guidelines, a provider is expected to take measures to prevent data distribution if there are reasonable grounds to do so such as a notice of trademark infringement sent from a trademark holder. Under the guidelines, the notice is not required to contain evidence for the infringement. Furthermore, the guidelines require each provider to voluntarily take measures to prevent data distribution before receiving a notice from a trademark holder if the provider finds any product information or advertisement that clearly infringes a trademark. Therefore, any cybermall operator that does not take these measures would be considered to have distributed information for the sale of infringing goods either knowingly or by negligence. It is still unclear whether there are any other cases where a cybermall operator is considered to be negligent due to its failure to exercise due care and what kind of liability for ex-ante examination the operator is required to bear.

While it is difficult to speculate exactly what kind of ex-ante examination a cybermall operator is required to conduct in order to be considered to have exercised due care, it would be useful to examine the court judgment for a fraud case involving Internet auction, though said case did not directly involve a trademark infringement. In the fraud case, the court held that the level of due care that the Internet auction operator was expected to exercise shall be determined based on a comprehensive evaluation of various factors including social circumstances, relevant laws, technical level, cost and effect, and users’ convenience. This court interpretation will help us define the duty of due care that the tort

law imposes on cybermall operators, which build and provide necessary systems, and will also help us discuss, from the aforementioned perspective of liability of joint tortfeasors, the liability for ex-ante examination that operators are required to fulfill in order to prevent online shops from committing trademark infringements.

3 Comparison between Japan and China and the conclusion

With regard to the liability of a cybermall operator for trademark infringements committed by online shops, a cybermall operator could be held liable for joint tort in both Japan and China.

In China, there is no statutory provision that directly concerns the liability of a cybermall operator for trademark infringements committed by online shops, etc. Furthermore, there have been cases where the court denied the cybermall operator's liability for ex-ante examination and found that the operator was liable for ex-post remedy only to a very limited extent. Therefore, it is difficult to hold cybermall operators liable for joint tort by negligence. Chinese courts are concerned that the placement of the liability for ex-ante examination on cybermall operators would hinder industrial development since the goods on sale in the cybermall and related information are enormous in volume. This stance taken by Chinese courts is similar to the one that they had taken toward the issue of copyright protection on the Internet until the establishment of the Regulation on Protection of the Right to Network Dissemination of Information.

However, the difficulty of ex-ante examination, which could constitute one of the factors that should be taken into consideration by a court when presuming negligence, would not provide sufficient grounds for making exceptions to the applicability of the negligence liability principle unless special legislation is adopted. This is exactly why the issue of copyright protection on the Internet led to various changes made in the Chinese legal system and in the stance taken by Chinese courts in relevant lawsuits. On the other hand, Japan established the provider liability limitation law in as early as 2001 and clarified that the negligence liability principle is applicable to the liability of providers including cybermall operators regardless of whether the liability is related to a copyright of a trademark right. In this respect, Japan was more efficient and foresighted than China.

Since it is difficult to clearly define the level

of due care required of cybermall operators, the voluntary rules created by operators themselves would play an important role in preventing disputes. In this sense, the trademark guidelines, though they are not perfect, created by a private organization have contributed to the clarification of the behavioral standards for providers. While such guidelines are not absent in China, those guidelines were created by cybermall operators for their own interests and have not contributed to the prevention of disputes in reality.

One does not have to be a cybermall operator or any other expert in the field in order to notice the frequent occurrence of trademark infringements on the Internet as a result of such act as the sale of counterfeit goods. Therefore, infringements are reasonably predictable in a general sense. While it is true the amount of information related to online transactions is enormous, the fact that such information exists on the system built by cybermall operators ensures, at least, that the operators would not have difficulty in collecting the information. Cybermall operators gain income from transactions made through their systems. The greater the amount of information handled by the systems, the larger their income will be. Therefore, the enormity of the amount of information should not be used as a justification to limit the scope of examination liability imposed on cybermall operators. In view of the fact that cybermall operators actually gain profits from transactions in which online shops sell goods that infringe trademarks, cybermall operators should be held liable, to a reasonable extent, as a beneficiary. Cybermall operators should bear the liability to prevent trademark infringements as much as possible because such infringements would violate trademark holders' rights and deserve social condemnation.

On the other hand, unlike China, Japan has not faced so many civil lawsuits concerning the liability of cybermall operators for trademark infringements on the Internet. In fact, no court decisions have been made for such lawsuits in Japan. This does not mean that operators do not have to make such efforts as described above. The infrequency of lawsuits is attributable not only to the legal consciousness of Japanese people but also to effective infringement detection activities by the police. In fact, in Japan, detection of trademark infringements on the Internet seems to never end. Such detection efforts funded by tax money are commendable to some extent. However, it is cybermall operators

that are supposed to be paying the costs of such efforts. In the current situation where infringement lawsuits are relatively rare, it might be reasonable to limit the scope of examination liability imposed on cybermall operators in order to prevent trademark infringements. However, they should be held liable for ex-ante examination to a certain extent at least.

It is unclear exactly what kind of ex-ante examination a cybermall operator is required to conduct in order to be considered to have exercised due care. This issue will be addressed in the following Chapter as well.

III Trademark Infringements by Search Keywords and the Liability of ISPs

1 Analysis of lawsuits in China concerning search keywords, etc.

(1) Nature of an act of using another party's trademark as a search keyword and associating it with oneself

Internet service providers (ISPs), which operate search engines, etc., have been developing new business models in order to increase added value. In China, there have been many lawsuits concerning various services provided by ISPs. Those services are ultimately very similar to each other in that they were developed to meet the needs of companies that are trying to make information on their goods or services and their websites stand out from the sea of information on the Internet and to draw special attention to such information from Internet users who have a strong interest in particular keywords. The services called "Internet Keyword" service and "Internet Real Name" service match a search keyword with a certain piece of information or a certain link on a one-on-one basis. In this sense, this service is similar to the conventional domain name service. On the other hand, more recent services called "ranking auction" service and "Adwords" service associate a search keyword with multiple pieces of information or links on a one-to-multiple basis. This service is more advanced and sophisticated as a business model than conventional services. From a technical viewpoint, however, the new service has not made much progress.

In lawsuits concerning these services except for the lawsuits where the use of the trademark in question was found to be authorized, the court judged the act of the users of the

service as an act of trademark infringement or an act of unfair competition.

Academic theories pay more attention to the "ranking auction" service and the "Adwords" service, which are still in use, than to the "operational Internet address" service and the "Internet actual name" service, which are considered to be old business models. Unlike the court decisions mentioned above, academic theories are divided over whether an act of purchasing and using a trademark as a search keyword constitutes an act of trademark infringement. The controversy may boil down to a question of whether the use of a trademark as a search word constitutes "use as a trademark."

Under the Chinese legal system, acts of infringements are categorized into nine specific types. These types are formulated for conventional trademark infringements. Therefore, in lawsuits, the courts used to take "use as a trademark" for granted and had no need to examine whether the act in question constitutes such use. However, in some recent lawsuits concerning new types of trademark infringements on the Internet, the courts examined the alleged infringements from the perspective of "use as a trademark" in one way or another. This indicates that the provisions listing different types of infringements are not applicable to new types of disputes in some cases.

Some academic theories claim that the use of another party's trademark as a search word does not constitute "use as a trademark," whereas other theories claim that such use constitutes "use as a trademark" because the trademark is used for the purpose of advertisement even if the trademark is not directly used for goods. However, these theories are not directly relevant to court decisions in the past. In the "ranking auction" case, the trademark in question was used on the linked website of the service user as well. In the "Adwords" case, the advertisement presented on the screen consisted of an indication of a trademark and an indication of the company name of the service user. In these cases, it is clear that the use of a trademark constituted "use as a trademark" and therefore was an act of trademark infringement.

On the other hand, it is difficult to answer the question of whether the use of a trademark constitutes "use as a trademark" and, thus, an act of trademark infringement or an act of unfair competition in cases where a trademark is used neither on the website of the service user nor in any text or advertisement about the website and

is simply used to place a link to the websites of service users high in the list of search results (in the case of ranking auction) or to put such a link in the sponsor section of the screen of the search results (in the case of Adwords).

To answer this question, some people have taken a legislative approach and promoted the application of the initial interest confusion doctrine developed based on U.S. law. This question is considered from the perspective of the current Chinese legal system as follows.

To understand the perspective of the Trademark Law of China, it is important to note that, as mentioned in Chapter I, it is specified in Article 1, item (ii) of the Interpretation, which concerns famous trademarks, that the use of an identical or similar trademark for non-similar goods constitutes a trademark infringement as long as the trademark misleads the general public. The term “general public” is more comprehensive than the term used for regular trademarks. In other words, the Trademark Law of China provides protection for a famous trademark even if the act in question has not caused any confusion but has simply diluted the famous trademark. Therefore, in the case of an act of purchasing and using another party’s trademark as a search keyword, even in cases where the famous trademark in question is used neither on the website of the service user nor in any text or advertisement about the website, if the use of the famous trademark is commercial in nature and is considered to be unauthorized, the trademark use would constitute trademark infringement because such use would dilute the famous trademark. On the other hand, confusion among consumers is required for protection of regular trademarks. If the trademark in question is not displayed, confusion would not occur in most cases. Based on these grounds, the act of using a regular trademark should not be regarded as trademark infringement.

It is also important to analyze the perspective of the Law against Unfair Competition. In the “ranking auction” case, the court examined the nature of the ranking auction service and found that said service should not be regarded as an advertisement service. However, in Japan, the ranking auction service is considered as a type of service called search advertising. Furthermore, Article 2 of the Advertisement Law of China defines advertisement as activities in which an organization, either directly or indirectly, announces its goods or services through a certain

medium and format at its own expense. In light of these interpretations, the ranking auction service may be regarded as a fee-based service that manipulates search results in order to advertise the websites of service users to the Internet users who have a strong interest in particular keywords. Moreover, the text about the websites of the service users is also displayed on the screen of search results. Based on these grounds, the ranking auction service should be regarded as an advertisement service from an objective viewpoint irrespective of how Baidu defines the service.

According to the results of the analysis described above, both the “ranking auction” service and the “Adwords” service are an advertisement service in nature. Article 9 of the Law against Unfair Competition of China specifies that an act of using an advertisement or any other means to give false “misleading” publicity constitutes an act of unfair competition. Therefore, an act of purchasing and using another party’s trademark as a search keyword for a search advertising service such as the “ranking auction” service and the “Adwords” service may be regarded as an act of unfair competition as long as said act is considered to give false “misleading” publicity even if the trademark is not presented on the screen of the search results. The term “misleading” in this context is more comprehensive than “confusion about the source.”

According to the results of a survey on Internet users in China about their habits, 65 to 70% of the users select a link from the top ten search results and show a tendency to access a link placed higher in the list. Based on these facts, in the case of the “Adwords” service, which presents advertisements in the sponsor section that is reserved on the right side of the screen apart from the list of search results, advertisements are unlikely to cause confusion among users as long as the trademark in question is not displayed in the advertisements. On the other hand, in the “ranking auction” service, which places advertisements on the top of the list of search results, if the trademark in question is used for the purpose of advertisement, those advertisements are likely to cause confusion among users and may be considered as an act of free-riding on the goodwill embodied in the trademark in substance. Therefore, in such a case, the use of a trademark is likely to be considered as an act of unfair competition since the advertisement gives false publicity.

(2) The nature of ISPs' acts and their liability in providing services involving search keywords

An analysis of court decisions in China has revealed that the courts did not find ISPs' act of providing services involving search keywords and selling another party's trademark as a keyword as an act of direct trademark infringement. Most academic theories do not find ISPs' act as infringing either. Instead, the courts examined whether ISPs were liable for joint tort for negligently assisting service users to commit an act of trademark infringement or an act of unfair competition. ISPs, which are not competitors of trademark holders, are unlikely to have an interest in free-riding on the goodwill embodied in the trademarks. Furthermore, an act of selling famous trademarks as keywords does not necessarily dilute them. Therefore, it is difficult to find the use of a trademark as an act of trademark infringement or an act of unfair competition. It would be more natural to examine whether ISPs have negligently contributed to such an act, i.e., whether ISPs have violated the duty of due care that should be exercised when service users purchase or use search keywords. This approach is similar to the one taken by courts hearing cases about ISPs' liability for copyright infringements on the Internet and cases about the liability of cybermall operators for trademark infringements committed by online shops, etc. This approach has been supported by academic theories as well.

In the lawsuit between a trademark holder and Google about the Google Adwords service, which was referred by the Court of Cassation to the European Court of Justice for a preliminary ruling, the Advocates General has given their opinion about Google's act of allowing advertisers to use trademarks as keywords and to display the trademarks in their advertisements by saying that such an act itself does not constitute an act of trademark infringement and therefore should not be prohibited and that Google might be held liable for damages for having assisted advertisers to commit trademark infringements.

2. Discussion and analysis from the perspective of the Japanese legal system

In Japan, with regard to the use of another party's trademark as a keyword in connection with the META tag service or the search advertising service, courts and academic circles tend to find that such use does not constitute a

trademark infringement. The issue of visibility seems to be unimportant in view of the fact that the instant presentation of the list of search results and the section of advertisement after a user's entrance of a search keyword into a search engine inevitably makes the user perceive a certain connection between the keyword and the contents displayed on the screen even if the trademark corresponding to the keyword is not displayed on the screen and the fact that such perception is the very reaction that the advertisers who have selected the trademark as a keyword expect. Therefore, the focus of discussion should be whether confusion could be caused with regard to the source of goods or services. Since a user would not confuse the source of goods or services associated with the trademark with a company that uses the trademark as a keyword even if the company is placed high in the list of search results or the company's advertisement is displayed in the section of advertisement, it is usually difficult to consider the use of a trademark as a keyword as trademark infringement.

This does not mean that, as discussed in the section on the Chinese legal system, complete absence of regulation would be appropriate. It would be necessary to seek a viable approach under the Japanese legal system.

First, the liability of a direct infringer should be discussed not within the framework of the Trademark Act but within the framework of the Unfair Competition Prevention Act from the perspective of the regulation of the act of the direct infringer. In the case where another party's famous trademark is used as a keyword, if that particular use of the trademark is considered to be diluting or free-riding on the trademark, the use would be regarded as an act of unfair competition, more specifically, an act of illicitly using another party's indication of goods or business as specified in Article 2, item (ii) of the Unfair Competition Prevention Act. In the case where a trademark used as a keyword is well-known, if the concept of confusion is broadly interpreted as the existence of some kind of relationship between the user of a trademark and the goods or business of the trademark holder, Article 2, item (i) could be applicable to an act of using such service as the keyword META tag service or the search advertising service in order to place one's own website high in the list of search results.

Next, the liability of ISPs that sell trademarks as keywords should be discussed from

the perspective of whether ISPs are liable for joint tort for negligently assisting service users. This approach, which is the same as the one taken under the Chinese legal system, is desirable because the approach to consider an ISP's act as an act of direct trademark infringement or an act of unfair competition is harder to apply to ISPs than to a direct infringer, which directly uses a trademark as a keyword. In particular, if an ISP has sold a famous trademark as a keyword to a third party and consequently contributed to an act of trademark infringement or an act of unfair competition, it would be possible to hold the ISP liable for damages for a violation of the duty of due care.

3 Comparison between Japan and China and some observation

Based on the discussions presented above, this section makes a comparison between Japan and China with regard to the issue of trademark infringement by search keywords, etc., and ISPs' liability, and makes some observations especially about ISPs' liability.

(1) Liability of a direct infringer

With regard to the "operational Internet address" service, the "Internet actual name" service, and the "META tag" service, which are relatively old technologies or business models, and also the "search advertising" service, which is a business model still in use, in cases where another party's trademark is used as a search keyword, if the keyword is displayed on the user's website or in the advertisement section of the screen of the search results, such use of a trademark would be regarded, both in Japan and China, as an act of trademark infringement or an act of unfair competition, as long as the trademark is visible on the screen, regardless of whether the trademark in question is a famous trademark or a regular trademark. In this respect, the difference between Japan and China, if any, lies in how to regulate an act of diluting a famous trademark. Such an act is subject to the Trademark Law in China, whereas it is subject to the Unfair Competition Prevention Act in Japan.

On the other hand, regarding cases where a trademark used as a keyword is invisible, there have been no lawsuits in China, while there was a case called the papaya case in Japan, in which the court found that the use of a trademark as a keyword for the search advertising service did not constitute trademark infringement. In my

opinion, in the case where a famous trademark is used as a keyword, if the famous trademark suffers dilution or free-riding, such use should be regarded, under the Chinese legal system, as an act of trademark infringement specified in Article 1, item (ii) of the Interpretation and, under the Japanese legal system, as an act of unfair competition specified in Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act. This dissimilarity is ultimately attributable to the fact that, under the Chinese legal system, it is the Trademark Law that contains a provision concerning dilution of a famous trademark. Therefore, this dissimilarity does not indicate the fundamental difference between the Chinese legal system and the Japanese one.

In cases where a regular trademark is used as a keyword, if the trademark is invisible, the use would not cause confusion about the source of goods or services. Since such act would not constitute trademark infringement either under the Chinese legal system or the Japanese one, it should be subject to the unfair competition law. An act of using a regular trademark as a search keyword in order to display a link to the website of the direct infringer that has used the trademark or in order to display an advertisement may be regarded as an act of unfair competition in consideration of the fact that such information is displayed in a specific section of the screen of the search results as long as such use causes confusion in a broader sense (confusion among the general public under the Chinese law).

(2) Liability of ISPs

Chinese courts have already clearly shown that ISPs are liable for joint tort. While Japanese courts have not made such judgments, academic theories have pointed out that it is possible to hold ISPs liable for joint tort.

The adequacy of such liability of ISPs should be examined from the perspective of whether it would be excessively burdensome for ISPs to shoulder the duty of due care, more specifically, the examination liability, and whether the examination liability could hinder technical development.

It would be reasonable to impose the duty of due care, more specifically, the examination liability, on ISPs for the following reasons. ISPs have developed business models including the search advertising service for profit and have been engaged in the business of manipulating the order of the list of search results and displaying the advertisements of the purchasers of keywords.

Furthermore, in the course of selling keywords to service users, ISPs could easily collect information on the identity of each purchaser, the purpose of the purchase, and the keywords that are selling well.

Furthermore, the concern that the examination liability could hinder technical development is groundless for the following reasons. First of all, as pointed out in the judgment for the appellate instance of the Adwords case in China, such a concern would not justify violation of a statutory provision. Secondly, as mentioned earlier, the search advertising service is more sophisticated, but not at all technically more advanced, than such services as the “operational Internet address” service and the “Internet actual name” service, which are rather conventional business models. This is because the search advertising service is a mere mechanism that displays the links to advertisers’ websites or their advertisements in a specific section of the screen of the results of a search conducted based on a certain keyword, whereas a search engine itself is a product of the development of highly complex technology.

A more important issue would be to what extent ISPs should be held liable for conducting ex-ante examination. In this respect, it would be useful to take into consideration the judgment for the ranking auction case where the court held that, if multiple users purchase a famous trademark as a keyword, it would clearly increase the likelihood of infringing another party’s trademark and therefore that ISPs’ examination liability should be weighted. In short, the court held that the level of ISPs’ examination liability should vary depending on whether the trademark in question is a famous trademark or a regular trademark. A service user purchases another party’s trademark as a keyword with the hope of free-riding on the high consumer awareness of the trademark. Therefore, if examination is conducted primarily on the use of famous trademarks as keywords in order to detect an act of trademark infringement or an act of unfair competition, effective control of infringement would be possible. For this reason, it would be meaningful to discuss ISPs’ examination liability from the perspective of whether the trademark in question is a famous trademark or not. On the other hand, there is an academic circle that claims that the level of ISPs’ examination liability should be decreased if the trademark in question is a commonly used term.

In any case, as discussed in the previous

Chapter, it is, in fact, very difficult to clearly define the level of examination liability required of ISPs such as cybermall operators and search engine companies in order for them to be considered to have fulfilled the duty of due care. Such difficulty is attributable to the fact that the duty of due care is subject to change according to the circumstances involved in each dispute. Usually, trademark infringements on the Internet involve famous trademarks. Therefore, it would be meaningful to tighten the detection system for infringements of famous trademarks or establish a system to collaborate with trademark holders beforehand. In this way, ISPs are expected to make continuous effort to improve their examination system in consideration of the trends in the actual trademark use by users. Even if these measures are taken, it would be impossible to prevent all infringements. However, if an ISP fails to establish an examination system that is objectively considered to be reasonable in consideration of social circumstances and technical standards, the ISP should be held liable for negligence for having failed to fulfill the duty of due care.

Conclusion

The report of this study has addressed two major issues. The first issue is related to the indirect liability of cybermall operators, auction site operators, etc., for trademark infringements committed by online shops and auctioneers participating in cybermalls, online auction sites, etc. The second issue is related to the infringement of trademarks by search keywords used in the search advertising service, etc. In connection with this issue, special attention has been given to the liability of ISPs that provide such service. Regarding the first issue, the liability of contributory infringers that provide transactional opportunities has been discussed on the presumption that direct infringers’ acts constitute trademark infringements. Regarding the second issue, the nature of an act of a direct infringer that uses a trademark as a keyword has been discussed. Possible solutions are explored not from a legislative perspective but from the perspective of the current trademark law and the unfair competition law of Japan and China with reference to Chinese court decisions for relevant cases, which are relatively abundant in number.

With regard to the liability of contributory infringers, which provide services, this paper has concluded that a contributory infringer should be

held liable for joint tort for having negligently assisted direct infringers to commit an act of trademark infringement or an act of unfair competition as long as the ISP has failed to fulfill the duty of due care, more specifically, the examination liability. Needless to say, an act of trademark infringement and an act of unfair competition should be regulated on the Internet as well. The creation of an orderly Internet community is important from the perspective of protecting consumer interests and the goodwill that trademark holders have made continuous efforts to build. For the creation of such community, it would be reasonable to impose certain responsibilities on contributory infringers including such industry leaders as Google, Baidu, and eBay, which were involved in the lawsuits discussed in this paper.