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VARIOUS ASPECTS OF THE DEVELOPMENT IN THE LAW OF UNFAIR COMPETITION IN JAPAN

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I

“Unfair Competition” may be the word which may not be very familiar to us. In such country like Japan where the economic system is based on capitalistic system, a fair and free competition in business is extremely important as the foundation of social system. We often hear in our country that free competition in business must be assured on the spirit of “fair play”. However it is only in recent years that the importance of such fair play in business has come to be sufficiently recognized in the Japanese business world.

For example we can find easily the law called Fusei-Kyōsō-Bōshi-Hō (Law for prevention of unfair competition)¹⁾ in any statute books (Roppō zensho) on the market issued by any publishers. But this law which was enacted in 1934 has not come into being by the demand of the business but it was rather forced to become the law as Japan became the member of Paris Convention.²⁾ It was the law which has not been much welcome nor supported by the people in our country. Whereas after the end of the second World War or since the latter part of 1950's, liberalization of trade or capital investment has proceeded in substantial measure and international competition has become intensified. Thus marketing has become an important factor of business activity.

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1) Unfair Competition Prevention Law, Law No. 14, 1934. The provisions of Japanese statutes cited in this article are taken from the EHS translations.

2) For a brief history of the Japanese unfair competition law, see, K. TOYOSAKI, KŌGYŌ-SHOYŪKEN-HŌ (Industrial property law) 27, in 54 HORITSUGAKU ZENSHU (1960); M. ONO, CHŪKAI FUSEIKYŌSŌ-BŌSHI-HŌ (Commentaries on the Unfair Competition Prevention Law) 12 (1961).

According to economists, Japan has gone into the "marketing age" since late 1950's. Keeping pace with such intensification of competition, the spirit behind Unfair Competition Prevention Law has gradually disseminated among the public especially among industrial circles, and the problem of unfair competition has come to be foot-lighted.³⁾

II

As I said now, whether the corporate activity should be free or not is the matter which concerns with the foundation of economic system of one country. Even in a country like Japan where there is freedom of enterprise, such freedom is not at all unconditional nor limitless. People can enjoy such freedom as long as it does not violate laws and ordinances and does not damage the welfare of the public.⁴⁾ In regard to business activity, in order to secure its fairness and to prevent private monopoly and to eliminate unreasonable restraint of trade, it is necessary to prepare sufficient legal system under which the free enterprise can display its full efficiency. From such view-point Unfair Competition Prevention Law has an important function as the law to prevent unethical competition and Antimonopoly law to prohibit private monopoly, undue restraint of trade and unfair business practices.⁵⁾ These two laws, according to my analysis, are the laws which establish the foundation for healthy and smooth development of business activity rather than they are the laws to provide restrictions to the business activity. In other words they have a positive significance in the society where freedom of enterprise is guaranteed, rather than such negative meaning as a mere restriction on business activity. I believe these two laws would form the very basic legal systems which

3) See, M. Miyake, *Fuseikyōsō-Bōshi-Hō Kankei Soshō* (The related problems on unfair competition suits), in 5 JITSUMU MINJISOSHŌ KŌZA (Lectures on practical civil procedures) 295 (1969); KOSEKI (ed.), *FUSEIKYŌGYŌHŌ HANREISHŪ* (Collection of cases on unfair competition law) (1967).

4) The Constitution of Japan Art. 22 reads in part as follows:
Article 22. Every person shall have freedom to choose and change his residence and to choose his occupation to the extent that it does not interfere with the public welfare.

5) See, K. NISHIHARA, *SHŌKŌI-HŌ* (Commercial transaction law) 187, in 29 HŌRITSUGAKU ZENSHŪ (1960).

maintain the fundamental order in the commercial activity in free society.⁶⁾

The laws which maintain the basic order of commercial activities take two forms in Japan.

One is the law which is intended for adjustment of purely private interests or the so-called private relief. The very foundation of such system is the philosophy of illegal act or torts as provided in Civil Code.⁷⁾ Unfair Competition Prevention Law is derived from such philosophy and now possesses the status of special law of Commercial Code. It of course has close relation with the Trademark Law or other laws concerning industrial property rights.⁸⁾ There are the laws which aim at the private legal relief in the total economic laws and orders. Another form to maintain our system is the role played by the administrative department, that is, Japanese Fair Trade Commission which often becomes the topic of the people in these days.⁹⁾ The Antimonopoly Law provides various types of unfair practices of transactions, such as misrepresentation.¹⁰⁾ Fair Trade Commission exercises control of such unfair practices from administrative view point.^{10a)}

III

Next I should like to introduce the rough structure of Japanese Unfair Competition Prevention Law. Japanese Unfair Competition Prevention Law was first enacted in 1934 and later it had been revised many times

6) K. ŌSUMI, *SHŌKŌI-HŌ* (Commercial transaction law) 25 (1967); S. TANAKA, *SHIMBAN SHŌHŌSŌRON* (Introduction to commercial law, New edition) 291 (1963).

7) Civil Code, Law No. 89, 1896, art. 709 reads as follows:

"A person who, wilfully or negligently, has injured the right of another is bound to compensate him for the damage which has arisen therefrom."

8) There are special provisions regarding infringement of industrial property right: Patent Law, Law No. 121, 1959, arts. 100–106, Utility Model Law, Law No. 123, 1959, arts. 27–30, Design Law, Law No. 125, 1959, arts. 37–41, Trademark Law, Law No. 127, 1959, arts. 36–39.

9) See, the Annual Reports of Fair Trade Commission (*KŌSEITORIHIKI-IINKAI NENJI HŌKOKU*).

10) Law Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade, Law No. 54, 1947; Law Against Unjustifiable Premiums and Misleading Representations, Law No. 134, 1962.

10a) The Antimonopoly Law art. 1 provides in part as follows:

"This Law aims to promote free and fair competition, to stimulate the initiative of entrepreneurs, to encourage business activities of enterprises, to heighten the level of employment and people's real income, and thereby to promote the democratic and wholesome development of the national economy as well as to assure the interests of consumers in general."

to become the current provision.¹¹⁾ The law provides in Article 1 the types of competitive acts which are deemed unfair.¹²⁾ For example such acts as causing confusion with the commodities of others, the acts causing confusion with the business facilities or business activities of others, the act which causes misrecognition of the place of origin of a product, the act to cause misrecognition of the quality of a product, the act to damage the prestige of competitors, etc. Unfair Competition Prevention Law provides the method of relief by civil action as well as the criminal sanction.¹³⁾ Civil method of relief may be the claim for the ban of unfair competition¹⁴⁾ or the claim for damage by the sufferer.^{14a)} Thirdly it provides the right of claim for measures to recover prestige.¹⁵⁾ This is the set-up of the Japanese Unfair Competition Prevention Law.

IV

Lets turn to the juridical concept of unfair competition as it is interpreted in Japan.

I wish to introduce hereunder the recent trend of major court decisions made in Japan which would suggest the nature of Japanese unfair competition law.¹⁶⁾ First I should like to cite the so-called "Kyōbashi Central

11) For the details, see, K. TOYOSAKI, KŌGYŌ-SHOYŪKEN-HŌ (Industrial property law) 231, in 54 HŌRITSUGAKŪ ZENSHU (1960); M. ONO, CHŪKAI FUSEIKYŌSŌ-BŌSHI-HŌ (Commentaries on the Unfair Competition Prevention Law) 18 (1961). Cf. C. ARIMA, FUSEIKYŌGYŌRON (Treatise on unfair competition) (1922).

12) Unfair Competition Prevention Law art. 1, para. 1, items 1-6.

13) In criminal proceedings under the Unfair Competition Prevention Law Art. 5, the convicted defendant shall be punished by fine not exceeding 200,000 yen or by imprisonment not exceeding 3 years.

14) Unfair Competition Prevention Law art. 1 reads in part as follows:
"In case there is one person who commits an act falling under one of the following items, the other person whose business interest is likely to be injured therewith may demand cessation of such an act"

14a) Unfair Competition Prevention Law art. 1-2, para. 1.

15) Unfair Competition Prevention Law art. 1-2, para. 3. See, J. Eguchi, *The Publication of Apology ("Shazai-Kokoku") As a Remedy For Unfair Competition In Japan*, 18 THE OSAKA UNIVERSITY LAW REVIEW 19 (1971).

16) Despite the increasing numbers of lower court decisions, there are only few Supreme Court cases on unfair competition carried in the official reporters, among which the so-called "SAN-AI case" is famous. K.K. San'ai v. K.K. San'ai, 21 SAIKŌ SAIBANSHO MINJI HANREISHŪ [MINSHŪ] 598 (Sup. Ct., April 11, 1967). For my comment on the case, see J. Eguchi, 57 MINSHŌHŌ ZASSHI 736 (1968).

Hospital case” and “Orange Colored Door Caster case”. The reason why I cite these two cases is because they are the most interesting cases in that they indicate the fact that the Unfair Competition Prevention Law is now developing into the field which has never been thought of before. In other words I should like to point out that the philosophy of unfair competition is being expanded considerably in recent years.

Kyōbashi Central Hospital case is as follows:

There was a hospital called Kyōbashi Hospital in Chūō-ku, Tokyo. Later a new hospital was opened in the same Chūō-ku with the sign-board of Kyōbashi Central Hospital. Thereupon Kyōbashi Hospital sued the latter and claimed ban of the use of such name as Kyōbashi Central Hospital. In this suit, the court admitted the righteousness of the claim of Kyōbashi Hospital based on the following reasons. I will introduce the summary of the court decision: “In the light of the common sense of society, it goes without saying that medical doctor who operates a hospital is not a merchant whose objective is the pursuit of profit. However there is no reason why the subject to whom unfair competition law is applicable should be limited to merchants alone. The word ‘business’ as used in the Unfair Competition Prevention Law not only signifies the enterprise aiming at pursuit of profit but also includes those enterprises which is conducted on the basis of profit and loss in economic sense. It is evident in light of the common sense that operation of hospital is also based on profit and loss in economic sense. Therefore it is not unjustified to call it a kind of business. Therefore it should be so interpreted that the provisions of the Unfair Competition Prevention Law also apply to the names of such type of business enterprise.”¹⁷⁾ Based on such theory, the court acknowledged the right of claim for prohibition of use of the name contending that it falls under the act causing confusion of business facilities and/or activities as provided in art. 1(i)(ii) of the Unfair Competition Prevention Law.¹⁸⁾

17) Kakuzō Hamaya v. Hiromoto Saitō, 13 KAKYŪ SAIBANSHO MINJI SAIBANREISHŪ [hereinafter cited KAKYŪ MINSHŪ] 2395 (Tokyo Dist. Ct., Nov. 28, 1962).

18) For comments on the case: T. Kitagawa, JURISUTO (Special Issue), SHŌHYŌ, SHŌGŌ, FUSEIKYŌSŌ HANREIHYAKUSEN (Selected one hundred cases on trademarks, trade names and unfair competition) 182 (1967); S. Mitsuda, JURISTO (No. 336) 125 (1965).

In that sense, the case of Tokyo Kensūgakukan is also an interesting case.

This institution is a school of miscellaneous kind. In Tokyo there is another school which is called Foundational Juridical Person Kensūgakukan, which is the so-called preparatory school for the students who want to enter universities.

Later the aforesaid Tokyo Kensūgakukan was opened in the neighbourhood and it also started the activity as a preparatory school for the pupils who want to enter junior or senior high schools. The said Kensūgakukan of juridical person sued Tokyo Kensūgakukan and asked the court to ban the use of their name. Their argument was not based on the Unfair Competition Prevention Law but they sued on the power of the legal protection of trade name by Commercial Code or the protection of the right of name as provided in Civil Code. Based on the necessity of protection of trade name by Commercial Code under certain conditions¹⁹⁾ and the prohibition of use of the same or similar business name of others provided by Unfair Competition Prevention Law,²⁰⁾ the court judged as follows: "The so-called preparatory school is not necessarily aiming at the pursuit of profit and it should not be called a pure business concern, but as long as the school operates independently without subsidy or sponsorship of others, it should be regarded as a kind of business enterprise which is managed on the basis of profit and loss as far as it is viewed from economical angle and the name of such enterprise has the very similar nature to trade name. Therefore when the same kind of non-profit enterprise operates in the same district under the similar name, the one who used such name first should have the priority and it can claim the pro-

19) Trade names are protected under arts. 16 to 31 of the Commercial Code, Law No. 48, 1899. Art. 20 of the Code provides that a person who has registered a trade name may demand, as against any person using the same or a similar trade name for purposes of unfair competition, the discontinuance of its use, and Art. 21 prescribes: "No person shall, for a dishonest purpose, use any trade name which is liable to induce others to believe that it represents the business of another person."

20) Unfair Competition Prevention Law art. 1(1)(ii) enumerates "an act of using an indication identical with or similar to such full name, trade name, mark of the other person or any such other indication of the business and good will of the other person as widely known in the territory where this law is in force and thereby causing confusion with the business establishment or activities of the other person".

hibition of use of such similar name by the other.”²¹⁾ These cases are interesting in that they suggest that the concept of business or enterprise as used in the Unfair Competition Prevention Law is expanded beyond the generally accepted concept and there is application of the Unfair Competition Prevention Law to the field other than business field.²²⁾

V

Another aspect which also suggests expansion of the concept of unfair competition is noticed in the case generally known as “Orange Colored Door Caster”, which is as follows:

This is the case which occurred in Osaka. The door casters made of nylon manufactured by Nichiray Company were colored in uniform orange color and sold on the market. Another person also sold door casters which were colored in orange. The company who was selling orange casters made of Nichiray’s nylon sued the latter on contention that the latter’s conduct falls under the act to cause confusion of commodities by using the representation of others as mentioned in art. 1(1)(i) of the Unfair Competition Prevention Law. This was a case of provisional disposition (*Karishobun*). The court rejected the petition of the claimant but the court decision involved an extremely interesting theory. Here is the summary of the court decision. “Use of color for any commodities should be in principle free and even when somebody used orange color for his door casters for many years, there is no reason why he acquires an exclusive and monopolistic right to the use of such color for door casters and there is no logic that others are deprived of the freedom to use the same color for his casters.” “However, if the merchandise of others is identified by the said color and if anybody who sees the merchandise of that color is led to believe that it is his product solely because of that color (this is called secondary meaning) or if that color is shown, whoever sees that

21) Zaidanhōjin Kensūgakukan v. Yasukado Itō, 12 KAKYŪ MINSHŪ 1707 (Tokyo Dist. Ct., July 15, 1961). For comments on the case: K. Toyosaki, HANREI HYŌRON (No. 42) 8 (1961); K. Shiihara, JURISUTO (No. 293) 100 (1964).

22) See, K. Toyosaki, *Shōgō to Shōhyō no Hogo no Kōsaku* (Complicated aspects of protection for trade name and trademark), GAKŪSHŪIN DAIGAKU HŌGAKUBU KENKYŪ NEMPŌ (No. 1) 51 (1964).

color promptly judges that it is his product (this is called trade name), such color is very closely related to his product and therefore plays the function to indicate origin of such merchandise. In such special case the color applied to that merchandise or the name by which such color is called should be regarded as the medium which indicates that it is his merchandise as mentioned in art. 1, para. 1, item 1 of the Unfair Competition Prevention Law and thus it must be protected against unfair competition."²³⁾

It is very interesting to note that theoretically the color of merchandise even when it is single color may be regarded as the method of representation to indicate the identity of a commodity as mentioned in art. 1(1)(i) of Unfair Competition Prevention Law.²⁴⁾

As the examples of the judicial theory of "secondary meaning",²⁵⁾ the other cases cited here are also of reference. For example, the case of "Knockdown Wardrobe". This is the case in which not the color but the style of commodity was discussed. The point of discussion was whether it should be regarded as the "indication of identity of the product of others" as meant in Unfair Competition Prevention Law. This is the case where the style of a wardrobe to be housed in the closet was quite unique and such unique design caused problem. Also in this case the court judged that although the style of this merchandise does not indicate the origin of product by itself, when such style is exclusively used for certain product for many years or even for short period with strong promotionary effort or when such style has come to possess the function to indicate the origin of product due to its uniqueness, it is not inappropriate to include such

23) K.K. Shimomura Shoten v. Hirao Kaken K.K., 17 KAKYŪ MINSHŪ 562 Osaka Dist. Ct., June 29, 1966). For comments on the case: S. Matsumoto, HANREI HYORON (No. 106) 126 (1967); K. Shiihara, JURISUTO (No. 418) 114 (1969).

24) Art. 1(1)(i) of Unfair Competition Prevention Law lists the following act as unfair: "An act of using an indication identical with or similar to such full name, trade name, trademark, container, packing of merchandise of the other person or any such other indication of merchandise of the other person as widely known in the territory where this law is in force or of selling, distributing or exporting merchandise of the other person;"

25) Trademark Law art. 3(2) provides that a mark originally not eligible for trademark registration may acquire distinctiveness in result of use of which customers can recognize goods as related to some person's business.

style in the category of the media of representation of merchandise.²⁶⁾ Theoretically they support such concept.²⁷⁾ This sort of court decisions has been issued on several occasion already in Japan. Namely, First Printer case,²⁸⁾ or other cases not mentioned here such as those related to the style of wireless microphone.²⁹⁾ It is too early to say that juridical concept of "secondary meaning" has sufficiently disseminated in courts but it requires attention that such concept has come to be recognized in Japan as a theory.

VI

Here is another case called "Liner Beer case".

This case is noteworthy from another point of view. It goes as follows:

"Liner" beer is not a beer but it is a kind of carbonated wine and the company called Liner Beer Co., Ltd. sold it on the market by the name of "Liner Beer". The product names were "Liner Beer" or "Liner Black Beer". They are not brewed beer but a simple carbonated drink but they used such expression in their ads as "A revolution in beer industry." Against such promotion, the Japanese four beer breweries namely Kirin, Nippon, Asahi and Takara requested the ban on the use of such expression on contention that it falls under the case of misrepresentation of the quality of merchandise based on Art. 1, para. 1, item 5 of the Unfair Competition Prevention Law. The court admitted the righteousness of their claim.³⁰⁾

26) Ken'yū Purehabu K.K. v. Ōdate Kagu Mōkkō Kyōdōkumiai, HANREI JIHO (No. 476) 45 (Tokyo Dist. Ct., Nov. 22, 1966).

27) See, comments on the case: T. Koseki, JURISUTO (Special Issue), SHŌHYŌ, SHŌGŌ, FUSEIKYŌSŌ HANREIHYAKUSEN (Selected one hundred cases on trademarks, trade names and unfair competition) 192 (1967); S. Matsumoto, HANREI HYŌRON (No. 106) 126 (1967).

28) Addressgraph-Multigraph Corporation (*phonetic*) v. K.K. Hamada Insatsuki Seizōsho, HANREI JIHO (No. 236) 27 (Osaka Dist. Ct., May 30, 1960).

29) Nippon Denshi Kōgyō K.K. v. K.K. Tamura Seisakusho, HANREI TAIMUZU (No. 185) 215 (Tokyo Dist. Ct., Aug. 31, 1965).

30) Kirin Beer K.K. et al. v. Liner Beer K.K., HANREI JIHO (No. 414) 29 (Sup. Ct., P.B., June 4, 1965), *dismissing (kikyaku) Second Appeal (jōkoku) from* HANREI JIHO (No. 342) 16 (Tokyo High Ct., May 29, 1963), *dismissing First Appeal (kōso) from* 12 KAKYŪ MINSHŪ 1508 (Tokyo Dist. Ct., June 30, 1961). For comments on the case: M. ONO, JURISUTO (Special Issue), SHŌHYŌ, SHŌGŌ, FUSEIKYŌSŌ HANREIHYAKUSEN (Selected one hundred cases on trademarks, trade names and unfair competition) 194 (1967); N. Mon'ya, JURISUTO (No. 296) 104 (1964).

Art. 1 (1)(v) of the Unfair Competition Prevention Law is an interesting clause.³¹⁾ It was not in the original text of the Law when it was first enacted but it was added in the revision of 1950.

The reason why it is noteworthy is that the confusion of quality of commodity caused by such act is not the same type of confusion as those pertaining to the merchandise or business identity which are caused by unfair competition of a particular competitor but it is a confusion caused to a group of companies or the competitors at large. From such sense, Art. 1 (1)(v) of the Unfair Competition Prevention Law could be regarded as a clause strongly characterized as the clause to protect consumers' interest rather than to protect interest of competitors. In other words, this Art. 1 (1)(v) of the Law is in a sense more advanced in its nature than other clauses.³²⁾ Some scholars say that it suggests that Unfair Competition Law itself has come to possess the characteristics of protection of consumers.^{33,34)}

As it is indicated by the case of Liner Beer this clause of Art. 1 (1)(v) of the Unfair Competition Prevention Law is an interesting clause in the interpretation of the nature of this Law.

VII

Next I should like to analyze the function of Unfair Competition Law from an entirely different angle.

One case I should like to cite for that purpose is Mitsubishi Construction case and the other is Yashica case, both of which are the recent cases. These cases are interesting in that they provide the materials which suggest

31) Unfair Competition Prevention Law art. 1(1)(v) lists "an act of making in merchandise or advertisements thereof an indication causing misapprehension with respect to the quality, content, manufacturing process, use or quantity of such merchandise or of selling, distributing or exporting merchandise on which such an indication is used."

32) See, M. ONO, CHŪKAI FUSEIKYŌSŌ-BŌSHI-HŌ (Commentaries on the Unfair Competition Prevention Law) 233 (1961).

33) See, N. Mon'ya, Note, KEIZAIHŌ (No. 6) 40 (1963); Y. Someno, *Fuseikyōsōboshihō* (Unfair Competition Prevention Law), 8 TOKYO KANRI 147 (1958).

34) Cf. J. Eguchi, *Gimanteki Kōkoku ni yoru Fuseikyōsō to America Hō* (False advertising and unfair competition in America), in ESSAYS IN CELEBRATION OF THE 40TH ANNIVERSARY OF MATSUYAMA UNIVERSITY OF COMMERCE 359 (1963).

us the trend of juridical theory for protection of well-known brands under Unfair Competition Prevention Law.

Mitsubishi Construction case is the case which occurred in Kobe. A company called Mitsubishi Construction Co., Ltd. was established in Kobe to be engaged in contracting of civil engineering and construction work. This company has no relation with Mitsubishi group companies but they used the name "Mitsubishi" in their trade name and also the well-known three diamond Mitsubishi mark as their service mark and started contracting for civil engineering and construction work.

Their three diamond mark was in red but to be somewhat modest, they left the center of the mark blank.

Although its center is blank, from a distance it was evident that it is confused with the real Mitsubishi mark. Against this company, the Mitsubishi Real Estate Company which is listed in the stock exchange as one of the most heavily traded stock and is a well known. Mitsubishi group company engaged in renting of land and building, brought an action and presented the case to Kobe District Court, on contention that when the company which is not a Mitsubishi group company uses the name "Mitsubishi" as their trade name and uses special three diamond mark as their service mark, it falls under the act to cause confusion of business identity as mentioned in Art. 1 (1)(ii) of the Unfair Competition Prevention Law.

In this case, the claim of Mitsubishi Real Estate Co. was admitted but the case was brought up to the Osaka High Court which recently issued a very interesting verdict.³⁵⁾ They also approved the claim of Mitsubishi Real Estate Company but in their decision they said: "From objective view-point the fact that Mitsubishi Construction Co., Ltd. uses the two Chinese characters "Mitsubishi" and the latter's service mark for the representation of its own business activity means that they are using the representation which Mitsubishi group companies have developed by their

35) Mitsubishi Jisho K.K. v. Mitsubishi Kensetsu K.K. (*provisional injunction*), 15 KAKYŪ MINSHŪ 105 (Osaka High Ct., Jan. 30, 1964); Mitsubishi Jisho K.K. v. Mitsubishi Kensetsu K.K., 19 KŌTŌ SAIBANSHO MINJI HANREISHŪ [KŌSAI MINSHŪ] 215 (Osaka High Ct., Apr. 5, 1966). For comments on the case, see S. Mitsuda, JURISUTO (No. 368) 131 (1967); T. Shibuya, JURISUTO (No. 424) 104 (1969).

effort in the many years past without approval of Mitsubishi group companies and free of compensation and by so doing it gives the wrong impression among the public as if the defendant were a member of Mitsubishi group companies and due to such misrepresentation, the defendant will get business benefit while the same misrepresentation may damage the economic benefit of the plaintiff and other Mitsubishi group companies. Therefore it deviates out of the acknowledged scope of free competition and disturbs order of the market and violates the rules of fidelity.”³⁶⁾

What is most interesting in regard to this decision of Osaka High Court is that in relation to the confusion of business identity they say “When Art. 1 (1)(ii) of the Unfair Competition Prevention Law is interpreted, the main problem dealt with in this article is not so much whether there is common part in the businesses of the parties of suit or they are geographically closely located with each other but rather whether or not there is a violation of the rules of fidelity in the use of trade name, trademark or service mark and there is possibility of confusion with business facilities or activities of others. The court considers it appropriate to place importance upon the theory of dilution of the concept of competition which is often contended by lecturers.”^{36a)} The result of this Mitsubishi Construction case suggests that the concept of confusion of business identity as mentioned in Art. 1 (1)(ii) of the Unfair Competition Prevention Law is being expanded beyond the generally accepted scope. The conventional concept of confusion is expanded by a large measure in this case.³⁷⁾ Mitsubishi Real Estate and Mitsubishi Construction Co. are geographically wide apart, one being in Tokyo and the other in Kobe and beside there is not much common part in their businesses. One is engaged in the renting of land and building while the other is engaged in contracting of civil engineering and construction work. Despite those, Osaka High Court judged that it causes confusion of business identity guided by the theory of “dilution of the concept of competition.” It may be called an epoch-making decision which presented for the first time a new philosophy to deal with the infringement of famous

36) 15 KAKYŪ MINSHŪ *op cit.* at 111.

36a) See, *op cit.*, *supra* at 112.

37) See, K. Toyosaki, *supra* note 22, at 66; K. Matsuo & N. Mon'ya, SHŌHYŌ (Trademarks) 304, in 7 KEIEI-HŌGAKU-ZENSHŪ (Complete works of the law of business management) (1966).

trademark from the view-point of Unfair Competition Law.³⁸⁾ It is noteworthy that the court decision in this case placed emphasis on whether there is possibility of confusion or not and not so much on the identity of business or existence of competitive relation, etc.

This tendency of interpretation appeared occasionally in the recent court decisions. For example, one Nagoya Pigeon Bus case is also a similar case. Pigeon Bus is the company which is engaged in tourism business in front of Tokyo Station of National Railroad whose official name is Pigeon Bus Co., Ltd. and they are the plaintiff in this case. The defendant is a company in Nagoya which started tourism business in Nagoya under such business names as of Pigeon Bus, Nagoya Pigeon Bus or Central Japan Pigeon Bus. The case was brought to Nagoya District Court and the court judged that it causes confusion of business which may damage the business interest, and thus it falls under the case prohibited by the Unfair Competition Prevention Law.³⁹⁾ In this case the court judged that although their geographical business area is wide apart, a car of Nagoya Pigeon may go as far as Tokyo and above all, the court considers that the person whose business interest is damaged as defined in the Unfair Competition Prevention Law should not necessarily be the person who is in competitive relation with the infringer.⁴⁰⁾

The court decision in National Panelite case also shows the similar philosophy.⁴¹⁾

National Panelite case was a case brought to Osaka District Court. A company called National Panelite Trading Co. was established in Osaka, but the company had no relation with Matsushita group companies who own the well-known brand name "National". The company started business of selling prefabricated houses and contracting construction work under the corporate name of National Panelite Trading Co., Ltd.

38) K. Toyosaki, note on the case, KEIZAIHŌ (No. 7) 33 (1964).

39) See, Unfair Competition Prevention Law art. 1(1)(ii).

40) K.K. Hato Basu v. Nakanippon Kankō Jidōsha K.K., 16 KAKYŪ MINSHŪ 1426 (Nagoya Dist. Ct., June 16, 1964). For comment on the case, see M. Matsushita, JURISUTO (No. 391) 114 (1968).

41) Matsushita Denkō K.K. v. Nashonaru Paneraito Shōji K.K., 13 KAKYŪ MINSHŪ 1890 (Osaka Dist. Ct., Sept. 17, 1962).

Matsushita Electric Works, Ltd. sued the said company and requested ban on the use of their trade name. The court supported the claim of Matsushita Electric Works on the reason that (1) the plaintiff is one of the member of Matsushita group companies who own the trade name "National". Matsushita Electric Industrial Co., Ltd., one of the largest electric appliances manufacturers in this country is the core of this group, (2) the trademark "National" is recognized nation-wide as the brand of their commodities and other large manufacturers in the same field all have different trade names and commodity names and (3) this trade name of "National" has developed to such stage that it no longer represents the products alone but also possesses the function to represent the enterprises which have special connection to the said two Matsushita companies and if a trading company uses this well-known trade name, the clients who are in business relation with the defendant and the general public will have wrong impression that the defendant is dealing solely in the products of Matsushita or it has special relation with the said two manufacturers.

The use of trade name "National Panelite Trading Co." will be so interpreted by the general public as it means that the defendant concluded agency agreement with the plaintiff for the sales of National Panelite, which is the trademark of the decorative sheet made of melamine resin which is manufactured by the Matsushita Electric Works under the technical agreement with St. Regis Corp., U.S.A. Thus the use of such trade name falls under the case to cause confusion or misrecognition of business facilities and activities. Since business agent possesses an independent legal personality based on Commercial Code, in a purely classic sense, there should be no confusion with Matsushita Electric Works but this case is noteworthy in that the court judged that people's misrecognition in regard to existence of agency agreement may lead to the confusion of business identity.⁴²⁾

Like above, the recent trend of court judgements as symbolized by Mitsubishi Construction case is to acknowledge the possibility of confusion of commodities even when the competition is only a latent possibility or the court even goes as far as to totally disregard the requirement of presence

42) See, comment on the case by S. Mitsuda, JURISUTO (No. 358) 133 (1966).

of competitive relation. Some court decisions however still regard the existence of competitive relation as the requirement for application of Unfair Competition Prevention Law, as observed in the recent court decision⁴³⁾ but the general trend is toward the acknowledgement of latent competitive relation as the necessary and sufficient condition or even toward total disregard of competitive relation. It is, I believe, a trend which demands us a special attention. In the traditional theory, confusing deed as considered in Unfair Competition Law requires the existence of competitive relations or the activity of same kind, and such requirement was indispensable for application of the Law to protect well-known trademark. However the recent trend is to accept the possibility of confusion as the sufficient reason for claim. Such possibility of confusion could be expanded as the operation of enterprises diversify, and advertisement activity intensifies and mechanism of commodity transaction transforms. Not only the specific possibility of confusion but also the concept of "confusion in broad meaning" has come to be introduced into court judgement. By utilizing the concept of confusion in broad sense as a supporting reason, they have come to apply the Unfair Competition Prevention Law to these cases.⁴⁴⁾

VIII

Mitsubishi Construction case is the case of well-known trade name or service mark, and then Yashica case is exactly the case of trademark. The trademark "Yashica" is a well-known brand for camera. In Nagoya, there is a company called Dahlia Industries, Ltd., which is a cosmetics company. This company applied for registration of trademark "Yashica" for their cosmetics and the application was accepted and "Yashica" was

43) For example, *Eidai Sangyō K.K. v. Eidai Sangyō K.K.*, unreported case (Tokyo Dist. Ct., No. 12580 (*wa*) 1964, Dec. 21, 1965), copy of the decision is reprinted in KOSEKI (ed.), *FUSEIKYŌGYŌHŌ HANREISHŪ* (Collection of cases on unfair competition law) 826 (1967); *Yanmar Diesel K.K. v. Itō Seifun Seimen K.K.*, *HANREI TAIMUZU* (No. 219) 130 (Kobe Dist. Ct. Himeji Branch, Feb. 8, 1968).

44) See, M. HANABUSA *JŌKAI KŌGYŌ-SHOYŪKEN-HŌ* (Commentaries on industrial property law) 532 (1957); M. Ono, *supra* note 2, at 106; K. Toyosaki, *supra* note 22, at 65.

registered as their trademark for cosmetics.⁴⁵⁾ When Dahlia company used the registered trademark "Yashica" for their cosmetics, the camera company Yashica became afraid of the confusion of merchandise. This camera company Yashica sued the cosmetics company.

The decision was given recently by Tokyo District Court and it approved the claim of plaintiff.⁴⁶⁾ Although Yashica camera is entirely different from Yashica cosmetics in the nature of product, the court admitted possibility of confusion of products. The reason is that the plaintiff is rather a young company which developed rapidly after the end of the second World War and is generally acknowledged to be the company having willingness to go into businesses in diversified fields.

They in fact have many subsidiaries or affiliated companies both in Japan as well as in abroad. In recent years many companies try to diversify their operations in an entirely unrelated field. For example a camera company may go into an entirely different fields or cosmetics company or pharmaceutical manufacturers may go into camera business. In light of such situation, if the trademark "Yashica" is applied to cosmetics, it may give the public such impression that the said cosmetics are the products of Yashica Camera Co. or its affiliated company. Thus the court admitted such possibility of confusion of commodities as mentioned in the Unfair Competition Prevention Law. The court decision on this case is epoch-making in that it has acknowledged for the first time the possibility of confusion of commodities in broad meaning between two entirely different kinds of products produced by two different kinds of businesses.

Another noteworthy factor in this decision is that it has employed the recent advanced theory of unfair competition. The trademark "Yashica" is a new word created by the plaintiff itself. The plaintiff applied this trademark to the low priced camera for general public and made great effort to

45) Cf. K.K. Yashica v. Mitsuo Nonogawa, SHINKETSU KŌHŌ (No. 502) 37 (Pat. Off., Mar. 30, 1966).

46) K.K. Yashica v. Dariya Kōgyō K.K., 17 KAKYŪ MINSHŪ 729 (Tokyo Dist. Ct., Aug. 30, 1966). For comments on the case; K. Toyosaki, JURISUTO (Special Issue) SHŌHYŌ, SHŌGŌ, FUSEIKYŌSŌ HANREIHYAKUSEN (Selected one hundred cases on trademarks, trade names and unfair competition) 178 (1967); K. Toyosaki, HANREI HYŌRON (No. 99) 158 (1967); M. Hanabusa, 19 HŌRITSU NO HIROBA (No. 11) 25 (1967); M. Matsui, Hanrei taimuzu (No. 196) 61 (1966); T. Shibuya, Keizaiho (No. 11) 46 (1968); T. Ishihara, JURISUTO (No. 437) 139 (1969).

promote and advertise such name by disbursing large amount of money. As the result, the trademark "Yashica" has come to have the function to cause the public to think of the said low-priced camera when they notice the trademark "Yashica". "If such trademark or similar trademark is applied to cosmetics, the image of such trademark is diluted and its linkage with camera will be weakened, so that its function to let the public think about the low-priced camera, in other words, its power to attract the customers or its promotional effect will be attenuated and the value of this intangible asset will diminish. This is easily conjectured in the light of our general empirical law."⁴⁷⁾ The last point given above is an extremely important point. In this Yashica cosmetic case, the court judged that the possibility of damage of business interest as mentioned in Article 1 of the Unfair Competition Prevention Law includes such factor as the so-called dilution of trademark.

The theory employed in this court decision is as follows: "The act of Yashica Cosmetics dilutes the image of trademark 'Yashica' developed by Yashica Camera and weakens its tie with their camera and thus reduces the function of trademark to remind the public of the low-priced Yashica camera and reduces its power to attract clients and thus diminishes the value of trademark as an intangible asset."⁴⁸⁾ This theory certainly appears in the recent juridical decisions in regard to unfair competition in advanced countries, under the name of "dilution theory".⁴⁹⁾ But it is noteworthy that a Japanese court actually employed this theory in their decision.⁵⁰⁾

This kind of theory often appears lately also in the cases not related to Unfair Competition Law. One of the famous examples of it is Sony Food case. "SONY" is the well-known trademark of Sony Corp. which is a famous manufacturer of electric appliances while an entirely different company applied registration of trademark "SONY" for their confectionery

47) 17 KAKYU MINSHU, *op. cit. supra* at 745.

48) *op. cit.*

49) On developments of the dilution doctrine in the United States, see, J. Eguchi, *America Shōhyōhō ni okeru 'Kishakuka' Riron ni suite* (Trademark infringement and the theory of dilution in the United States), THE HIKONE RONSŌ (No. 119-120) 31 (1966).

50) Cf. K. Toyosaki, *Kyōsō to kigyōtorihiki* (Competition and business transaction) 281, in 9 IWANAMI KŌZA GENDAIHŌ (1966).

and vermicelli and their application was accepted and the trademark was registered in favor of the applicant. Mr. Morita, the then vice president of Sony Corp. was furious about it and filed objection to it with the Patent Office recently retracted the registration.⁵¹⁾ It somehow ended this long suit but the decisive factor which led the patent bureau to this decision is the so-called Sony adjudication.⁵²⁾

Here the issue relates itself to the provision of the Trademark Law.⁵³⁾ According to the Trademark Law, one of the reasons for rejection of application for registration is the reason mentioned in art. 4 (1)(xv), of the Trademark Law, which goes that if the trademark applied produces possibility of confusion with the commodities dealt with by others, such trademark shall not be registered.⁵⁴⁾ Supported by such provision, the Patent Office rejected the application for registration of trademark "SONY" for the confectionery such as chocolate.

Just about that time, another decision was given for Esso case, which also attracted attention. There is a registered trademark "ESSO" which is a well-known trademark applied to oil, grease and fats. Another company applied and succeeded in obtaining registration of trademark "ESSO" for their products of textiles, knit goods, felts and other cloth materials, naming them ESSOTEX. Then Standard Oil Co. of New York, the owner of the famous "ESSO" mark demanded a trial hearing with respect to invalidation of the registration of the junior party's trademark under art. 46 (1) of the

51) A. MORITA GAKUREKI MUYŌ RON (Essays on academic career) 198 (1966).

52) Sony K.K. v. Sony Food K.K., SHINKETSU KŌHŌ (No. 468) 27 (Pat. Off., Oct. 20, 1965).

53) Trademark Law art. 4, para. 1 provides in part as follows:

"Trademarks as mentioned in the following shall not be registered as trademark regardless of the preceding Article: (15) Those apprehended to cause confusion with goods related to business of other person (excluding those as mentioned in item (x) to the preceding item inclusive);"

54) For commentary on the provision, see PATENT OFFICE, KŌGYŌSHOYŪKENHŌ CHIKUIJŌ KAISETSU (Annotated Industrial Property Law) 646 (1959); H. KANEKO & Y. SOMENO, KŌGYŌSHOYŪKENHŌ (Industrial property law) 730 (1968); M. HANABUSA, SHIN KŌGYŌSHOYŪKENHŌ KAISETSU (Comment on new industrial property law) 432 (1968); S. MITSUISHI, SHŌHYŌHŌ SHŌSETSU (Detailed explanation on trademark law) 148 (1970); M. AMINO, SHŌHYŌ (Trademark) 289 (1964); K. TOYOSAKI, *supra* note 2, at 103.

Trademark Law. Deciding that the registration was made in violation of art. 4 (1)(xv) of the Trademark Law, the Patent Office declared the registration of the trademark to be invalid according to the said provisions.⁵⁵⁾ The reason why these two decisions attracted attention of the people is that this kind of cases has never become an issue. For example, the trademark "Suntory" for liquor has been registered by other party for their skirts, trousers, socks, etc., or the trademark "Meiji" written in Romanized letters, for confectionery, has been applied to pencils or other stationeries, or likewise "Papillio", the famous trademark of cosmetics, for bread, "Ajinomoto", the famous trademark of seasoning for soap, "Canon", the famous trademark of camera for pill, "OMEGA", the trademark of watch for cigarette lighter, etc.⁵⁶⁾ This sort of usage has been common in the past and therefore Esso and Sony decision cases have attracted keen attention of people.⁵⁷⁾

55) Standard Oil Co. v. Sachiko Noguchi, SHINKETSU KŌHŌ (No. 502) 41 (Pat. Off., Feb. 12, 1966). See, comment on the case by T. Doi, JURISUTO (No. 357) 106 (1966).

56) See, R. FUJIWARA, SHŌHYŌ TO SHŌHYŌHŌ (Trademark and Trademark Law) 73 (1959); M. AMINO *supra* note 54, at 306.

57) K. Toyosaki, *supra* note 50, at 276; S. MITSUISHI, *supra* note 54, at 69. As a critical opinion, see, Y. Harima, *Wagakuni ni okeru Kishakuka Riron Tekiyō no Saikentō* (Reexamining of application of dilution theory to the Japanese law), in 1 KŌGYŌSHOYŪKENHŌ NO KIHONMONDAI (Basic problems of industrial property law) 155 (1969).