# Globalization of Intellectual Property Rights Law and The Japanese Response*

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First, I will talk briefly about the state of intellectual property rights protection in Japan, and then go on to talk about the international framework and the implications of the GATT Agreement on TRIPS for the development of this international framework.

Due to limited time, I will confine my talk on Japanese intellectual property rights law to three issues in this area which are very "hot" amongst experts and academics recently in Japan.

The first issue concerns the protection of well-known or famous trademark or trade names. During the 1980's the Japanese Supreme Court, which is the highest court in Japan, handed down several very important decisions.[1)]

The first decision, was in a case involving the world-wide famous hamburger chain "McDonald's", and a Japanese company which was also selling hamburgers.

The defendant, a Japanese company, registered the trademarks "Mac" and "Burger" with the Japanese Patent Office shortly before McDonald's expanded its chain to Japan. McDonald's opened its first store in a very famous part of downtown Tokyo known as the Ginza. It soon came to the attention of McDonald's that the defendant was selling its hamburgers under the name of "MacBurgers", using a trademark very similar to that used in relation to the business of McDonald's and its hamburger called "Big Mac". The Japanese company sold its hamburgers through automatic vending machines placed throughout Tokyo.

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1) Supreme Court decisions: October 13, 1981, 35 Minshu 1129 – *McDonald's*; October 7, 1983, 37 Minshu 1082 – *Manpower*; May 29, 1984, 38 Minshu 920 – *American Football Symbol Mark.*

McDonald's brought an action in the Tokyo District Court seeking an injunction under the Prevention of Unfair Competition Act, in order to stop the Japanese company from selling hamburgers under the name "MacBurger", and to stop them from using similar trademarks or marks which could cause confusion with McDonald's own marks. This case is known internationally as the "Tokyo McDonald's Case".[2] I should point out that, at the time, the Prevention of Unfair Competition Act did not contain any specific provisions to protect well-known or famous marks, so the plaintiffs had to prove that there was a likelihood of confusion between its marks and those of the defendants.[3]

Around the same time, the "Abu Dhabi McDonald's Case" involving McDonald's and a company in the Arab United Emirates was also being heard before a court in Abu Dhabi.[4]

In the Tokyo McDonald's case, the Tokyo District Court rejected McDonald's argument that the use of the marks by the defendant would cause confusion and held in favour of the Japanese Company. However, in the Abu Dhabi McDonald's case, the court held in favour of McDonald's. In other words, the use of marks deceptively similar to those of the famous McDonald's by the United Arab Emirates company was held to be unfair in the U.A.E. This decision was, I think, a very correct one.

In the meantime, in the Tokyo McDonald's case, McDonald's being successful to win an appeal to the High Court against the first instance decision, defendants then appealed to the Supreme Court, and finally McDonald's won. I might point out here that, in Japan, it is very unusual for a company to appeal a decision all the way to the Supreme Court.

The Supreme Court's decision in the McDonald's case, was a turning point in the protection of intellectual property rights in Japan, and is therefore considered

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2) Nippon McDonald's Kabushiki-Kaisha v. Mac Sangyo Kabushiki-Kaisha, et al., Tokyo District Court decision, July 21, 1976, 852 Hanrei Jiho 85; Tokyo High Court decision, October 25, 1978, 914 Hanrei Jiho 60.

3) The Prevention of Unfair Competition Act provided in Article 1(1)(i) at the time as follows:
"the act of using an indication which is identical or similar to another person's name, tradename, trademark, container or packaging of goods, or any other indication used for the identification of goods of another person, which is widely known in the territory where this Act is in force, or the act of selling, distributing or exporting goods on which such an indication is used, and thereby causing confusion with another person's goods".

4) McDonald's Co. v. H. Arzūnī, Decision of the Civil Court of Abu Dhabi, United Arab Emirates, June 30, 1980 (Saᶜbān 17, 1400AH), 13 IIC 656 (1982); Decision of the Federal Court of Appeal Abu Dhabi, March 18, 1981, 13 IIC 658 (1982).

a landmark decision.

The Tokyo District Court had held that, as the Japanese company sells its hamburgers through vending machines and McDonald's sells its hamburgers over the counter to the public at its chainstores, there would be no likelihood of confusion between the two. However, on the other hand, the Supreme Court's attitude was, that even though the method of selling the product in dispute is different, where a third party uses a mark on its product which is similar to that of a very well-known mark, such as "McDonald's" or "Big Mac", then the concept of "confusion as to source" should be interpreted widely so as to protect such well-known marks.

I think that the importance of this decision is that it indicated a radical change in the thinking of the Japanese courts, in that the Supreme Court considered the problem from a global viewpoint, just as the court had done in the Abu Dhabi McDonald's case.

After this decision was handed down, practice in Japan changed radically, and many important decisions were later handed down which followed the Supreme Court's thinking in the McDonald's case. I would like to give you a few examples, very quickly.

One case involved the use of famous whisky marks, such as "Johnnie Walker", "Old Parr", and "White Horse" on mirrors, by a Japanese company in Osaka – in this case the Japanese maker of the mirrors lost.[5] Another case involved the use of the name "Disneyland" as the name of pornography shop. Disneyland sought an injunction against the pornography shop in the Tokyo District Court and won.[6] And in yet another case, the name of the famous German sports car, "Porsche" was used on sunglasses by a Japanese company in a rather rural prefecture of Japan. The Porsche company sought and was granted an injunction against the Japanese company.[7]

In all of these cases, not only were the plaintiffs granted injunctions against the defendants, but they were also awarded huge amounts in damages.

So, what can we learn from these cases? Well, if we think about what was in dispute in each case – whiskey and mirrors, an amusement park and a porno shop, sports cars and sunglasses – the alleged confusion was between different products, or different types of products, and yet the Japanese courts interpreted the concept of "confusion as to source" very broadly in order to provide relief

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5) Osaka District Court decision, February 26, 1982, 1062 Hanrei Jiho 128 – *Scotch Whiskey mirror.*

6) Tokyo District Court decision, January 18, 1984, 1101 Hanrei Jiho 109 – *Disney pornoshop.*

7) Fukui District Court decision, January 25, 1985, 1147 Hanrei Jiho 134 – *Porsche sunglass.*

for the plaintiffs. In other words, the Japanese courts, beginning with the McDonald's decision, recognized in these cases the importance of protecting marks or trademarks as intellectual property rights.

I would also like to emphasize to you that it may not have been possible for the courts to reach the decisions they did if they had considered the defendants' use of similar or identical mark only as an issue involving trademark law. By viewing the defendants' conduct in each case as an act of unfair competition the courts were able to provide relief to the plaintiffs.[8)]

Another important lesson that we in Japan learned from these cases, is this: to use an analogy, the arrows or bullets fired by the Americans, or the Germans, or the French or the English will land in Tokyo, Osaka, or even in the Japanese countryside – in other words, no matter where you are you will be hit by the arrows or bullets.

And perhaps as a result of this realization, Japan has moved towards protecting famous or well-known marks and trademarks from unfair competition. A new provision, which was added to the Prevention of Unfair Competition Act in the last amendment in 1993, protects famous or well known marks from unfair competition, without any requirement of confusion.[9)]

I think that these cases are very good examples of one of the new developments in Japan, and I think it is true to say that Japanese people are now starting to take the issue of protection of intellectual property rights very seriously.

The second "hot" issue I would like to talk about concerns copying of products, or what is known generally as "dead copying" or "dead copies". In a case which is currently before the court, a food company began selling instant noodles in a container with a similar getup or trade dress to that of another company's. Until recently, it was very difficult to protect a trader from another trader selling this kind of dead copying because there was no specific provision in the Prevention

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8) Cf. Junichi Eguchi, "History of Amendments to the Unfair Competition Prevention Act of Japan – From a developing country to a developed country", Osaka University Law Review No. 41, pp. 1–5 (1994); Junichi Eguchi, "Protection of Well-Known Marks and Marks of High Reputation in Japan", Osaka University Law Review No.42, pp.1–11 (1995).

9) The Prevention of Unfair Competition Act, Law No. 14 of March 27, 1934, was revised in its entirety in 1993. According to the new law, Law No. 47 of May 19, 1993, Article 2 defines the term of "unfair competition". Article 2(1)(ii) provides as follows:

> "An act of using as one's own indications of goods or others which are identical or similar to another person's well-known indications of goods or others, or an act of assigning, delivering, displaying for the purpose of assignment or delivery, exporting or importing goods which uses such indications of goods or others".

of Unfair Competition Act.[10)]

However, Japan signed the GATT agreement on TRIPS in 1994, and so before signing the agreement we had to amend our Prevention of Unfair Competition Act, to bring it into line with the terms of the TRIPS agreement. And so the Act was amended in 1993, and took effect last year. Under the amended law dead copying is illegal.[11)]

In cases involving dead copying there is no dispute regarding the use of trademarks, as the trademarks are different. The problem is that the get-up or trade dress is identical or similar, and I think that it is a very important development in Japan that this kind of marketing is now considered to be unfair, and therefore illegal under the Prevention of Unfair Competition Act.

So, if I may use yet another analogy, it's as if there is an earthquake occurring in our intellectual property rights regime, and as a result of the amendment to the Prevention of Unfair Competition Act more and more disputes are being brought before the courts.

The third issue I would like to talk to you about concerns an advertisement put out by the Japanese Government concerning fake products, the advertisement shows a pair of handcuffs, and says: the producing or selling of counterfeit products is illegal. Will you still buy counterfeit products, knowing they are illegal? The Japanese Government spent a lot of money on this advertising. And they also have advertisements published in Korea in Korean and in Thailand in English.

Such advertisements are very interesting. As you know, Japan is generally considered to be an industrialized, advanced country. In the McDonald's case and the other cases I mentioned just before, Japanese companies were the offenders.[12)] However, recently, Japanese marks and trademarks are being violated in other countries to the extent that it is necessary for the Government to spend a lot of money on advertising. In other words, Japan is experiencing both sides of the same coin with regard to intellectual property rights. By this, I mean Japanese

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10) See "Nisshin Shokuhin v. Toyo Suisan" case, Nihon Keizai Shimbun, June 15, 1994; Asahi Shimbun, June 15, 1994.

11) According to the new law, Article 2(1)(iii) provides in the definition of unfair competition as follows: "An act of assigning, leasing, displaying for the purpose of assignment or lease, exporting or importing goods which imitated the configuration, excluding a configuration which is commonly used for goods of the same kind (or, in the case where it is not the same kind of goods, goods which has an identical or similar function and utility of those of such other person) as that of such other person, of another person's goods, excluding goods for which three years have elapsed from the date of sales thereof first commenced".

12) See 1990 Highlights, 10 IP ASIA 14 (1990).

companies are at the same time both offenders and victims.

I would like to move on to talk to you about the international framework for the protection of intellectual property rights, and also the Japanese response to this general trend.

Recently been a lot of friction between Japan and the United States concerning trade issues, and the most recent conflict was over America's allegations that American automobile spare parts makers are shut out of the Japanese market. Both Japan and the United States threatened to take the issue to the World Trade Organization, but this was averted at the very last moment, and both parties have come to a mutual agreement, although there seems to be some doubt over whether both parties have the same interpretation of the content of the agreement.

The key issue, in any case, is whether or not the Japanese market is closed or not. Because, as we progress towards the globalization of world markets, Japan cannot fight this trend, and so we must open up our markets to the rest of the world. And in this developing age of a global economy, not only trade issues, but also intellectual property rights issues must be considered from a global or an international perspective.

This then leads me to talk about the current international framework for the protection of intellectual property rights.

The current international framework for the protection of intellectual property rights is based on the Paris Convention of 1883,[13] the Berne Convention for the Protection of Literary and Artistic Works of 1886, and the Universal Copyright Convention of 1952. And the other important convention in this regard is the 1967 Convention establishing the World Intellectual Property Organization, or WIPO (Stockholm treaty).[14] In particular, paragraph 8 of Article 2 of that convention is very significant in that it defines intellectual property very broadly. Even in the case of industrial property, the Paris Convention defines this very broadly in Article 1.

If we look at the GATT agreement on TRIPS, which is a multi-lateral agreement, we find the concept of intellectual property rights defined very broadly. In other words, we find that in the GATT rule-making, intellectual property is defined very broadly, and this is in line with the rest of the international framework.[15]

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13) Paris Convention of March 20, 1883 for the Protection of Industrial Property.

14) Convention establishing the World Intellectual Property Organization, signed at Stockholm on July 14, 1967.

15) Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, MTN/FA II-A1C.

On the other hand, in the Japanese framework for the protection of intellectual property rights, the concept of intellectual property has traditionally been defined very narrowly. By this I mean that our law has focused on patents, utility models, designs, and trademarks, and these four together with copyright, are what we have traditionally regarded as intellectual property. In this new era of globalization of economies, we are exposed to the continuing trend towards internationalization, and to consider intellectual property rights only in this narrow way is a mistake. And I believe that Japanese people are starting to realize that we must change our system to bring it in line with the international framework.

For example, industrial property, as it is defined in the Paris Convention, is not limited just to the 4 categories I mentioned, but also includes trade names, service marks and indications of source or appellations of origin, and these also must be protected in the age of economic globalization.

To give an example of new developments in Japan, the Japanese Trademark Act has been amended to allow registration of service marks.[16] Also, with regard to geographical indications, several issues have been raised recently, especially by consumer groups.[17]

But above all, the prevention of unfair competition, which is included in the Paris Convention and also in the Stockholm Convention must, I believe, be considered to be the fundamental concept underlying the international framework for the protection of intellectual property rights.

Allow me to give you an example of where this has been realized. Despite the protests of the developing countries, protection of trade secrets was included in the GATT rules, and yet trade secrets are not included in either the Paris Convention nor the Stockholm Treaty. Why were they included in the GATT rules? It was, I think, because it was finally recognized that the protection of trade secrets is necessary to prevent unfair competition, and that's why trade secret protection is included as one of the basic rules for the prevention of unfair competition, and therefore the protection of intellectual property.

Another recent problem in Japan has come about due to advances in technology. As technology progresses, the scope of intellectual property has expanded significantly, and the scope of legal protection has expanded as well. So, for example, in Japan we now have legislation to protect the circuit layouts of semiconductors,[18]

16) Revised Trademark Act, Law No. 65 of May 2, 1991.

17) Cf. Junichi Eguchi, "The Protection of Geographical Indication in Japan", Symposium on the International Protection of Geographical Indications, pp.131ff., WIPO Publication, No. 713(E) (1992).

18) Semiconductor Chip Layout Protection Act, Law No. 43 of May 31, 1985.

and also in the area of biotechnology, we now have a law to protect seeds and seedling.[19] These laws became necessary in Japan, due to this ongoing evolution of intellectual property rights.

The concept of intellectual property rights thus evolves and grows wider and wider, and it is therefore necessary for us to make international rules to cope with these new developments.

And, indeed, there have been some very important developments in the international framework since 1883 when the Paris Convention came into existence. Essentially, the international system of protection for intellectual property is based on this convention and the WIPO system. However, the Paris Convention regime has been the target of much criticism. In light of such criticism, I think it is very important that the GATT agreement on TRIPS was concluded successfully.

It is also important to note that the issues of trade and protection of intellectual property have been linked by the Americans, in particular. I believe that the conclusion of the GATT agreement was a result of the successful strategy of the Americans who put very heavy pressure on the developing countries to sign the agreement. Be that as it may, however, the important point is that although at the beginning certain countries such as India and Brazil were strongly opposed to the industrialized nations group, finally most countries signed the agreement. In other words, both the industrialized and developing countries signed it, and this fact is of great significance.

In my view, the signing of the TRIPS agreement by both industrialized and developing nations means two things. One is, as I mentioned just before, that the American strategy was successful. The other one is that it signifies the end of the old "industrialized countries versus developing countries" conflict, or what is also known as the "North-South Problem" that has influenced many past negotiations. From this perspective, I think that the TRIPS agreement is a great achievement in the intellectual property rights field.

I would like to conclude my talk today by referring to a section of the General Information on WIPO. It states, at page 17, that: the "Protection of industrial property is not, of course, an end in itself: *it is a means to encourage creative activity, industrialization, investment, and honest trade.* All this is designed to contribute to more safety and comfort, less poverty, and more beauty in the lives

19) Plant Varieties Protection Act, Law No. 115 of October 2, 1947, substantially revised on July 10, 1978, Law No. 89 and on August 6, 1982, Law No. 71.

of men".[20]

This paragraph really sums up, I think, very appropriately the ultimate aim in protecting industrial property or intellectual property. In other words, the protection of industrial property or intellectual property should not be our ultimate goal in making international rules. Our ultimate goals should be to increase the welfare and the beauty of humankind, and to increase the happiness of the entire 5.6 billion people on this planet. And I think that we have reached the stage where we need to declare this to be the ultimate goal in developing the international framework for the protection of intellectual property rights.

20) See WIPO (World Intellectual Property Organization), General Information, p. 17 (1991), WIPO Publication, No. 400(E).