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Author(s)	Eguchi, Jun'ichi
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## THE PROTECTION OF GEOGRAPHICAL INDICATIONS IN JAPAN\*

*Jun'ichi Eguchi\*\**

Firstly, may I say that I'm very honored to have been asked to speak at this conference today. I would like to give you a brief introduction to the unfair competition law of Japan as regards geographical indications. There are many things I would like to mention, but due to time considerations I will limit my talk mainly to the law and its enforcement in Japan.

Before I start on the main part of today's talk, I would like to briefly introduce to you three cases which, I think, illustrate very well the types of unfair business practices currently occurring in Japan in the area of geographical indications.

### (1) Fake Brand Mandarin Oranges

The first case involves fake mandarin oranges. This case, which occurred 3 years ago, involved a number of wholesalers of mandarin oranges who sold fake well-known brand mandarin oranges packed in boxes which were exact copies of those used by the agricultural association which was responsible for the distribution of the real mandarin oranges. The design of the box was registered under the Designs Act.

The defendants in this case also stole 2 registered trademarks belonging to another agricultural association which distributed another brand of well-known mandarin oranges. The copied trademarks were used on the fake boxes.

The real mandarin oranges come from two particular areas of Japan, and are known for their sweetness. The fake mandarin oranges were inferior quality ones from other areas of Japan.

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\*\* Professor of International Economic Law, Faculty of Law, Osaka University. LL.M., Kyoto University, 1960. Member of the Unfair Competition Committee set up by the Institute of Intellectual Property to review the Unfair Competition Law of Japan under the auspices of the Ministry of International Trade and Industry. The contributor would like to thank Dr. Shoen Ono for his invaluable help with the background research for the speech and also Ms. Michelle Tan for her help with the preparation of the text.

Over a 3 year period more than 200,000 fake boxes were sold in many prefectures in Japan through an independent distribution route which did not involve going through the agricultural co-operatives, and so the fake mandarin oranges were not discovered for 3 years.

The police investigating the case believe that other sellers in the market knew of the circulation of fake mandarin oranges. The offenders were prosecuted for contraventions of the Designs Act, the Trademarks Act and the Unfair Competition Prevention Act.

### **(2) Toto Industries Case**

The second case is the Toto Industries Case which is a fairly recent case in which an automobile spare parts maker in Tokyo imported engine parts from its joint venture partner in Korea, re-packaged and stamped the goods "Made in Japan" before exporting them to mainly Asian and middle eastern countries. Over a period of 2 and a half years Toto Industries, who were the offenders, exported parts at the rate of 35,000 to 40,000 per month, and these parts which were brought by Toto Industries at a cost of about 2,000 yen were then exported with a price tag of about 3,000 yen. The total value of goods exported was at least 1,000,000,000 yen.

The offender's illegal conduct was picked up by the Customs Office which, according to Japanese Custom's Law, requires exporters of goods to lodge a declaration of the place of origin of goods being exported. Toto Industries' deceptive conduct was complete with a certificate from the Tokyo Chamber of Commerce stating that the goods were made in Japan. Many of the countries which imported the goods believing them to be made in Japan, expressed their outrage, as they had 100 per cent faith in the honesty of Japanese businessmen.

But the company's management, in admitting to its illegal conduct stated that, "everybody in the business is doing the same thing". And furthermore, a director of the company said that as the goods had come into Japan, the label "Made in Japan" had been attached to the goods.

### **(3) Kobe Croquet Case**

This case is very recent. Since April, 1989, the plaintiff, Rockfield Co., has been manufacturing and selling a croquet called "Kobe Croquet". The croquets are manufactured in Kobe, a city which has a very high class and cosmopolitan image. These croquets are very popular especially amongst younger women. The croquets are sold at Rockfield's own store as well as in directly managed outlets in 26 department stores all over Japan. Last year's Rockfield's sales of croquets were worth

200,000,000 yen.

Recently another large frozen foods company, Katokichi, published in its catalogue of new products for Autumn, an advertisement for a new line of frozen croquets with the same name of "Kobe Croquet". These frozen croquets will not be manufactured in Kobe.

Rockfield claims that a trademark application for its croquets is pending, and that Katokichi's frozen croquets will cause confusion amongst consumers, and also Katokichi will be making a false representation as to the place of manufacture if it in fact sells the croquets. Katokichi, on the other hand, claims that, although the croquets will in fact be manufactured somewhere other than Kobe, they used the high class image of Kobe in naming the croquets.

I would like to make just a few brief comments on these three cases. Firstly, in these three cases the unfair competition aspect has been submerged beneath criminal aspects. The result of this is that most Japanese people view this kind of illegal conduct as a problem to be dealt with by the police rather than as a consumer protection problem.

The second point is that in all three cases the deceptive trade practices took place not in an isolated section of the market but over a fairly extensive part of the market. For example, in one case a wide area of Japan and in the other case in a number of export markets. One other important point to note here is that the illegal conduct was not reported for a long time and so it remained undetected, and this may make one wonder if Japanese businessmen consider such practices as being really bad.

The third point is that the offenders are not gangsters or people connected with the underworld but rather your average businessmen, and these businessmen are not really aware that what they are doing is wrong.

The fourth point is that, I'm afraid, that in some cases we cannot say that some public institutions, for example, the Chamber of Commerce, are not in somewhat connected to the perpetuation of false and misleading geographical indications.

And finally, the biggest problem which is illustrated by these cases is that consumers themselves do not get angry about false and misleading geographical indications, and in fact, many of them are completely indifferent to the whole problem of misleading representations and deceptive business practices.

I would like now to turn to the main part of my talk today. Firstly, I would like to mention something about Japanese people's concept of industrial property and Japanese people's concept of law.

## **I. JAPANESE CONCEPT OF INDUSTRIAL PROPERTY AND JAPANESE PEOPLE'S CONCEPT OF LAW**

The Paris Convention, which has been in effect for over 100 years now, has determined the international framework for the protection of intellectual property. Article 1 of the Convention defines the concept of industrial property in very broad terms; that is,

“protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, and indications of source or appellations of origin, and repressions of unfair competition.”

By contrast, Japanese people still have a very narrow concept of industrial property. To Japanese people, industrial property includes only patents, utilities trademarks and designs, even though it has been more than 100 years since the first ordinance protecting patents in Japan came into effect.<sup>1)</sup> Consequently, the protection of geographical indications has been, historically, an underdeveloped area within the Japanese legal system.

Turning now to the law itself, I would like to talk firstly about the protection of geographical indications under the Unfair Competition Act.

## **II. PROTECTION OF GEOGRAPHICAL INDICATIONS UNDER THE UNFAIR COMPETITION PREVENTION ACT**

Article 1 of the Unfair Competition Prevention Act of Japan states that:

“In cases where a person commits any of the following acts, those whose business interests are likely to be injured therefrom are entitled to make a claim for discontinuance of such an act:

1. the act of using an indication identical with or similar to another person's name, trade name, 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

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1) In Japan, the first Ordinance on Patents was promulgated on April 18, 1885.

which such an indication is used, and thereby causing confusion with goods of that other person;

2. the act of using an indication identical with or similar to another person's name, trade name, trademark or mark, or any other indication used for the identification of another person's business, which is widely known in the territory where this Act is in force, and thereby causing confusion with the business establishment or activities of that other person;
3. the act of making a false indication on goods or in advertisements thereof of the place of origin of the goods, or making such a false indication in business documents or correspondence in a way recognizable to the public, or the act of selling, distributing or exporting goods on which such an indication is used, and thereby misleading the public as to the place of origin of the goods;
4. the act of making a misleading indication on goods or in advertisements thereof that the goods are produced, manufactured or processed in a place other than the place where they are actually produced, manufactured or processed, or making such a misleading indication in business documents or correspondence in a way recognizable to the public, or the act of selling, distributing or exporting goods on which such an indication is used;
5. the act of making a misleading indication on goods or in advertisements thereof as to the quality, contents, manufacturing method, use or quantity of goods, or the act of selling, distributing or exporting goods on which such an indication is used;
6. the act of making or circulating a false allegation injurious to the business reputation of another person in a competitive relationship."

The Japanese Unfair Competition Prevention Act which was enacted in 1934 in order to implement the provisions of the Madrid Agreement includes two clauses, that is Nos. 3 and 4 which I have just mentioned, specifically relating to the protection of geographical indications, but there has been almost no litigation under these clauses.

This may be considered a very strange situation, which may be understood if we look at the history of this Act. The Unfair Competition Prevention Act was the first law relating to the regulation of unfair competition in Japan. It was enacted very hurriedly in 1934, by the government which at the time was eager to be accepted as an important member of the international community. As a result, this law was not

drafted well, and it is considered to have many gaps, thus making it unsuitable as the fundamental competition law of Japan. This is one of main reasons why this law has remained almost dormant for over fifty years.

### III. REGULATION OF UNFAIR GEOGRAPHICAL INDICATIONS BY ADMINISTRATIVE CONTROL

#### 1. Importance of administrative control in Japan

In Japan, administrative regulation is usually the alternative to private litigation. This is especially so where the regulation of business is concerned. In the area of protection of geographical indications, there are several laws which are administered by various government departments. For example, these is the Export and Import Trade Law (1952) which comes under the jurisdiction of the Ministry of International Trade and Industry. This law prohibits unfair export trade and specifically lists the export of goods containing a false representation regarding the geographical indication, as an unfair export trading practice.

#### 2. Protection of geographical indications under the Anti-Trust Law

The next law I would like to talk about with regard to the administrative control of unfair competition is the Japanese Anti-Trust Law (1947), and specifically the provisions relating to the protection of geographical indications contained in another law, the Law Prohibiting Unreasonable Premiums and Representations and Other Matters (referred to hereafter as the Premiums Law) which is a specific law enacted in 1962 under Section 19 of the Anti-Trust Law.<sup>2)</sup>

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2) Section 19 of the Act provides as follows:

“No entrepreneur shall employ unfair trade practices”.

Section 2, paragraph 9 of the Act defines the term “unfair trade practices” as follows:

“The term ‘unfair trade practice’ as used in this Act shall mean any act coming under any one of the following paragraphs, which tends to impede the fair competition and which is designated by the Fair Trade Commission as such:

- (i) Unjustly discriminating against other entrepreneurs;
- (ii) Dealing at unjust prices;
- (iii) Unjustly inducing or coercing customers of a competitors to deal with oneself;
- (iv) Dealing with another party on such terms as will restrict unjustly the business activities of the said party;
- (v) Dealing with another party by unjust use of one’s bargaining position;
- (vi) Unjustly interfering with a transaction between an entrepreneur who competes in Japan with oneself or the company of which oneself is a stockholder or an officer and his another transacting party; or, in case such entrepreneur is a company, unjustly inducing, instigating, or coercing a stockholder or an officer of such company to act against the interest of such company.”

In 1973, under Article 4 Item 3 of the Premiums Law, the Fair Trade Commission, which administers the Act, put into effect a Notification dealing with misleading representations concerning the country of origin of goods.<sup>3)</sup>

The Fair Trade Commission can issue a cease-and-desist order to any company which violates the provisions of this Notification.<sup>4)</sup>

According to the Notification:

- “1. A representation provided for in the following categories, which, when applied to domestically made goods, is likely to make it difficult for consumers to distinguish the goods as domestically made:
  - (i) A representation comprising the name of a foreign country, the name of a place in a foreign country, the flag or crest of a foreign country, or any other similar representation;
  - (ii) A representation comprising a name or trademark of any foreign entrepreneur or designer;
  - (iii) A representation in which all or a principal part of the literal description is made in foreign lettering.
- 2. A representation provided for in the following categories, which, when applied to foreign made goods, is likely to make it difficult for consumers to distinguish the goods as made in the foreign country in question:
  - (i) A representation comprising the name of the country, the name of a place in the name of the country, the flag or crest of the country other than the country of origin of the goods, or any other similar representation;
  - (ii) A representation comprising a name or trademark of any entrepreneur or designer in any country other than the country of origin of the goods;
  - (iii) A representation in which all or a principal part of the literal description is made in Japanese lettering.

Please note, there is an *Addenda* to this Notification which states that:

1. The term “the country of origin of the goods” as used in this

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- 3) Article 4, Item 3 of the Law states that a “representation by which any matter relating to transactions as to a commodity or service is likely to be misunderstood by consumers in general and which is designated by the Fair Trade Commission as such, finding it likely to induce customers unjustly and to impede fair competition” shall be prohibited.
- 4) In accordance with the decision of the Fair Trade Commission, Enforcement Guidelines for “Misleading Representations concerning Country of Origin of Goods” was enacted in 1973.

Notification shall mean a country in which a treatment or process effecting a substantial change to the contents of the goods is performed.

2. In those cases where it is not appropriate to indicate the place of origin of the goods by the name of a country, the reason being that the place in question is generally better known by the place name than by the name of a country, the place of origin shall be deemed the country of origin for the purpose of this Notification."

### **3. Effectiveness of the FTC**

In a legal system such as that of Japan, where emphasis has always been placed on administrative control of business, the authority of the Fair Trade Commission in regulating business practices in the area of unfair geographical indications is of increasing importance.

However, I would like to express my own personal opinion on the administrative control mechanism used in Japan. Regulatory administrative bodies, such as the Fair Trade Commission, are active in issuing advice, warnings, and where necessary, sanctions to companies, but I think that this type of regulation is of a superficial nature, and does not go to the root of the problem which is founded in the business ethics of Japanese companies. I believe that Japanese companies basically lack business morals, a situation which leads to the kinds of deceptive business practices rampant in our country and which has even caused trade friction with our main trading partners. I believe that, whilst the role of the Fair Trade Commission is, of course, of great importance, we must find a way to foster a more "moral" business climate in Japan. We must find an alternative to the current regulatory system in which companies have no understanding themselves of what is fair and unfair; where they believe that "fair play" means simply complying with the Fair Trade Commission's directions. We need to create an environment in which business itself can decide what is fair and unfair before having to have the "big stick" waved at it. It is this lack of moral consciousness which, I feel, is at the root of the Japanese problem.

My second comment is that I believe that the Fair Trade Commission has not been as active as it could be in its role as regulator. For example, there are only eight offices of the Fair Trade Commission in Japan and I think this is a totally inadequate number to regulate the business practices of the thousands of companies which exist in Japan.

### **4. Registration of trademarks and protection of geographical indications**

I would like to move on now to mention trademark protection and Custom's

regulation of geographic indications.

In Japan, the registration principle is adopted in regard to the protection of trademarks. Geographical indication is one of the factors to be taken into consideration by the Patent Office in deciding whether or not to allow registration of the trademark in question.<sup>5)</sup>

### 5. Custom's regulation of imports and protection of geographical indications

Under the Japanese Customs Act, the import of goods which contain, directly or indirectly, a false or misleading indication of origin will not be permitted (A similar provision relates to incoming mail).<sup>6)</sup>

## IV. THE FUTURE OF THE CURRENT SYSTEM FOR PROTECTION OF GEOGRAPHICAL INDICATIONS IN JAPAN

I feel that Japanese people's awareness of the legal problem regarding the protection of geographical indications is very vague, even today. Even though we can find innumerable deceptive practices in the Japanese market, in many cases Japanese consumers are too complacent and often do not see a need to take action against companies, not only in the area of geographical origins, but in general. In my opinion, the negative attitude of consumers towards litigation results in part from our legal system for the prevention of unfair competitive activities.

If we compare, for example, Article 1, Paragraph 1, Item 5 of the Unfair Competition Prevention Act with the German Unfair Competition Code (Gesetz gegen den unlauteren Wettbewerb), Article 3 which is called the "Minor general clause on deceptive advertisements", or with the United States common law regulating false and misleading advertising, we can say that the Japanese concept of "deceptive indications of goods" is very narrow. Article 1, Paragraph 1, Item 5 prescribes deceptive representations generally as an act of unfair competition; however, the unfair acts listed are very limited, and unfortunately, consumers are not given the right to sue offending

5) Article 18, Paragraph 1 of the Trademark Law provides that a trademark right shall come into force upon registration of its establishment. Article 3, Paragraph 1, Item 3 of the Law provides that trademarks which consist solely of a mark indicating in a common way, the origin, place of sale, quality, raw materials, efficacy, use, quantity, shape or price of the goods, or the method or time of manufacturing, processing or using them may not be registrable. Article 4 of the Law stated, for example, that "trademarks which are liable to cause confusion with goods connected with another person's business" and "trademarks liable to be misleading as to the quality of the goods" are unregistrable.

6) Customs Act (1954), Article 71 and Article 78.

companies.

As I mentioned before, control by administrative bodies is a characteristic feature of the Japanese legal system and this control is, I think, very paternalistic in its nature. In the field of unfair geographical indications, the Fair Trade Commission has a substantial degree of power to control markets under the Premiums Law, and the Ministry of Finance, especially the Customs Office, and the Ministry of International Trade and Industry have an important role in controlling imports and exports with the assistance of the various Chambers of Commerce.

By contrast, if we consider the real power of private persons, including both competitors and consumers, to regulate unfair geographical indications in the Japanese markets, then I think it is reasonable to say that their power is extremely limited. I believe that this type of legal system is actually harmful, in that it diminishes the private individual's initiative to fight against unfair geographical indications by litigation. I think that the urgent task for us is to make an *innovation* of the Unfair Competition Prevention Law in a new direction, in order to strengthen the private individual's power to regulate unfair trading practices.