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Japanese Intellectual Property Law in Translation: Representative Cases and Commentary

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Translation and Commentary

Japanese Intellectual Property Law in Translation: Representative Cases and Commentary

*Kenneth L. Port**

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I. INTRODUCTION

Like much of Japanese law, Japanese intellectual property law is often criticized as being inaccessible. This inaccessibility has contributed to the misperception that Japanese case law regarding intellectual property does not exist. Even if it exists, the perception goes, it takes forever to track down and it is nearly irrelevant.

* Professor of Law, Marquette University Law School; Visiting Fulbright Researcher, Tokyo University, 2000-2001; Visiting Professor of Law, William Mitchell College of Law, 2001-2002. I am indebted to the Fulbright Program. I was able to spend the time translating the cases in this Commentary only because of the financial support of the Fulbright Grant that I received for the academic year 2000-2001.

This Commentary, in a very modest way, is aimed at debunking the myth that Japanese case law regarding intellectual property is either non-existent or less meaningful than its U.S. counterpart. This Commentary consists of five translations of recent, significant intellectual property cases, as well as commentary regarding the relevance and meaning of each case.

In the end, the most important objective of this Commentary is to show in bright letters that Japanese case law on intellectual property does exist and that it has a very rational and rich intellectual grounding.

Although the inaccessibility of actual opinions has been hard to refute, in September of 2000 the Japanese Supreme Court added an intellectual property category to its web page, www.courts.go.jp. In one motion, this has drastically reduced, if not totally eliminated, the appearance of inaccessibility. Now, sometimes even on the same day as they are issued—as in the *JACCS Case* translated below, intellectual property cases are posted on this cite in very easy to read, large Japanese print.

II. MORAL RIGHTS CASE

Moral rights are given very broad protection in Japan. In the case that follows, a young man produced an adult video tape of a video game character developed by the giant game manufacturer Konami. To enhance the association, the defendant even appears to have changed his last name to be very similar to Konami's name.

A. *Konami, K.K. v. Ichiro Komami*^{1, 2}

Formal Judgment

1. The defendant is hereby enjoined from manufacturing, selling, or distributing the Video Tape as defined herein;
2. The defendant is hereby ordered to destroy the master and all copies made of the Video Tape as defined herein;
3. The defendant shall pay the plaintiff the sum of 2,275,000 yen plus 5% interest per annum calculated from July 19, 1998, until this amount is paid in full;
4. The remainder of plaintiff's claims are hereby rejected;
5. Costs shall be divided into three parts. The plaintiff shall be responsible for 2/3 and the defendant shall be responsible for 1/3 of those costs.
6. The monetary awards of this opinion may be enforced provisionally.

1. *Konami, K.K. v. Ichiro Komami*, 1696 HANREI JIHŌ 145 (Tokyo Dist. Ct., Aug. 30, 1999) [hereinafter *Konami Case*].

2. All translations herein were done by the author.

Facts and Reasoning

I. Plaintiff's Demands

The plaintiff [Konami, K.K.] demands that the defendant, Mr. Ichiro Komami be enjoined from manufacturing, selling, or distributing his Video Tape as defined below. The plaintiff also demands that the master and all copies of that Video Tape be destroyed. The plaintiff further prays for damages in the amount of 10,840,000 yen plus 5% per annum calculated from July 19, 1998 until this amount is paid in full.

The plaintiff further demands that the defendant publish a letter of apology in the national editions of the *Asahi* Newspaper, the *Yomiuri* Newspaper, the *Mainichi* Newspaper, and the *Nippon Keizai* Newspaper.

II. Nature of Dispute

In this dispute, the plaintiff is the copyright holder to a video game for use on a computer. The plaintiff claims that the defendant produced an animated video that is based on the principal characters the plaintiff created. This conduct, the plaintiff alleges, amounts to an infringement of its copyrights (the right of reproduction and the right of adaptation) and its moral rights (the right to preserve the integrity of a work). The plaintiff has prayed for an injunction ordering the defendant to cease its manufacture, sale, and distribution of its Video Tape and for specific monetary damages.

A. Facts (except for evidence to the contrary, these facts are stipulated to by the parties)

1. The Parties

The plaintiff—Konami, K.K.—is a corporation that manufactures and sells video games and other amusement devices.

The defendant—Ichiro Komami—is an individual who, under the pen name “Shane,” conceives, produces and sells on-the-spot photographs, animations and parodies.

2. The Plaintiff's Copyrightable Works

The plaintiff, through its employees, created a computer video game titled “Tokimeki (Heartthrob) Memorial” (hereinafter plaintiff's video game). On May 27, 1994, it secured copyright and moral right protection for plaintiff's video game.

The plaintiff's video game is a computer video game that simulates life at “Kirameki High” for a Japanese boy. The object of the game is to get the main character, Shiori Fujisaki, or another female student, to express her love to the player of the game on graduation day. The

plaintiff's video game is sold as one game for use on the Playstation home entertainment system. (Plaintiff also sells its software for use on PCs but has elected here to focus on the protection of its copyright as used on the Playstation system.)

3. Defendant's Conduct

The defendant, without the authorization of the plaintiff, created an animation called "Dogimagi Imagination" using a likeness of Shiori Fujisaki, the principal character in plaintiff's video game (herein referred to as defendant's Video Tape). In January of 1997 the defendant (on consignment) sold its Video Tape to the general public at a store in Tokyo's Akihabara's district. Furthermore, after making sales of its Video Tape, the defendant manufactured and sold serial copies of its work.

III. Issues

1. Does the Video Tape Infringe the Plaintiff's Copyrights or Moral Rights?

The plaintiff claims that the defendant is using a likeness of Shiori Fujisaki in its Video Tape. Plaintiff claims that it created the character and made it popular. As such, the plaintiff claims that the defendant's Video Tape infringes both its right of reproduction and its right of adaptation under the copyright law.

Furthermore, the plaintiff alleges that the defendant's Video Tape is an animated version of Fujisaki's likeness, portraying her engaged in sexual conduct as a form of adult entertainment. As such, the plaintiff alleges that the defendant tarnished the innocent image of Fujisaki, has brought on a transformation of the plaintiff's video game and, therefore, violates the plaintiff's right to preserve the integrity of the work [one of the moral rights under the copyright act].³

The defendant counters that Fujisaki is a generic character lacking sufficient originality to warrant copyright protection. The defendant further contends that characters in the abstract receive no copyright protection. As such, there is no infringement of the plaintiff's right to reproduce the work.

Next, regarding the right to preserve the integrity of the work, the defendant argues that a side-by-side comparison should be made and that Fujisaki's image should not be part of the analysis. Even if Fujisaki's image is part of the test to determine if this right has been violated, defendant argues, Fujisaki's image—although an honor student—is not innocent. In addition to the fact that the theme of plaintiff's video game is love, it also conjures up images of lovemaking. As such, Fujisaki's image is not innocent.

3. Chosakuken ho [Copyright Act], Law No. 48 of 1970, art. 59 [hereinafter Copyright Act].

Furthermore, even if the plaintiff's right of reproduction and its right to preserve the integrity of the work are infringed, defendant should not be found liable for copyright infringement because defendant created the work in order to connect with his own counter culture.

2. Damages

Regarding damages, the plaintiff alleges that the defendant has made a profit of 840,000 yen in selling its Video Tape. Plaintiff alleges that it was damaged in that amount.

(This amount was calculated as follows: cost per video sold (1,400 yen) - production costs per video (300 yen) × the number sold (900) - animation costs (150,000 yen) = 840,000 yen.)

The plaintiff further alleges that as the defendant's Video Tape has created nearly irreparable injury to the innocent image of Fujisaki, an image painstakingly created by the plaintiff, damages based on the right to preserve the integrity of the work should be 10,000,000 yen.

As such, plaintiff claims a total of 10,840,000 yen in damages.

The defendant takes issue with the plaintiff's claim to monetary damages. The defendant claims that if one takes into consideration all production costs involved in making its Video Tape, it realized no profit from its sales.

Furthermore, the defendant alleges that its production of its Video Tape was done to defendant's tastes and was only done as a connection to his own counter-culture; the plaintiff's demand for damages is inappropriate.

3. Apology

The plaintiff alleges that its moral rights (the right to preserve the integrity of the work) has been infringed by the defendant; it has a right to demand that the defendant publish an apology in order to restore its work's reputation.

The defendant contests this claim.

IV. Judgment

A. Infringement of plaintiff's copyright and moral rights

1. Copyright infringement

Based on the above facts, we hold as follows:

The plaintiff's video game is the fictitious simulation of a "Kirameki High" from a male student's point of view. It consists of the experiences of everyday life of a male student in his senior year at that school. When certain conditions are satisfied by the player of the game, Shiori Fujisaki or some other female student expresses her love to the player of the game. In the plaintiff's video game, Fujisaki is the lead female character. Fujisaki has a small, pointed chin and large, black pupils (the area below the pupil is accented with red). Her bangs are short but her

hair in the back goes down to the middle of her back. She has reddish hair tied up with a yellow ribbon. There is a white line where her neck meets her breastbone. She appears to be the archetypical high school student wearing a light blue uniform. Given the features of her hairstyle and face, we hold that Fujisaki is an original literary creation.

In the defendant's Video Tape, a female high school student appears. A large image of a high school student is drawn on the package in which the video is sold. This girl has a small, pointed chin and large pupils (the area under the pupil is accented with red). Her bangs are short but her hair in the back goes down to the middle of her back. She has reddish hair tied up with a yellow ribbon. There is a white line where her neck meets her breastbone. She appears to be the archetypical high school student wearing a light blue uniform.

Comparing the plaintiff's version of Fujisaki with the female high school student portrayed in the defendant's video, we hold that the defendant's work is both a copy and an adaptation of the plaintiff's character as the appearance, hairstyle, and uniform of the two characters are essentially the same.

2. Right of Integrity

As explained above (evidence omitted), the plaintiff's video game consists of a love simulation in a fictitious high school called "Kirameki High." Shiori Fujisaki appears in this video game as one of the characters. She is portrayed as an honor student with an innocent, fresh personality. Boys who play the plaintiff's video game enact everyday life as well as school life. The game is comprised of a love relationship with Fujisaki, but Fujisaki never engages in any sexual conduct.

On the other hand, defendant's video consists of the same scene where the Fujisaki character professes her love to the player of the game; however, in the defendant's version, after the expression of love, the Fujisaki character, portrayed with an innocent personality, engages in sexual conduct with a high school boy during a ten minute segment clearly directed at an adult audience.

In the defendant's video, the name Shiori Fujisaki does not appear; however, the viewer of the video would recognize the character as Shiori Fujisaki for the following reasons:

- The character that appears on the defendant's package and the real Fujisaki resemble one another down to the minutest detail. They have similar features, their long black hair trained to the left, their necks are bent in the same angle, even their hair shares the same white highlights.
- The defendant's package contains a similar title ("Dogimagi Imagination"), the packaging uses the same design and color lettering and uses the same blue background.
- On the video, it says, "Confess your true feelings." This is done to explain the association with the plaintiff's video game.

Therefore, the defendant has violated the plaintiff's right to preserve the integrity of the work by portraying the plaintiff's character in a context where she is performing sex acts.

We also reject the defendant's contentions that he produced his video only as a way to connect with his own counter-culture and his claim that the Fujisaki character is uncopyrightable and therefore not infringed.

3. Summary

Therefore, we find grounds to support plaintiff's contention that the defendant be enjoined from producing or distributing its video tape and that all copies of it be destroyed.

B. Calculation of Damages

1. Damages Based on the Copyright Infringement Claim

The evidence shows that defendant produced and sold 500 copies of its video tape for 1,400 yen each, or a total gross revenue of 700,000 yen. The defendant paid 200,000 yen to a director and voice actors but did the writing and animation himself. Duplication fees came to 175,000 yen (each tape cost 350 to duplicate). The defendant also paid 50,000 yen for packaging. The total costs the defendant incurred were 425,000 yen. Therefore, the defendant realized 275,000 yen in profits from the manufacture and sale of its Video Tape. The defendant also claims that he incurred additional costs such as the cost of a personal computer and animation software to produce his Video Tape. It is not appropriate, however, to consider such indirect costs and so they have been excluded.

Therefore, we hold that the amount of damages the plaintiff suffered as a result of the defendant's infringement was 275,000 yen.

2. Damages Related to the Right of Integrity

The evidence establishes that the plaintiff's video game was a large success. By March of 1998, it sold 1,200,000 copies of the game and it had become a very popular video game. In 1997 the game won various software awards in Japan. The lead character of the game, Shiori Fujisaki, became very well known. In 1997 Shiori Fujisaki was selected as the most popular fictional character in a video game. As a derivative work, plaintiff produced a CD of Shiori Fujisaki singing popular songs. The plaintiff manufactured and sold a host of merchandise related to the game. Stills from its video game appeared in movies. The plaintiff has also published novels on these characters. In all of this, Shiori Fujisaki is portrayed as an honor student, innocent and pure.

The result of the defendant's conduct, however, which violated the plaintiff's right of integrity was to turn the innocent and pure Shiori Fujisaki into a base, crude character as one might expect in an adult oriented video animation. Defendant intentionally created a character that would tarnish the work created by the plaintiff.

As such, plaintiff has been damaged to a substantial degree. To compensate plaintiff for the damages incurred by the plaintiff in this regard, we award plaintiff 2,000,000 yen.

3. Total

Therefore, in total, we award plaintiff 2,275,000 yen in total.

V. Conclusion

Therefore, we hold in favor of the plaintiff as stated above. There is no need to publish an apology under these circumstances.

B. *Konami Case Commentary*

This case raises several interesting copyright related issues. Perhaps the most striking issue is the idea that a corporation can possess moral rights and that they might be infringed. Usually, moral rights are individual rights that are inalienable and survive sale or other transfer.⁴ Therefore, corporations are usually not eligible for moral rights as there is no true "author" in the personal sense.

In the *Konami Case*, the court does not specifically mention this issue. The court does note, however, that Konami, "through its employees," created the work in question.⁵ The court seems to be vaguely showing that, in the end, people created the work on behalf of the plaintiff corporation, not the corporation itself. If that truly is the court's position, however, then the individual employee-authors ought to be the moral right claimant, not the corporation.

As in France, moral rights in Japan are inalienable.⁶ Therefore, the corporation itself, technically, does not own the moral rights at issue here. They are owned, to the extent they exist, separately by the individual employees who created the game program. That is likely a large number of people. Perhaps this is why the court conveniently lumps the moral rights into all the rights owned by Konami and does not raise the matter further.

Putting the ownership issue aside, the court in the *Konami Case* addresses the right of integrity of the work. It finds for the plaintiff and

4. *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 53 U.S.P.Q.2d (BNA) 2021 (S.D.N.Y. 2000) ("It is undisputed by the parties that moral rights are inalienable and unassignable."); 1 WILLIAM F. PATRY, *COPYRIGHT LAW AND PRACTICE* 137 (1994); Roberta Rosenthal Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 5 (1985). See generally 1 STEPHEN P. LADAS, *THE INTERNATIONAL PROTECTION OF LITERARY AND ARTISTIC PROPERTY* §§ 272-287 (1938); 2 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 8.21[A], at 8-249 (1978); Martin A. Roeder, *The Doctrine of Moral Right: A Study in the Law of Artists, Authors and Creators*, 53 HARV. L. REV. 554, 559-72 (1940).

5. *Konami Case*, *supra* note 1.

6. Copyright Act, *supra* note 3.

finds 2,000,000 yen in damages based on this count. This amount is, in fact, the bulk of the award. If not for the moral rights claim, the damages would have been a paltry 275,000 yen.⁷ This should demonstrate the potential significance of the moral right. The ironic aspect of this award is that the court is essentially ordering the defendant to pay damages so that the plaintiff might recover the reputation of a cartoon character.

The copyright infringement analysis of the case is in keeping with standard copyright infringement analysis in the United States. The court first considers whether the plaintiff's work is original and then whether the defendant's work is substantially similar to the plaintiff's work. The court finds not only similarity but actual copying. It engages in a detailed, fact-specific inquiry one would expect and arrives at the obvious conclusion: the defendant copied and therefore owes the plaintiff damages.

Contrary to popular opinion, courts in Japan usually do not order public apologies even though many statutes allow it and many plaintiffs pray for it. This case is no exception. The plaintiff demanded an apology, and the court dismissed it as inappropriate. If apologies ever were granted by Japanese courts, this case would have been a likely candidate. What better way to start repairing the reputation of the plaintiff's video game character? The fact that the court refused to order a public apology even in this case indicates how truly reluctant Japanese courts are to order apologies.

Finally, in a post-decision development, the Japan Weekly Monitor on October 30, 2000 reported that Konami, K.K. and two securities firms would offer a new mutual fund, the yield of which is linked to sales of Tokimeki Memorial and a New Tokimeki Memorial video game.⁸ The greater the revenue produced by sales of the games, the higher the yield for investors.⁹ The Japan Weekly Monitor quoted Toshiro Tateno, Konami senior managing director saying that "Those investing in the production of the software would develop greater affection for the games themselves and that may have the side effect of producing greater sales."¹⁰

7. Using the recent exchange rate of ¥123.14 to \$1.00 (U.S.), ¥275,000 equals \$2,233.23. See *Key Currency Cross Rates*, WALL ST. J., Apr. 27, 2001, at C15.

8. *Mizuho, Monex to Sell Mutual Fund Based on Sales of Software*, JAPAN WEEKLY MONITOR, Oct. 30, 2000, LEXIS, News Library, ALLNWS File.

9. *Id.*

10. *Id.*

III. DILUTION

In 1993, the Japanese Unfair Competition Prevention Law was amended to protect "well-known appellations of source."¹¹ Article 2-1-2 of that amended law reads as follows: "[An act of unfair competition is defined as] the act of using an appellation of source which is the same as or similar to the well-known appellation of source of another . . ."¹² This is the Japanese dilution provision even though it does not use that word.

Prior to the enactment of this amendment, trademark owners whose marks were diluted still prevailed over alleged diluters on the bases of unfair competition in general or on interesting judicial expansions of the trademark law. The *Walkman Case* below is one such example.

A. *Sony, K.K. v. Yugen Kaisha Walkman*¹³*Formal Judgment*

1. The defendant shall cease use of the trade name "Yugen Kaisha Walkman" or "Walkman" [in *katakana*]¹⁴ on or in connection with the sales of shoes or clothing.
2. The defendant shall immediately commence proceedings with the Chiba Corporate Name Registry to cancel the trade name "Yugen Kaisha Walkman."
3. The defendant shall cease use of the word "Walkman" on all packaging, receipts, signs, and advertisements.
4. The defendant shall discard all advertising material bearing the trademark "Walkman" including all packaging, receipts, signs, and other advertisements.
5. The defendant shall pay the plaintiff the sum of 3,000,000 yen plus 5% per annum until the total amount is paid.
6. The defendant shall bear all costs for this litigation.

11. Fusei kyoso boshiho [Unfair Competition Prevention Law], Law No. 14 of 1934, amended by Law No. 47 of 1993.

12. This simple translation is actually a good example of the trouble one has in translating Japanese legal concepts into English. The phrase I have translated as "appellation of source" is, in fact, not very literal. The Japanese phrase is *shohinnado hyoji*. This is often translated as "indications on goods and other indications." Literally, the phrase reads "product, etc., indicators." These two options do not communicate the intent of the phrase. The cases bear out that the real intent of the phrase is to protect the source identifying function of marks or other source denoting aspects of a product. Thus, I translate the phrase as "appellation of source" even though it is not literal.

13. *Sony, K.K. v. Yugen Kaisha Walkman*, 1598 HANREI JIHŌ 142 (Chiba Dist. Ct., Apr. 4, 1996) [hereinafter *Walkman Case*].

14. *Katakana* is squarish Japanese syllabary used for foreign words.

* * *

Reasoning

- I. The Defendant Does Not Dispute Claim Number 1 (Standing) or 2 (The Nature of Plaintiff's Trademark Right) of the Complaint
- II. Claims Regarding the Trademark Law

1. Count 3 of the Complaint (Defendant's Use of Trademarks)

The parties stipulate that, as is stated in Count 3 of the Complaint, the defendant makes use of certain trademarks, namely the word "Walkman" both in English letters and in *katakana*. Furthermore, according to the evidence, such use of these trademarks is done pursuant to the conditions enumerated below.

The parties further stipulate that the defendant operates a small store that sells shoes and clothing and that all products sold by the defendant are manufactured by vendors other than the defendant and that such vendors attach their trademarks to such products prior to selling them to the defendant.

Upon making a sale, the defendant wraps the goods in paper, places them in a polyethylene bag and hands the purchased goods to the customer. The customer carries its purchased products home in such bag. The plaintiff claims that this bag with wrapping is used in connection with the sale of the goods. This bag is roughly 60 centimeters by 35 centimeters and is the color yellow. In red on both sides of the bag appears the word "Walkman," in both English letters and in *katakana*, in letters approximately 20 centimeters across. These words are communicated to the public in this manner as the customer carries the bags home. Finally, on the bags between the words "Walkman" in English letters and in *katakana* appears the following words in fine, small, red print: "Sneakers & Sports, Brand Shop" in *katakana*.

The cash register receipt is generated automatically by the register and records the transaction. This receipt is given to the customer. The date, amount of money tendered, and the change due are all recorded on this receipt. Across the top of the receipt, the word "Walkman" in *katakana* appears in small type and in larger type appears the word "Walkman" in English.

The price tag is attached to the articles being sold in the store and bears the price of the good. On the price tag is printed not only the price but also the word "Walkman" in *katakana*.

The advertisements introduce the customer to the products being sold, bear a photograph of the goods, their brand names, size, color, and price. On the back of these advertisements in rather large type appears the word "Walkman" in English letters and to the right of this appears in comparatively small type the word "Walkman" in *katakana*. Also on

these advertisements appear the defendant's hours of operation, its telephone number, and a small map showing how to locate the store.

Both in the store and on the exterior of the store building the defendant has placed a rather large sign. The sign indicates the products and brands the store carries and the defendant's telephone number. The sign also bears the words "Walkman" in both English letters and in *katakana* in large, yellow print outlined in black so as to be noticed by customers. There are also banners placed near or around the store. These banners also bear the words "Walkman" both in English letters and in *katakana* written in yellow letters with black outlining. The store's awning is placed immediately above the entrance. It, too, bears the words "Walkman" in English letters and in *katakana* written in yellow with black outlining so as to be noticed. A map of the neighborhood has been erected very near the defendant's store. It indicates that the defendant's store is very near. On this sign, next to the words "Walkman" both in English letters and in *katakana*, appear the words "immediately in this direction" above an arrow.

a. The bags in which the defendant places its goods [which bear the words "Walkman" in English letters and in *katakana*] play the dual function of being a carrying device for the customers and also to advertise the defendant's products. Therefore, the act of placing the defendant's goods in these bags and handing them over to the customer can be appropriately considered conduct which advertises the defendant's products pursuant to Articles 2-3-2 and 2-3-7 of the Trademark Law. Furthermore, the cash register receipts can be considered use of the mark in distribution of the goods pursuant to Article 2-3-7 of the Trademark Law. Also, use of the price tags as described above constitutes use of a trademark as contemplated under Article 2-3-7 of the Trademark Law. Finally, the defendant's advertisements and signs can be considered use of a trademark under Article 2-3-7 of the Trademark Law.

b. The defendant argues that it is inappropriate to consider its acts as use of a trademark because in all instances it intends to merely express the nature of its business and the store's name and to describe its goods. Furthermore, according to counsel for the defendant, "Walkman" is an abbreviation of the defendant's registered legal name of its store. Therefore, because the defendant is a small shop selling shoes and clothing and because all of the products it sells are manufactured by others and bear the manufacturers' trademarks, even if it places the words "Walkman" in English letters or in *katakana* on bags containing those products, purchasers or other consumers realize that these are not marks that identify the manufacturer of the goods.

Although the defendant's marks are identical to one portion of its legal name, they are not identical to its entire legal name but merely an abbreviation of it. Because there is no evidence to indicate that such

abbreviation identifies the defendant, one cannot say that the defendant's marks merely express the defendant's legal name. Also, because the defendant's marks are pictorially designed representations, they would usually not be used merely to identify a company's legal name or the store's name. Therefore, it is difficult to say that these representations merely identify the defendant's legal name or its store's name especially because the defendant's use of the word "Walkman" in *katakana* is in such a designer script. Furthermore, the defendant's use on its bags, etc. as described above is done in large letters and in a manner to be noticed by customers. Therefore, defendant's use of such marks in such manner does not merely identify the defendant's legal name or the store name. Finally, the defendant's use of the words "Sneaker & Sports, Brand Shop" on its bags is not sufficient to dissuade this court from this judgment.

One objective of using trademarks is the function of distinguishing one maker's products from another's. This function of trademarks is not only to identify the maker's goods and distinguish its products from others, but also to identify a consistent source of the relevant goods based on the seller's reputation. The defendant's use of the marks on its bags, however, represent products sold by the defendant and the relevant goods chosen by customers based on the defendant's reputation. As such, these marks are not used to distinguish the defendant's products from those of another. Use of the marks on the cash register receipts and the advertisement bills effects the same result. Similarly, because the defendant uses its signs in order to advertise its goods and to show where the store is located, these signs do not have the function of identifying the goods sold by the defendant based on the defendant's reputation.

Therefore, we reject each of the defendant's arguments stated above.

2. Count 3-2 of the Complaint (Similarity Between the Plaintiff's Marks and the Defendant's Marks)

Comparing the defendant's trademarks with the plaintiff's, we conclude that they are similar in sound, meaning, and appearance. Initially, we note the following distinguishing points on how the relevant marks are used: (1) The defendant's mark consisting of the word "Walkman" in English incorporates a design of a shoe whereas the plaintiff's does not; (2) the defendant uses the word "Walkman" in stylized print while the plaintiff's mark is in block print; (3) and under the plaintiff's mark "Walkman" appears the word "Walkman" in *katakana* while the defendant's mark does not. Regarding (1) above, however, the defendant's design merely consists of a generic rendition of a shoe. Furthermore, as the plaintiff argues and is further explicated below, the plaintiff has been using the term "Walkman" as a trademark since July of 1979 on or in connection with the sale of cassette tape recorders. Since that time, because of the mass media's attention to the

mark and a near explosion in sales, by 1980 the trademark "Walkman" had become a well-known trademark. Therefore, when a consumer is confronted with the word "Walkman," the sound and meaning of the mark cause a very strong association with the plaintiff. Based on this fact, we find that the shoe design which is part of the defendant's trademark is merely an auxiliary part of the mark and not a predominant part of the mark and therefore cannot serve to distinguish the defendant from the plaintiff. Regarding points (2) and (3) above, we find that there is no difference in the sound, meaning, and appearance of the plaintiff's marks and the defendant's marks.

Based on the above stated grounds, we hold that the defendant's mark consisting of the English word "Walkman" is similar to at least two of the plaintiff's marks incorporating the same English word.

Defendant's mark in *katakana* is also similar to at least two of the plaintiff's marks. Even though the plaintiff's marks include the English word "Walkman" and at least one of the plaintiff's marks consist solely of the English word "Walkman," this fact provides no obstacle to a finding of similarity in sound, meaning, and appearance because people in Japan would generally consider the sound and meaning of the mark in *katakana* or in English to be identical because the mark "Walkman" has achieved such fame.

3. Plaintiff's Count 3-3 (Similarity of the Goods)

The plaintiff's registrations classify its marks under Class 17 and 22 of the old classification system, while the defendant sells shoes and clothing [and has not registered its marks]. There is no dispute between the parties regarding this point. The defendant sells polo shirts, T-shirts, and other shirts, coats, blue jeans, walking shoes, jogging shoes, and campus shoes. The defendant's goods clearly fit within the classifications stated above. The defendant argues that its goods fall under Class 24 of the old classification system which included sporting shoes and clothing. Sporting shoes, however, consist of shoes not usually used by people in their everyday lives such as ski boots, mountain climbing shoes, and baseball spikes. The defendant does not sell any such product. Also, sporting clothes are clothes used while engaging in some sporting activity. Again, the defendant does not sell such goods.

4. The Count for an Injunction

As explained above, the defendant's use of its marks infringes the plaintiff's trademarks. Therefore, the defendant is hereby enjoined from using the word "Walkman" in English or in *katakana* in connection with the sale of its goods.

5. Destruction of Infringing Goods

The defendant is also hereby ordered to destroy all infringing packaging.

6. The Claim for Damages

As the defendant has infringed the plaintiff's trademark rights pursuant to Article 37 of the Trademark Law (Article 103 of the Patent Law) ever since it established its business, we conclude that the defendant adopted such trademarks in a negligent manner. The plaintiff argues for the application of Article 38-2 of the Trademark Law [Presumption of Damages] and argues that the appropriate damages are at least one percent of the total value of all sales made by the defendant.

Pursuant to Article 38-2 of the Trademark Law, a person adjudicated of infringing the trademark right of another may be required to pay damages. Under Article 38-2, such damages are defined as the customary amount that would have been paid in royalties had a license existed between the plaintiff and the defendant. Therefore, we hold that, pursuant to Article 38-2, the defendant shall pay the plaintiff the reasonable and customary royalty normally charged by plaintiff for such use, regardless of whether or not the plaintiff claimed such damage and whether or not there was specific evidence to demonstrate such actual damages. The defendant shall pay, as was prayed for by the plaintiff, one percent of its total gross sales in damages because the plaintiff's mark was famous, the plaintiff was actively commercializing and protecting its mark, and the plaintiff had licensed the mark to Sony Industries, K.K. for a five percent royalty to manufacture and sell a wide range of goods now sold by defendant. Furthermore, because the defendant infringed the plaintiff's mark in the packaging and advertising of all of its products, damages should be determined accordingly. The parties do not dispute that in 1990 the defendant's total gross sales amounted to 220,000,000 yen; in 1991 gross sales amounted to 270,000,000; and in 1992 gross sales amounted to 432,000,000 yen for a total sales amount of 922,000,000 yen. One percent of that total is 9,220,000 yen.

The attorneys fees and costs for this case incurred by the plaintiff in the amount of 900,000 yen should appropriately be borne by the defendant as a consequence of its infringement.

Therefore, because the plaintiff's prayed-for-damages of 3,000,000 yen is within the scope of damages as articulated above, the plaintiff's demand for damages in the amount of 3,000,000 yen plus interest of five percent per annum calculated from the date this suit was brought—January 17, 1992—until the entire amount granted is paid.

III. Claims Under the Unfair Competition Prevention Law

1. Applicable Law

The plaintiff further demands an injunction pursuant to the Unfair Competition Prevention Law ordering defendant to have its corporate name, "Walkman Yugen Kaisha" canceled. There are no provisions in regard to such an injunction in the Trademark Law. Therefore, we next shall address the subject of this injunction and cancellation of the registered trade name under the Unfair Competition Prevention Law.

Although the amendments to the Unfair Competition Prevention Law which took effect on May 1, 1994, include in Article 2-1-2 a very low standard for the definition of use of a famous appellation of source and amended Articles 3, 4, and 5 permit a claim for an injunction, Article 3 Supplemental of that same law states that the provisions of Articles 3 to 5 shall not apply retroactively to conduct that commenced prior to the effective date of the amendments. Therefore, the provisions of the Unfair Competition Prevention Law as amended that address the use of famous appellations of source do not apply to this case.

For purposes of determining when an injunction is appropriate, Article 2-1-1 provides the conditions describing what use of well-known appellations of source fall under the Unfair Competition Prevention Law; Article 3 defines when an injunction is appropriate. The law as articulated at bar should apply here unless there are some special provisions to the contrary. It is difficult to find such special provisions in the amended law (see amended Article 2 Supplemental). Therefore, the determination of the injunction in this case should be made pursuant to the Unfair Competition Prevention Law as amended. (It should also be noted that the old law and the amended law do not differ regarding the requisite conditions for issuing an injunction.)

2.1 Plaintiff's Count 4-1 (Similarity of Products or Appellations of Source)

The defendant has conceded that the word "Walkman" in *katakana* is a famous representation of the plaintiff's goods in Japan. Therefore, it also concedes to the following factual determination.

The plaintiff is a company famous both in Japan and abroad as a company that sells primarily electronic goods. It succeeded in developing a miniaturized cassette tape player in 1979. These goods were unique in that they allowed the user to listen to music while they walked. The mark "Walkman" is derived from the English verb which means "to walk" and the noun "man" which means "person." These two words put together form the mark "Walkman." The plaintiff sells its cassette tape players bearing this mark. These goods arrived on the market in July of 1979 and were the subject of a venerable explosion in sales. The name "Walkman" became a frequent subject of stories on television, newspapers, and in magazines. Thereby, these goods became representative of the goods manufactured by the plaintiff. Therefore, by

mid-1980, the plaintiff became famous both in Japan and abroad as the manufacturer of these cassette tape players.

As the plaintiff's trademarks became famous, the plaintiff began engaging in activities to protect and to license such marks. As such, it entered into a license agreement with Sony Industries, K.K., a 100% solely-owned subsidiary. Through this subsidiary, it began licensing the use of its marks for the manufacture and sale of a wide range of products including shoes and clothing such as the defendant sells, but also including eye glasses, lunch boxes, beverages, range finders, and walking distance meters. Sony Industries, K.K. realized the following results after entering a license agreement with the plaintiff regarding shoes and clothing products similar to the defendant's goods.

a. Shoes

From January 1, 1983 until December 31, 1990, Sony Industries, K.K. was under a sublicense agreement with Hiroshima Kasei Kabushiki Kaisha for use of the "Walkman" trademark; from March 1, 1986 until March 31, 1989, it was under a sublicense agreement with Toyo Rubber Kabushiki Kaisha for use of the "Walkman" trademark; and from April 1, 1989 until March 31, 1992, it was under a sublicense agreement with Toyo Rubber Industries Kabushiki Kaisha for use of the "Walkman" trademark. Such sublicensees sold shoes in the normal channels of trade bearing the "Walkman" trademarks. The sales results of such activities are as follows:

Hiroshima Kasei, K.K.:

1983 = 39,405,000 yen
 1987¹⁵ = 50,978,280 yen
 1988 = 39,203,020 yen
 1989 = 63,133,940 yen
 1990 = 26,878,000 yen

Total = 260,661,530 yen

Toyo Rubber, K.K.:

1986 = 37,562,234 yen
 1987 = 28,459,696 yen
 1988 = 45,717,000 yen

Total = 111,738,930 yen

15. Translator's note: the gaps in the dates are in the Japanese original and were unexplained. These gaps obviously affect the total.

Toyo Rubber Industries, K.K.:

1989 = 31,734,180 yen

1990 = 45,387,970 yen

1991 = 6,788,010 yen

Total = 83,910,160 yen

b. Clothing

From January 1, 1984 until December 31, 1993, Sony Industries, K.K. was under a sublicense with Seiwa Kabushiki Kaisha to use the "Walkman" trademark on neck ties, mufflers, and other neck wear; from January 1, 1983 until December 31, 1985, it was under a sublicense agreement with Mitsui Bussan Kabushiki Kaisha to use the mark "Walkman" on vests, pants, shirts, etc.; from January 1, 1983 until February 31, 1985, it was under a sublicense agreement with Kabushiki Kaisha Mataichi Yoko to use the mark "Walkman" on sweaters and T-shirts; from April 1, 1983 until December 31, 1985, it was under a sublicense agreement with Kabushiki Kaisha Daikenseni to use the mark "Walkman" on various types of shorts.; from January 1, 1983 until December 31, 1986, it was under a sublicense agreement with Fukusuke Kabushiki Kaisha to use the mark "Walkman" on socks. The total resulting sales from all of these sublicenses are as follows:

Seiwa, K.K. = 53,981,000 yen

Mitsui Bussan, K.K. = 99,012,325 yen

K.K. Mataichi Yoko = 128,166,040 yen

K.K. Daikenseni = 24,251,016 yen

Fukusuke, K.K. = 54,967,260 yen

In each of the above sublicense agreements, appropriate provisions are provided for quality control, inspection, and advertising of the sublicensed products bearing the mark "Walkman."

By 1989, the plaintiff created a chain of regional stores. In order to increase sales of goods bearing the "Walkman" trademark, it allowed electronic stores around Japan to use the mark "Walkman Pro Shop." By February of 1992, ninety-seven such stores were using this mark in Japan—two of these stores were in Chiba City where this litigation commenced.

In response to a request by the plaintiff, in March of 1992 K. K. Densan conducted a survey according to the Telephone Survey Law to determine if consumers made a connection between the "Walkman" trademark and Sony as a famous name and to determine if there was an apprehension that consumers would associate "Yugen Kaisha Walkman" with the plaintiff. The sample population of the survey consisted of 500 individuals from high school to age 40 who lived in Tokyo or Chiba City. They were asked questions such as "What type of product do you think

of when you hear the word ‘Walkman?’” And “Who makes such products?” In Tokyo 41% of the respondents, and in Chiba City 48.5% of the respondents, said that “Walkman” referred to a portable tapeplayer and that Sony made the product. Of that population, 42.3% of those living in Tokyo and 27% of those living in Chiba City responded incorrectly regarding the product but correctly identified Sony as the manufacturer. Therefore, of those respondents living in Tokyo, 83.3% associated the mark “Walkman” with Sony, and of those respondents living in Chiba City, 76% associated “Walkman” with Sony.

Based on this analysis, it is clear that the word “Walkman” and the word as an appellation of source has become famous nationwide as a representation of the plaintiff’s well-known goods. Furthermore, it is also clear from this analysis that this appellation of source has come to identify the plaintiff.

2.2 Count 4-2 (The Defendant’s Goods and its Appellations of Source)

There is no dispute between the parties regarding the defendant’s goods or its appellations of source.

2.3 Count 4-3 (Similarity Between the Plaintiff’s Appellations of Source and the Defendant’s Appellations of Source)

The “Walkman” portion of the defendant’s appellations of source are identical in sound to those of the plaintiff’s.

2.4 Count 4-4 (Apprehension of Confusion Between the Plaintiff’s and the Defendant’s Products or Appellations of Source)

Acts which cause confusion pursuant to Article 2-1-1 of the Unfair Competition Prevention Law, as amended, are defined as the use of an appellation of source which is the same as or similar to another’s famous appellation of source—the name associated with a person’s business, a trade name, trademark, a product’s packaging, or other representations of a product or business. Such conduct is not actionable merely because it causes consumers to mistakenly believe that the defendant’s goods or its business is one in the same with the plaintiff, but also includes conduct that causes an apprehension of confusion as to the relationship between the plaintiff and the defendant, to believe they are parent and subsidiary company, to believe the defendant is a licensee of the plaintiff, or to believe they are structurally or economically related. Furthermore, the plaintiff need not be in competition with the defendant before such conduct is actionable.

Therefore, based on the above analysis, the consumers generally believe as follows:

- The appellation of source “Walkman” has become exceedingly famous in Japan;
- There is a close connection between the word “Walkman” as a coined term or as a indication with the plaintiff’s products;

- Many people associate the appellation of source “Walkman” with the plaintiff;
- The word “Walkman” has been licensed for use on a wide range of goods;
- These goods include shoes and clothes, the precise products on which the defendant uses the appellation of source;
- Through quality control of products bearing the appellation of source “Walkman” and through advertising, a close association has been made in consumers’ minds with the plaintiff and Sony Industries, K.K.; and
- The plaintiff is closely involved in the use of its famous appellation of source on famous products.

Therefore, we conclude that there is an apprehension that the average consumer would believe that, if the defendant used the word “Walkman” as part of its trade name in connection with its business activities or on its goods, there was some sort of special relationship between the plaintiff and the defendant, either in a structural, economic, or business sense.

Therefore, when this type of confusion occurs, we find that there is an apprehension that the defendant infringes the source denoting function of the mark, the consistent quality function of the mark, and the ability of the plaintiff to attract customers. Therefore, it is appropriate to conclude that there is an apprehension that the defendant’s conduct infringes the value of the plaintiff’s business pursuant to Article 3-1 of the Unfair Competition Prevention Law.

The defendant argues that because the mark “Walkman” is not a famous mark for use on shoes and clothes—the products it sells—there is no apprehension of confusion or of an infringement of the value of the plaintiff’s business. When broadly applying the Unfair Competition Prevention Law in finding an apprehension of confusion and an apprehension of an infringement of the value of the plaintiff’s business, however, it is not a condition precedent that the mark also be famous as used on the products the defendant sells. Therefore, we reject the defendant’s argument in this case.

Furthermore, the defendant argues that as a mere small shop selling shoes and clothing, there is not an apprehension of confusion because it is clear that the defendant is not a licensee of the plaintiff. We cannot conclude, however, that the plaintiff would not enter a license with a shop such as the defendant’s. Therefore, we reject this argument as well.

Finally, the defendant argues that because Article 11-1-3 of the Unfair Competition Prevention Law, as amended, states that an injunction shall not issue against the user of a appellation of source which is the same or similar to that of another unless it was adopted with illicit purposes, in December of 1985 when the defendant adopted the mark “Walkman” the mark had not become famous for goods other than cassette tape players, it was led to believe that it could use the

mark on shoes and clothing. The evidence here, however, shows that the appellation of source "Walkman" had become famous in Japan even before the defendant adopted the mark. Furthermore, the broad application of the law in this case stems from the fact that the defendant's conduct will assuredly cause an apprehension of confusion and an apprehension that consumers will mistakenly believe that there is some special relationship between the plaintiff and defendant regardless of whether the parties are in competition. Therefore, because the parties need not be in competition and a finding of fame of the relevant appellation of source in this case is appropriate, we reject the defendant's arguments.

Accordingly, the defendant may not use the words "Walkman"—that are identical to the plaintiff's famous products and appellations of source—on or in connection with the sale of its goods or in connection with its business. Furthermore, it may not use the word "Walkman" within its trade name as used in connection with its business. Therefore, the plaintiff's motion for a permanent injunction is granted. Also, the plaintiff's motion to cancel the defendant's registered corporate name is also hereby granted.

* * *

4. Conclusion

Accordingly, as we have held in favor of the plaintiff, Article 89 of the Code of Civil Procedure shall be applied to the allotment of costs [in finding defendant responsible for such costs].

B. *The Walkman Case Commentary*

In the *Walkman Case* above, the Chiba District Court very broadly interpreted and applied both the Trademark Law and the Unfair Competition Prevention Law. In applying the Trademark Law, the court found that the defendant's use of the word "Walkman" on signs, bags, and packaging used in connection with its small shoe and clothing store infringed Sony's registered trademarks, "Walkman" (in English) and "Walkman" in *katakana*. The court also found such conduct to violate the Unfair Competition Prevention Law as the defendant had used the plaintiff's famous appellations of source to create an apprehension of a misimpression in the minds of the consumers that there was some association between the plaintiff and the defendant. The key to this case for both counts was whether defendant's actions amounted to "use" of a trademark or appellation of source.

To answer that in the affirmative, the court really stretches the notion of "use." Using the store's name on a price tag would usually not be considered use of a trademark, especially when the product also bears the real trademark of the manufacturer of that article, and the parties are not in competition with one another. The court here, however,

aggregates all the trademark-like uses to conclude that an average consumer would take the overall impression of all of the uses of "Walkman" into consideration and believe some affiliation with Sony.

This case is important for several reasons. First, in analyzing the trademark infringement claim, the court focused on whether the defendant's conduct interfered with the functions of Sony's trademarks. This is a good example of how Japanese courts address trademark infringement. Rather than the mark being infringed, they are more concerned with whether the functions behind the mark are infringed.¹⁶ The functions identified here include the source denoting function, the consistent quality function, and the reputation of the plaintiff.

The second important proposition this case stands for is that in the application of the Unfair Competition Prevention Law, the defendant need not be in direct competition with the plaintiff before an injunction is proper. Here the defendant argued that it was not competing with Sony and that any person looking at its store and packages would know that Sony was not selling shoes and clothing in this small store in Chiba City. The court entirely rejected that argument. It found that when the marks or appellations of source are famous, the scope of protection is very broad. Therefore, even though the court found some minimal overlap in use of the "Walkman" trademarks by sublicensees of Sony, it also stated that such a finding is unnecessary in issuing its injunction.

Finally, and perhaps rather significantly, the court relied on a survey conducted by Sony. Japanese courts very rarely rely on survey evidence in trademark cases.¹⁷ The problem in this case is that the survey was conducted by the plaintiff for reasons not directly related to this litigation. The court does not critically analyze its validity or reliability, but does appear to rely on the survey results.

Although the Chiba District Court is not considered to be the leading court in Japan for trademark cases, this *Walkman Case* exemplifies much of the Japanese analysis of trademark infringement.

IV. PRODUCT CONFIGURATION

Perhaps one of the more interesting developments in Japanese intellectual property law was the inclusion in the 1993 amendments to the Unfair Competition Prevention Law, prohibitions against copying product configuration for three years after the product's introduction to

16. For a more detailed analysis of this point, see KENNETH L. PORT, *JAPANESE TRADEMARK JURISPRUDENCE* 87-88 (1998).

17. Yuriko Inoue, *Kodo no osore no rissho to anketochosa* [*Proof of Likelihood of Confusion and Surveys*], in CHITEIKIZAISAN NO CHORYU [*CURRENT TRENDS IN INTELLECTUAL PROPERTY*] (Institute of Intellectual Property ed., 1995).

the market.¹⁸ This statute prohibits these actions even without notice and without any registration or other claim to ownership by the plaintiff.

The amended statute reads in relevant part as follows:

[An act of unfair competition shall be defined as] the act of making exact or near exact copies of another's product, provided the product configuration is not the general shape of such products and, in the case of unique goods, the function and use of such good shall not be protected¹⁹

The next case establishes the likely parameters of this new, *sui generis* form of intellectual property.

A. *Matsui Corporation, K.K. v. Shaday, K.K.*²⁰

Formal Judgment

1. The defendant is hereby ordered to pay the plaintiff the sum of 2,041,117 yen or, commencing on February 1, 1996, one fifth of that amount per annum until the full amount is satisfied.
2. The remainder of the plaintiff's demands are rejected.
3. Costs of this litigation shall be divided in five. The plaintiff shall be responsible for four fifths and the defendant shall be responsible for one fifth of those costs.
4. The provisions of item number 1 above may be enforced provisionally.

I. Order

The defendant is hereby ordered to pay the plaintiff the sum of 2,041,117 yen or, commencing on February 1, 1996, one fifth of that amount per annum until the full amount is satisfied.

18. Fusei kyoso boshiho [Unfair Competition Prevention Law], Law No. 14 of 1934, amended by Law No. 47 of 1993.

19. *Id.* art. 2-1-3.

20. *Matsui Corporation, K.K. v. Shaday, K.K.* (Osaka Dist. Ct., June 18, 1998), at <http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/1BF0CE2F33053F5A4925693600A1A5B/?OpenDocument> (last visited April 29, 2001) [hereinafter *Bcar's Club Case*].

II. Background of the Case

A. Facts

1. Plaintiff's Sales

The plaintiff has been selling a towel set (as evidenced in the attachments below) bearing the words "BEAR'S CLUB" since June of 1994.

2. Defendant's Sales

a. The defendant has been selling towel sets—as evidenced by the attachments below demonstrating its old towel sets and the new towel sets—bearing the words "DECOT BEAR'S COLLECTION" since May of 1995.

b. During the period of August of 1995 to January of 1996, the defendant also sold a separate towel set. We shall refer to all of these products collectively as "defendant's goods."

B. Plaintiff's Demands

The plaintiff claims that the defendant's goods are exact replicas of its goods. As such, it claims that such conduct constitutes acts of unfair competition in violation of Article 2-1-3 of the Unfair Competition Prevention Law. Plaintiff further demands that the defendant pay damages that resulted from such conduct.

C. Points of Contention Between the Parties

1. Are defendant's goods merely copies of plaintiff's goods?
2. Does the shape of plaintiff's goods themselves infringe the trademark rights of another? And, if they do, can plaintiff still protect those shapes under the provisions of Article 2-1-3 of the Unfair Competition Preventions Law?
3. Is the defendant infringing the rights of the plaintiff?
4. What damages are owed to the plaintiff?

III. Detailed Description of the Points of Contention Between the Parties [omitted]

IV. Judgment

A. Regarding the Claim that the Defendant's Goods are Copies of the Plaintiff's Goods

1. Pursuant to a comparison of the evidence as shown in the attachment below and the party's arguments at bar, we hold that the shape of the defendant's goods (including the packaging and the rattan basket in which the product is sold) is a copy of the shape of the plaintiff's goods. Furthermore, both the defendant's goods and the plaintiff's goods are presented to and purchased by the consumer in the same packaging and encased in a rattan basket. Therefore, it is appropriate to consider the shape of the goods to be the focus of this case.

2. Regarding the Fact that the Defendant's Goods are Identical to the Plaintiff's Goods, We also Conclude as Follows:

a. When viewing the plaintiff's goods from the front when the goods are still wrapped in its box, the most significant impression one gets of the goods is that of a teddy bear and a towel with the bear imprinted on the towel all placed together in a large box.

The size, shape, and color of the defendant's teddy bear is identical to that of the plaintiff's goods. Furthermore, both the defendant's teddy bear and the plaintiff's teddy bear are wearing red cone-shaped hats with a white tassel near the bear's left ear. Both bears also include a round towel hanger attached to the respective bear's chest area. These are the primary characteristics of each bear and are designed to attract the attention of the consumer. Therefore, we conclude that the teddy bears' shapes are, for all practical purposes, exactly the same.

The defendant points out that the accessories included with its goods and the color of its towel hanger are different from the plaintiff's goods and thereby distinguish its goods. First considering the accessories, however, these differences are immaterial. The defendant's goods include a bag and the plaintiff's goods do not. Both bears' color combinations include red and white and the overall appearance of the two products are the same, however. Therefore, these differences are insignificant. Furthermore, the differences between the respective towel hangers is also immaterial. Admittedly, the defendant's towel hanger is brown and the plaintiff's towel hanger is reddish brown. Taking into consideration the nearly identical features of the goods, however, such as the size, shape, and adornment of the goods, and considering the overall similarity between the goods, the differences the defendant points out are irrelevant.

The towels included in the defendant's goods which include a picture of a teddy bear are very similar to the plaintiff's goods as well. Both parties' goods include a white towel bearing a picture of a cute teddy bear. The teddy bears are brown. The color of the clothing

and hat on the bears are red, blue, green, and yellow. The word "bear" as part of a logo appears prominently on the towels of both parties. These elements consist of the primary parts of the products and give the greatest commercial impression on the buyers.

As the defendant points out, there are differences in the color, size, shape, and numbers of the bears adorning the parties respective towels. These differences, however, do not relate to the most significant commercial aspect of the products. Taking into consideration the nearly identical nature of the goods as explained in sub-part (a) above, the differences the defendant has identified are trivial.

Therefore, we conclude that the defendant's towels as well bear a striking similarity to the plaintiff's towels.

The composition of the teddy bear and the towel, as shown by the evidence, are identical and their sizes are nearly identical. Furthermore, although the teddy bears are on opposite sides of the packages as presented by the plaintiff and the defendant—that is, the defendant's teddy bear is sometimes placed on the right side of the packaging while the plaintiff's teddy bear is placed sometimes on the left—this difference as well cannot be considered significant.

Also, it becomes apparent when comparing the defendant's goods with the plaintiff's goods that another difference exists. That is, some of the defendant's towel sets include a pink dish cloth with red and white hearts placed in the lower portion of the container.

The existence of this dish cloth and other differences in color or patterns are not imperceptible. Both the plaintiff's goods and the defendant's goods, however, consist of a towel set based on a cute teddy bear motif. Each includes a teddy bear of almost exactly the same size placed either to the left or right of center or in the middle of a rattan box.

The dish cloth is completely irrelevant to the teddy bear motif. Therefore, with or without the dish cloth, we conclude that the defendant's goods are identical in their overall appearance.

Furthermore, both the plaintiff and defendant's goods include a rattan box. Each uses the color scheme of red, white, and blue—although some patterns are different. Even the way the packages are wrapped in plastic and the way the goods are attached to the inner boxes are the same.

b. The defendant claims that because of the differences in colors in accessories being held by the teddy bear or towel or dish cloth, the plaintiff's goods appeal to men while the defendant's goods appeal to young women. Certainly, if one only looks at the differences in the pictures of teddy bears on the towels, one is likely to get the impression that the defendant's towel sets are oriented to young women and not men. The first impression of both the plaintiff's goods and the defendant's goods, however, is the cute towel set placed in a teddy bear motif. The different impression argued for by defendant is only observed upon close inspection.

c. We therefore conclude that the evidence sufficiently shows that the defendant's goods are factually identical to the plaintiff's goods.

3. The plaintiff commenced sales some eleven months before the defendant. The testimony of Mr. Sotome demonstrates that the defendant used the plaintiff's goods as a specific reference when designing its goods. Considering this and the fact that although it could have manufactured a towel set looking like anything else, the defendant chose to make one that looked exactly like the plaintiffs, we conclude that the defendant purposefully copied the plaintiff's product when it manufactured its own goods.

4. Therefore, we hold that the defendant copied the goods of the plaintiff.

B. Do the Shape of the Plaintiff's Goods Themselves Infringe the Trademark Rights of Others and, if so, Can the Plaintiff's Goods be Protected Under the Article 2-1-3 of the Unfair Competition Prevention Law?

1. Pursuant to the evidence submitted to the court, we hereby find the following facts:

a. The plaintiff's towels bear the logo "Bear's Club" and is visible without opening the package. This logo is the name of the product.

b. The clothier Marutaka is the owner of a registered trademark "Bear's club."

c. Marutaka Clothier became aware of the current litigation by reading a newspaper article. As such, Marutaka Clothier claimed that this use by the plaintiff actually infringed its registered trademark rights. The plaintiff settled that claim on December 11, 1995. Pursuant to that settlement agreement, the plaintiff admitted its conduct constituted an infringement and agreed to pay Marutaka Clothier 3% of its gross sales (150,293,200 yen) or 4,588,596 yen.

d. Subsequent to its settlement with Marutaka Clothier as explained above, the plaintiff changed its logo to "Bear's Trio."

2. Therefore, the defendant claims that because the plaintiff admittedly infringed the trademark rights of Marutaka Clothier in its use of the logo "Bear's Club" on its products, it cannot now take advantage of the provisions of the Unfair Competition Prevention Law to protect the overall shape of the product (a portion of which is the very logo of another).

Even if the victim of an act of unfair competition infringes the trademark rights of another, however, this fact should not prevent him from enforcing its valid rights under the Unfair Competition Prevention Law. In order to protect fair competition between business, the Unfair Competition Law presumptively regulates all forms of unfair competition. The unfair competition law must be interpreted this way so that its true objectives might be realized. Furthermore, the issue of trademark infringement is a matter between the plaintiff and a third party unrelated to this litigation. There are other laws that are sufficient to provide remedies in this regard. Certainly, when the victim of unfair competition is itself an infringer of someone's trademark rights, it is insufficient merely to leave it to litigation between the trademark owner and the victim of the unfair competition. When the illegality of the unfair competition is clear, it is appropriate to focus on the unfair competition law and allow the victim to seek its damages even if it had been an infringer of a third party's trademark rights.

As was stated in the findings of facts above, the plaintiff infringed Marutaka Clothier's trademark rights when it used the logo "Bear's Club." This logo was one portion of the plaintiff's overall product and did not consist of the overall appearance or shape of plaintiff's goods. Only two months after receiving Marutaka's claim, the plaintiff settled that matter while this litigation progressed. While changing their products and their logos, plaintiff settled with Marutaka and paid damages to Marutaka. Such circumstances should not hinder the plaintiff's ability to seek protection under the Unfair Competition Prevention Law.

3. As such, we dismiss all of defendant's arguments.

C. Infringement

Pursuant to the testimony of the plaintiff's representative, the plaintiff's goods and the defendant's goods are in actual competition in the market place. Therefore, we hold that plaintiff is being damaged by the defendant's acts of unfair competition.

The defendant argues that since the plaintiff's goods infringe the registered trademark rights of Marutaka Clothier and, as such, all sales inure to the benefit of Marutaka Clothier, the plaintiff is not damaged in any compensable form by defendant's actions. As was stated in part B above, however, the matter of trademark infringement is to be determined separately between Marutaka and the plaintiff herein; that matter has, in fact, been settled by those entities, and the plaintiff has even agreed to pay damages. Therefore, defendant's conduct does rise to a compensable offense vis-a-vis the plaintiff.

D. Damages

1. In this litigation, the plaintiff is asking for damages according to Article 5-1 of the Unfair Competition Prevention Law. The parties stipulate that the defendant sold its goods described herein generating a total gross revenue of 69,184,000 yen.

* * *

[The court then fixed damages as follows: total revenue generated (69,184,000 yen) minus the cost of producing the goods (58,266,000 yen) minus advertising costs (9,276,883 yen) equals the total compensable damages (1,641,117 yen)].

3. Further costs incurred by the plaintiff in enforcing its rights herein, including attorney's fees and other costs, totaled 400,000 yen.

4. Therefore, total damages in this case are 2,041,117 yen.

V. Conclusion

Therefore, the defendant is hereby order to pay the plaintiff the sum of 2,041,117 yen or commencing on February 1, 1996, one fifth of that amount per annum until the full amount is satisfied.

It is so ordered.

B. *Gibson Guitar Corporation v. Fernandes, K.K.*²¹

[Another way to protect product configuration is through Article 2-1-1 (confusion) of the UCPA and Article 2-1-2 (dilution). The *Gibson Guitar Case* defines the parameters of protecting product configuration under these two alternative avenues. Gibson Guitar Corporation sued its rival, Fernandes, K.K., for trademark infringement, dilution, and unfair competition. Fernandes conceded that it had intentionally "referred to" Gibson's Les Paul guitar but that by the mid-1990s the shape of the guitar had essentially become generic in Japan. The Tokyo District Court held in favor of Fernandes and Gibson appealed.]

21. *Gibson Guitar Corporation v. Fernandes, K.K.*, 1719 HANREI JIHŌ 122 (Tokyo High Ct., Feb. 24, 2000) [hereinafter *Gibson Guitar Case*].

Formal Judgement

- This appeal is denied.
- Costs of the appeal shall be the responsibility of the appellant.
- The parties have 30 days to appeal this ruling to the Supreme Court.

Reasoning

* * *

II. Appellant's Goods

A. The Fame of the Product Configuration of Appellant's Goods

1. Pursuant to testimony and arguments made in court, we find as follows:

a. In 1902 Gibson's predecessor company, Gibson Mandolin Guitar Manufacturing Company, was established. Under the name "Gibson," this company became known for manufacturing guitars and mandolins. Since approximately 1937, Gibson started manufacturing and selling electric guitars. As the boom in electric guitars that commenced in the United States in approximately 1945 grew, Gibson made efforts to manufacture and sell more electric guitars as well. In 1950 Gibson began planning the release of an electric guitar named after the famous musician named Les Paul. In 1952 Gibson began manufacturing and selling an electric guitar bearing Les Paul's name (hereinafter the Les Paul guitar). Subsequently, Gibson made minor changes to the configuration of the Les Paul guitar and began manufacturing and selling the electric guitar [references to evidence and exhibits has been deleted without further indication].

b. In the 1950s a new style of music called rock and roll was born in the United States. Using the electric guitar, rock music uses a dynamic (that is, an energetic, up-tempo) rhythm. As such, it allows musical expression in a lively manner. The electric guitar has become the symbol of rock music and rock music made it possible for the electric guitar to be a solo instrument. Rock music became very well known among young people and enjoyed a very serious following. Therefore, with the boom in rock and roll music in the United States and Britain in the 1960s, the number of people who purchased electric guitars rose as well.

c. As stated above, Gibson was manufacturing electric guitars prior to 1960; however, in 1961 Gibson had a falling out with Les Paul and ceased manufacturing that model guitar.

- d. The guitar style being manufactured and sold by Gibson up to 1960, especially the 1958 model, became the favorite guitar of Jimmy Page, a well-known guitar player with the famous rock band called Led Zeppelin. Also, the 1959 model became the favorite guitar of Mike Broomfield, also a famous guitar player in the United States. Other well-known musicians, including Eric Clapton, Jeff Beck, Duane Allman, Peter Green, and Mick Taylor, began using the Les Paul guitar at concerts. As such, the Les Paul guitar became the center of attention and it became popular with other rock musicians and fans.
- e. Various rock musicians and fans alike came to demand the reintroduction of Les Paul guitar. In response to this demand, Gibson reintroduced the Les Paul guitar in 1968. At this time, Gibson's product configuration of its guitar became famous in America and Britain as the shape of electric guitars used in the rock industry.
- f. Rock music became popular in Japan via music magazines, record sales, and other means. The performers mentioned above, Jimmy Page, Eric Clapton, Jeff Beck, Duane Allman, Peter Green, and Mick Taylor, also became popular in Japan. Jimmy Page, Eric Clapton, and Jeff Beck became especially popular. . . . [Popularity standings in Japan indicate that rock music featuring the electric guitar became very popular in Japan from 1970 to 1972.]
- g. The magazine called *Music Life* carried photographs and interviews of rock musicians using the Les Paul guitars. Specifically, in 1971 and 1972, the rock bands called Grand Funk Railroad and Credence Clearwater Revival used the Les Paul guitar in their concerts throughout Japan. As is stated above, the electric guitar symbolizes rock music and rock gave birth to the electric guitar solo. Moreover, the configuration of the electric guitar played prominently in the performers' guitar solos. As such, fans could not avoid noticing which electric guitar the performer was using and, therefore, the configuration, color, and appearance of the guitar rock musicians used became popular in Japan as well.
- h. By 1969 Gibson had reintroduced its guitar and started manufacturing it again. Around this time it was imported into Japan; however, because the guitar was expensive, the average rock band could not afford the guitar and so actual sales volume was small. This did not stop well-known music stores from putting the guitar on exhibition in their shops nor prevent the guitar from becoming the object of rock fan's admiration and desire.

i. Other efforts to copy the Les Paul guitar in Japan can be summarized as follows:

Soon after Gibson reintroduced its guitar in 1968 and 1969, Genraku Kiten, K.K. introduced its Lou Cass guitar bearing the brand name "bands" in *katakana* which was a dead copy of the Les Paul guitar.

- In 1970 Kanda Shokai, K.K. introduced its guitar bearing the GRECO brand under the model number "EG-360" (selling at 36,000 yen each) which was a dead copy of the Les Paul guitar. By 1974 this company had introduced twelve guitars under the "EG" series which were dead copies of Les Paul guitar (selling from 38,000 yen to 80,000 yen each). By 1977 this company was selling nineteen different guitars which were dead copies of the Les Paul guitar (selling from 38,000 yen to 100,000 yen each).
- In 1974 Teisco, K.K. was selling three different guitars under the TEISCO label which were dead copies of Les Paul guitars (selling at 36,000 yen each).
- By 1976 Nippon Gakki Seizo, K.K., using that company's label "yamaha," sold twelve different guitars which were dead copies of the Les Paul guitar (sold at 38,000 yen each).
- In 1972 Fernandes began manufacturing electric guitars in earnest and by 1976 sold—under the label of "bunny"—a guitar that was a dead copy of the Les Paul guitar (at 90,000 yen each).
- There were many other companies in Japan who sold other dead copies of the Les Paul guitar under various company logos.
- In magazine advertisements taken out by Fernandes in 1974, Fernandes makes the following claim regarding the "bunny" series guitar: "Take another look at the Gibson of the 40s and 50s." In the March 1981 issue of the "Guitar Magazine," Fernandes claimed "the most accurate [guitar] revival ever." In an instrument catalogue published in 1982, Fernandes described its guitar as "The Bunny RLG150, the standard model of 1959." In the May 1997 issue of Guitar Magazine, "Fernandes is in Japan! This model is that desired model that even Fender or Gibson couldn't get their hands on. This is the Eric Keys series who is a famous rock star. Many thanks to Fernandes." [The point of this advertisement is that guitar players in 1970 who could not afford Gibson or Fernandes' original models must have purchased Fernandes' copy model.] As such, Fernandes has intentionally sold its guitars as copies of the Les Paul guitar.

Perhaps at least ten manufacturers using thirty brand names have manufactured and sold copies of the Les Paul guitar under numerous brand names. These companies openly stated through advertisements that their guitars were copies of the Les Paul guitar.

In Japan, professional rock musicians or aspiring musicians since 1970 would go all the way to the United States in order to purchase a

real Gibson guitar rather than purchasing one of the numerous copies available to it in Japan.

2. [These facts establish that] the product configuration of Les Paul guitar had become famous in Japan by 1973 and well recognized within the rock music industry by both fans and performers.

Fernandes, however, does not provide sufficient evidence to support [its claim that the shape of the guitar had become functional and that foreign-made parts made its guitars cheaper in Japan.] Rather, it is clear from the facts articulated above that Fernandes actually took advantage of the fact that the Les Paul guitar had become famous in Japan as well as in the United States and Britain Therefore, we find no merit to Fernandes' argument.

Fernandes argues that in order to manufacture a guitar, it did not adopt the product configuration of the Les Paul guitar; rather, it adopted the shape of a guitar necessary to create an impression on the public, much as "APP" made an electric guitar that resembles Gibson's Les Paul guitar in 1942 and as Bigsby Co. did in manufacturing and selling a single cutaway guitar resembling the Les Paul guitar in 1948.

It is clear from the evidence that Fernandes, in fact, did began manufacturing a guitar resembling the Les Paul guitar in 1942 through another entity and that Bigsby, Co. manufactured and sold a single cutaway guitar that resembles the Les Paul design in 1948; however, compared to Gibson's guitar, the same evidence indicates that these guitars were not similar to the Les Paul guitar. As such, Fernandes' arguments are without merit.

Fernandes' other arguments are, similarly, without merit and are therefore dismissed.

B. Dilution

Gibson's Les Paul guitar became well known among rock musicians and fans in Japan at least by 1973. We also have found above that this product configuration has come to represent Gibson's goods in the music industry.

We have also found, however, that since at least 1973 Gibson's product configuration no longer represented the source or origin of any good. That is, for over 20 years more than 30 different brands were being used to sell guitars that resembled appellant's product configuration. During this period, Gibson admits that it took no steps to curb such use. Therefore, it is impossible to say that consumers recognize the source of the Les Paul guitar simply by looking at the good.

Thus, consumers would not remember the particular source of the guitars merely by looking at their shape.

On this point, Gibson argues that the dead copies being manufactured and sold in Japan were knowingly placed in the stream

of commerce as dead copies. The manufacturers were passing these products off not as their own goods but as those of Gibson's. As such, these copies in the stream of commerce diluted Gibson's ability to use the product configuration to identify it as the source of the goods. Therefore, Gibson argues that the Les Paul shape neither actually lost its ability to identify Gibson as the source of its guitars.

The reality, however, is that the consumers recognize Gibson's guitar as one of the many copies and, as such, Gibson's guitar configuration does not function to identify a particular source of the goods; rather it now identifies many sources of the particular goods.

Gibson argues that consumers, upon being confronted with the Les Paul guitar, confuse the configuration of the goods with the source of the goods. This, however, simply is mistaken. Even if consumers, when confronted with the Les Paul guitar, know that it originated with Gibson, and even if they know a copy from the original, they do not believe that all guitars shaped like the Les Paul model originated with Gibson.

C. Tort

Making dead copies of another's product configuration is prohibited by the Unfair Competition Prevention Law. If such conduct exceeds the scope of fair competition, it will be adjudicated to be a tort and Fernandes will have to pay damages.

As stated above, Fernandes intentionally attempted to take advantage of the level of customer recognition enjoyed by the Les Paul guitar. To do this, it manufactured and sold an elaborate copy of the Les Paul guitar. Except for extraordinary cases where the victim does not object to such copying, such conduct would generally be considered unfair competition. Therefore, Fernandes' conduct of intentionally copying and continuing to copy the Les Paul guitar should be considered to be acts of unfair competition and therefore constitute a tort against Gibson.

To the extent that such acts of copying exceed the accepted scope of free and fair competition, however, the victim of such conduct must take appropriate measures to seek redress.

Most importantly in this case, the copying of the Les Paul guitar by Fernandes and others happened over a period of some years. As a result, the product configuration of the Les Paul guitar became the favorite and well-known shape for an electric guitar and, as such, ceased to satisfy the source identifying function. In that sense, as was stated in the opinion below, the Les Paul guitar, by 1993, had become a standard design for electric guitars—a fact Gibson did nothing about for over twenty years.

On one hand, the facts plainly show that, in these circumstances, neither old nor new manufacturers of guitars in Japan felt any particular restriction regarding copying the Les Paul model.

At the same time, Gibson argues that its product configuration has been diluted by the use of the same or very similar guitar designs. . . . As stated above, however, Kanda Shokai, K.K. and other companies were not only selling the Les Paul copies, they had also set up branch stores in Japan to focus on the sale of such copies. We cannot ignore these facts.

In this manner, the copying done by Fernandes during the three year period provided for by the Unfair Competition Prevention Law—September 3, 1993 to September 2, 1996—does not satisfy the elements of this cause of action even if this copying occurred after the parties became competitors.

* * *

III. Gibson's Claims

Therefore, as Gibson's claims are without merit they are dismissed. The opinion below is appropriate and therefore it is affirmed. As Gibson has not prevailed, the award of costs and the term to appeal this decision to the Supreme Court shall be governed by Articles 61 and 96-2 of the Code of Civil Procedure.

C. *Commentary on the Bear's Club Case and the Gibson Guitar Case*

From a U.S. perspective, this new Article 2-1-3 product configuration is rather unusual. As mentioned in the *Bear's Club Case*, the law protects a product's shape even though the defendant had no prior notice of the claim of ownership and even though the owner did not register or take any other affirmative steps to state a claim of ownership to the respective shape. In the very least, this is a rather peculiar development.

On the other hand, as expected, the Japanese courts appear to be doing a rather good job narrowing what might otherwise be rather expansive new rights. The *Gibson Guitar Case* is a good example of drawing some specific limitations to the dilution and confusion rationales for protecting product configuration. That is, the shape of the Les Paul guitar had become, essentially, generic as used in Japan. As such, the court denied Gibson's attempts to monopolize the shape it had, for certain, developed years before.

The *Gibson Guitar Case*, however, demonstrates how potential plaintiffs may view this new legislation regarding dilution protection of product configuration. Attorneys for Gibson were perfectly aware of the expansive use of the Les Paul guitar shape in Japan. Even with this knowledge, they elected to file suit and litigate the case to this conclusion.

The case on the merits does not appear to be very strong given the amount of use in Japan and Gibson's lack of previous enforcement

efforts. Therefore, the Author contacted both Gibson and Fernandes and asked them the motivations behind the suit given the apparent weakness of the case on the merits.

Gibson declined comment.

Fernandes kindly instructed its attorneys to reply. Their response, in part, was as follows:

During the 1970s, according to the facts [sic] finding of the judgment, more than ten Japanese Guitar makers manufactured and sold guitars with shapes similar to Gibson's "Les Paul." Gibson had not taken any action against these products until Gibson sent a demand letter to Fernandes and sued Fernandes in 1993. You might assume the reason as follows: Gibson's products were high-grade ones with prices of 300,000 yen or more (even in the 1970s) and domestic makers' products were much lower graded with prices principally around 50,000 yen. Thus, consumers were definitely separated between Gibson and such Japanese makers and there was no competition between them. It rather seems that Gibson took the "flood" of cheaper products of Japanese makers as good advertisement for Gibson's "Les Paul." However, after the change of management of Gibson in 1986, Gibson extended its business to the market of such cheaper products, through its second or third brand such as "Epiphone" and "Orville." Thus, competition newly arose between Gibson and the Japanese makers, and Gibson changed its policy to exclude such competitors from the market by making use of unfair competition law.²²

That is, it appears that Gibson used the amended UCPA as a tool to carve up market share and exclude competitors or increase the cost of market entry for new competitors. This is precisely the result one would expect reading the expansive nature of the statute. Regarding Article 2-1-3 of the UCPA, Japanese courts also seem to be limiting the so-called "dead copy" law to situations of actual, intentional copying such as in the *Bear's Club Case* above.

V. CYBERSQUATTING

The following case is Japan's first cybersquatting case that has made it through the courts to a final decision. JACCS, the plaintiff, is a fairly well known credit card company but not famous to the extent of a MasterCard or Visa. Nevertheless, the court here found JACCS to be famous enough to warrant the injunction.

22. E-mail from Mr. Takeshi Kikuchi, Esq., to Professor Kenneth L. Port (Dec. 6, 2000) (on file with author).

A. *K.K. JACCS v. Nihonkai Pakuto*²³

Formal Judgment

1. The Defendant shall cease commercial activities using the domain name "JACCS" on its Internet web page.
2. The defendant shall cease using the domain name "www.jaccs.co.jp" which it registered with the Japanese Network Information Center on May 26, 1998.
3. The defendant shall be responsible for the costs of this litigation.

Facts and Reasoning

* * *

II. Nature of Dispute

A. In this case, the plaintiff claims that the defendant's use of the term JACCS both as part of its domain name and as a business appellation within its web page constitutes a violation of the Unfair Competition Prevention Act (Articles 2-1-1 and 2-1-2) and, as such, prays that the defendant be enjoined from use of the domain name and that the defendant be ordered to cease use of the term JACCS as an business appellation within its web page.

B. Stipulated Facts

1. Parties

The plaintiff is a corporation engaged in the credit card business; the defendant is a privately held corporation engaged in the manufacture, sale, and lease of toilets.

2. Domain names

Domain names are the method by which a computer connects to the Internet. They must be limited to thirty-two English letters. An Internet user can connect with a specific web page by entering the domain name.

Each country has an Internet information center which maintains domain names by not allotting identical domain names to different parties. In accordance with international practice, the system of priority is employed so that the entity to receive a specific domain name is the

23. *K.K. JACCS v. Nihonkai Pakuto* (Toyama Dist. Ct., Dec. 12, 2000), at <http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/31223C563AFFFF5E49256A00001EBD20?OpenDocument> (last visited Apr. 29, 2001) [hereinafter *JACCS Case*].

entity that applied for it first. In Japan, the Japan Network Information Center (JPNIC) allots domain names. The gTLD (Generic Top Level Domain Name) designate “.co” is allotted to general commercial entities that satisfy the following conditions: the applicant is a registered corporation; the applicant’s domain name is not identical to any existing domain name; and the domain name will identify a single corporation. When these conditions are met, JPNIC assigns the domain name to the first applicant [without conducting any further analysis]. As there is no requirement that the domain name be the same as the corporate name, the domain name applicant is free to choose its domain name and file its application. If the above conditions are met, JPNIC generally issues the domain name. Domain names can consist of English letter A to Z (case non-specific) and the single digit numbers of 0 to 9 and hyphens. Domain names, such as “www.abc.co.jp” consist of several levels. The country code consists of the “.jp” which stands for Japan.²⁴ The generic top level domain name “.co” is used to identify the general commercial nature of the registrant. The “.abc” portion is known as the secondary level domain name. The designate to connect to the World Wide Web is “www.” In this case, we shall refer to the secondary level domain name simply as “the domain name.”

3. Defendant’s Domain Name Registration

On May 26, 1998, the defendant was assigned the domain name “www.jaccs.co.jp” (hereinafter referred to as defendant’s Domain Name).

4. Defendant’s Web Page

On or about September of 1998 the defendant established its web page. [References to specific evidentiary exhibits deleted throughout.] On the web page, below the title “Welcome to JACCS’ web page,” the following links were provided: “Goods;” “Digital Cell Phone;” and “Nippon Kaisyo, K.K.” The links consisted of advertisements of the defendant’s cheap toilets and cellular telephones.

Subsequently, the defendant amended the web page so that JACCS was spelled out in *katakana* [in an apparent attempt to avoid confusion with the “jacks” pronunciation adopted by the plaintiff.]

By the time this case was tried, it is conceded by both parties that the letters “JACCS” no longer appeared on the web page.

24. Translator’s note: in the original Japanese, the court describes the domain names in a confusing manner. The “country code” is identified as the “top level” and the “gTLD” is described as the “secondary level.” This description has been modified to be in compliance with an international understanding of domain names.

C. Plaintiff Alleges as Follows:

1. Enjoin Defendant's Use of Defendant's Domain Name

a. The plaintiff has continuously used the logo "JACCS" (pronounced "jacks" and written as such in *katakana*—that is, "jakusu") since 1976. This shall be referred to as "plaintiff's trademark" herein. Plaintiff's trademark appeared on all credit cards it produced and on its employees' business cards. Through television and newspaper commercials, "JACCS" has become a famous and well-known business appellation identifying the plaintiff to consumers all across Japan.

b. The term "appellation of source" as used in Article 2-1-1 and Article 2-1-2 of the Unfair Competition Prevention Law refers to appellations used on goods which identify the source of the good or the specific business related to the good. Domain names [satisfy this definition because] they are essentially computer addresses. Domain names are not random letters; rather, they are intentionally chosen by the registrant. It is well known by Internet users that domain names usually consist of the registrant's business name. As such, they also have the function of distinguishing the registrant's goods and services from those of others.

Furthermore, the defendant's conduct constitutes "use" of the "appellation of source" because it has attempted to market the Domain Name with the intent to make a exorbitant profit (the defendant actually asked for a personal meeting with the plaintiff and persistently sent letters to the plaintiff). The defendant has also created and used a web page bearing the Domain Name with the intent to facilitate the sale of its goods. Also, prior to the commencement of this litigation, the defendant used the JACCS portion of the Domain Name on its web page to advertise its goods—such as cellular telephones and cheap toilets, and even now uses it in the links connected to its web page to advertise shoes, etc. Considering this conduct by defendant, it should be adjudicated as having "used" the "appellation of source."

b. The Domain Name is identical or similar to plaintiff's business appellation even if used in lower case letters.

c. As such, Internet domain names are not merely unique computer addresses and "business" is not limited to the goods and services of a specific corporation. Rather, if the term "JACCS" is used in the web page of the defendant, Internet users will mistakenly believe that the site is operated by the plaintiff or an affiliated company. If advertisements for specific products appear on links connected to this web page, such use of the Domain Name and development of the related web page will cause confusion with the plaintiff's business.

d. Therefore, the defendant's use of the Domain Name constitutes an act of unfair competition in violation of Articles 2-1-1 and 2-1-2 of the Unfair Competition Prevention Law and plaintiff is suffering damage due to such conduct. As such, pursuant to Article 3-1 of the Unfair Competition Prevention Law, the plaintiff demands that the defendant be enjoined from further use of the Domain Name.

[On identical grounds, the plaintiff also requested an injunction preventing the defendant from using the term "JACCS" on or in connection with its Internet activities.]

* * *

D. Defendant's Allegations

1. Defendant's Use of the Domain Name

a. A domain name is essentially just a computer address. An Internet user looks at the domain name and then connects with a web page. Furthermore, once connected, although a site might be commercial, it might be related to the public good or for hobbies. Therefore, just because a site uses the ".co" designation, it is not necessarily a commercial appellation of source. Also, even if specific products or services are presented on a specific web page, the domain name itself appears only in a small blank space in the upper part of the screen. Furthermore, the products and services offered by defendant do not appear on the same screen as the initial domain name but rather on separate pages [using different URLs]. Therefore, the Domain Name does not indicate the source or origin of some good or service.

b. As a domain name only serves to identify the computer address, even if it also distinguishes the registrant's goods or services, whether a domain name constitutes "use" of an "appellation of source" should be determined by looking at the contents of the web page and the nature and form of the use of the domain name itself.

In the immediate case, the defendant currently uses "JACCS" on the web page to clearly identify a business other than the plaintiff's and does not use the domain name to distinguish its goods from those of others. As such, it does not "use" the "appellation of source" [and therefore cannot be said to be engaged in unfair competition as it is not using the domain name in commerce].

2. Defendant's Use of "JACCS" in its Web Page

a. The defendant's use of "JACCS" and the plaintiff's Trademark (JACCS) are distinguishable. The plaintiff's Trademark is predominantly green and the defendant's use is predominantly red,

yellow, and blue. There are clear differences in the style of typeface used. Therefore, the impression or image a user gets from the two are completely different. Furthermore, on defendant's web page, its pronunciation in *kana*²⁵ is now added so that no one could not confuse the two pronunciations. [That is, defendant pronounces its mark "jay-ay-shee-shee-esu" and plaintiff pronounces its mark "jacks."]

b. Also, as only links appear on the web page where "JACCS" appears, defendant is not using it for commercial purposes.

3. Abuse of Rights

Domain name registrations are done on purely a priority basis. The registrations are further limited to only the letters or numbers that can be used as domain names. As such, companies that use the Internet compete to apply for domain name registrations or settle disputes for large sums of money. In this given situation, without any heed to the priority system, based only on the fame of its trade name or its registered trademark, [plaintiff] inappropriately demands that the defendant cease use of the Domain Name.

In order to make a web page for a collection of various companies, the defendant received the endorsement of approximately 10 companies and filed for and received a domain name registration for "JACCS" which stands for "Japan Associated Cozy Cradle Society" [English in original].

The plaintiff has been conducting business on the Internet using the domain name "www.jaccscard.co.jp." Plaintiff will not be inconvenienced whatsoever even if it cannot use the Domain Name (jaccs.co.jp).

E. Issues in Dispute

1. Does the use of a domain name constitute "use" of "an appellation of source" as contemplated by Articles 2-1-1 and 2-1-2 of the Unfair Competition Prevention Law?

2. Are the other conditions of Article 2-1-2 of that law satisfied?

- Is the plaintiff's appellation of source famous?
- Is the Domain Name in dispute here the same or similar to plaintiff's appellation of source?

3. Are the other conditions of Article 2-1-1 satisfied?

4. If an injunction regarding the use of the Domain Name is appropriate and issued, will this constitute an abuse of rights?

25. *Kana* is the abbreviated word for *katakana* and *hiragana*—the two Japanese syllabaries.

5. Should defendant be enjoined from using "JACCS" anywhere on its web page?

III. Judgment

A. Does the use of a domain name constitute "use" of "an appellation of source" as contemplated by Articles 2-1-1 and 2-1-2 of the Unfair Competition Prevention Law?

1. The parties concede that a domain name is a code entered into a computer for the purpose of reaching a specific web page. They concede that the domain name applicant must choose its domain name limited to letters in the English alphabet and single digit numbers. They also concede that the domain name will issue unless there is a previous, identical domain name registration in existence. Finally, the parties concede that the domain name does not have to be the same as or related in any way to the name of the registrant.

Rather than electing a domain name that is entirely unrelated to the registrant, however, most registrants create a domain name that is the same as or closely related to their name or business and register that as their domain name (provided it is available). Furthermore, users of the Internet generally believe that the domain name registrant is associated with the subject of the domain name (especially when the domain name constitutes a proper noun) even though they are aware of the first to register system that does not require applicants to have any association with the subject matter indicated in their domain name.

Moreover, when the domain name is distinctive of the registrant and the registrant sells goods or service via the web page it created, that domain name identifies the source or origin of those goods or services sold on that web page. To determine whether or not the domain name identifies the source or origin of some good or service, that is, whether the domain name serves as "use" of an "appellation of source" pursuant to Articles 2-1-1 and 2-1-2 of the Unfair Competition Prevention Law, we must consider the overall appellations of source used on the web page and the meaning of the words used in the domain name (given the general understanding as might be arrived at by users of the Internet).

2. In this case, the defendant urges that in determining whether use of the domain name constitutes "use" of "an appellation of source" we must consider that after the defendant obtained the domain name registration, it used the word "jaccs" as indicated in the Stipulated Facts above: on the web page, below the title "Welcome to JACCS' web page," the following links were provided: "goods;" "Digital Cell Phone;" and "Nippon Kaisyo, Inc." The contents of this web page, including the links, consists of advertising for sale of cellular telephones and other goods. On the web page, "JACCS" appears prominently. It is the focal point of the web page. The domain name "jaccs" is merely the lower case

version of “JACCS” that appears in the web page. As such, the domain name as used as part of the web page itself functions to distinguish the source or origin of goods that appear on the web page. Therefore, this constitutes the “use” of “an appellation of source.”

B. Are the Other Conditions of Article 2-1-2 of that Law Satisfied?

1. Is the plaintiff’s appellation of source famous?

Based on the evidence submitted at trial, we reach the following conclusions.

The plaintiff is a joint stock corporation in the business of providing credit card services to individuals. By July 1, 1998, it was operating 124 branch offices. For certain, its original trade name was “Kitanihon Shinyo Hanbai Kabushikigaisha” [Northern Japan Credit Corporation]; however, in April of 1976 it changed its name to “Jakusu K.K.” “Jakusu” is the *katakana* rendition of an acronym formed from “Japan Consumer Credit Service.” In English, it represented this acronym as “JACCS Co., K.K.” From this time on, the plaintiff has made continuous use of JACCS in advertisements in newspapers, pamphlets, TV commercials, and on employees’ business cards. Furthermore, “JACCS Card” is printed on credit cards issued by the plaintiff. In November of 1976 it was listed in Division Two of the Tokyo Stock Exchange, and in September of 1978 it was listed in Division One. Also from the mid-1970s the plaintiff has continuously advertised its credit services nationwide via television commercials. These television commercials end with a picture of JACCS and a voice over saying “jakusu” or “jakusu card.” Also, at first glance one knows that the plaintiff’s trademark is formulated using the letters “J”, “A”, “C”, “C”, and “S” of the English alphabet. The average consumer would recognize that this would be pronounced “jakusu.” The plaintiff registered its “JACCS” mark in September of 1997 under Class 36 [various services including life insurance and credit services] with the Japanese Patent Office. In 1994 it also registered its marks under Class 35 [services of lending advertising equipment, typewriters, cameras, and word processors], Class 38 [services of lending telephones, fax machines, and other communication devices], and Class 42 [service of lending calculators and related programs].

Therefore, we hold that by 1998 when the defendant commenced use of the Domain Name, “JACCS” had already become a famous appellation of source identifying the plaintiff.

2. Is the Domain Name in Dispute Here the Same or Similar to Plaintiff’s Appellation of Source?

As discussed above, the Domain Name, which consists of <http://www.jaccs.co.jp>, has several components. The first component of “<http://www>.” and the last two components “.co.jp” are used by many and do not operate to identify the source or origin of some good or

service. The only portion of the Domain Name that may identify a business is the Third Level Domain Name, in this case “jaccs”. As such, we focus our inquiry there.

Comparing “JACCS” with “jaccs,” it is clear that the only difference between the plaintiff’s trademark (JACCS) and the Domain Name (.jaccs) is the fact that the latter appears in lower case letters. This difference is immaterial and we therefore hold that the Domain Name is identical to the plaintiff’s trademark.

3. Therefore, defendant’s use of the Domain Name violates Article 2-1-2 of the Unfair Competition Prevention Law.

C. If an Injunction Regarding the Use of the Domain Name is Appropriate and Issued, Will This Constitute an Abuse of Rights?

1. We Hereby Conclude the Following Facts Regarding the Defendant’s Use and Registration of the Domain Name.

a. In mid-July of 1995, after registering the Domain Name, the defendant communicated with the plaintiff and stated as follows: “Your company’s mistake might be rectified by selling or renting [the Domain Name to you].” Once the plaintiff commenced this cause of action by November 17, 1998, the defendant had also written in communications to the plaintiff as follows: “It appears now that some of your company’s officials realize the significance of domain names. As stock holders, they seem especially keen on this issue.” “Your company’s presence on the Internet is shameful and artificial.” “If left as is, it will become the laughing stock of the world.”

b. The defendant has created an association of companies with approximately 10 members. The defendant has named this association the “japan associated cozy cradle society.” It created the Domain Name from an acronym based on this name. In this name, the terms “cozy cradle” has absolutely nothing to do with the other words in its title. They are placed in the title unnaturally and never appear in the defendant’s web page. Rather, the acronym “JACCS” is the focus of the web page. Also, the defendant added the Japanese pronunciation of this acronym in *furigana*²⁶ so that the visitor to the web page would see its intended pronunciation as “jay-ay-si-si-esu” [to distinguish it from the plaintiff’s registered trademark pronunciation of “jacks”]. This occurred, however, after the present litigation commenced. Under these circumstances, the defendant’s registration of the Domain Name was not incidental. Rather, we hold that such registration was done on purpose to create a business appellation which was identical to the

26. *Furigana* provides the proper pronunciation for a Chinese character—*kanji*. The pronunciations utilize small *kana* printed above or alongside the *kanji*. See *id.*

plaintiffs. Furthermore, as stated above, soon after registering the Domain Name, the defendant began requesting money from the plaintiff. As such, we cannot come to any other conclusion than that the defendant registered the Domain Name with the intention of trafficking such domain name for profit.

2. Therefore, as it is clear from the above that the defendant's use of the Domain Name is an act of unfair competition, that unless enjoined it is likely that the defendant will continue such use, that such use causes confusion with respect to the plaintiff's business appellations and that it is possible such use will negatively affect the value of plaintiff's business appellations, we hold that the plaintiff's business interests are hereby infringed.

Therefore, the defendant is hereby enjoined from using the Domain Name.

3. Abuse of Rights

The defendant argues that for the plaintiff to demand an injunction of its use of the Domain Name, constitutes an abuse of rights as the plaintiff was not the first entity to register the Domain Name.

While it is true that JPNIC maintains an absolute policy that domain names are issued on a priority basis, that is a completely separate issue from whether the defendant has engaged in unfair competition and as such should be enjoined by a court of law. Considering the fact that JPNIC could cancel the registration to any domain name if use of such domain name is enjoined by a court of law, the registrant of a domain name cannot prevent another party from seeking an injunction [for unfair competition in a court of law] based on its prior registration of a domain name. Furthermore, even though the plaintiff did not register the domain name first, considering the defendant's conduct in the use and registration of the Domain Name, this is not a situation where the abuse of rights doctrine should be applied.

Furthermore, the defendant argues that as the plaintiff has registered "jaccscard.co" as a domain name, the plaintiff would suffer no inconvenience whatsoever if the defendant prevailed. In this case, however, the plaintiff did not sue because it was unable to use its domain name, but rather because the defendant's use of the Domain Name constituted an act of unfair competition—undermining the value of plaintiff's business appellation of "JACCS." Therefore, simply because the plaintiff has the option of using the domain name "jaccscard.co" does not mean that an injunction regarding defendant's conduct is unnecessary.

As such, we hold that the request for an injunction by plaintiff in this case does not constitute an abuse of rights.

D. Should Defendant be Enjoined from Using “JACCS” Anywhere on Its Web Page?

1. As held above, the plaintiff’s business appellation “JACCS” is famous. It has been already conceded that this business appellation and the Domain Name registered by the defendant are identical. The defendant has argued that a detailed comparison is necessary. The only thing to be compared, however, is the plaintiff’s business appellation of “JACCS.” As such, [as there is nothing to be compared] (other than the upper or lower case letters or their color) we refuse to adopt the defendant’s methodology.

Also, as it is clear that the use of “JACCS” on the defendant’s web page constitutes the “use” of “an appellation of source,” defendant’s use of “JACCS” on its web page constitutes an act of unfair competition prohibited by Article 2-1-2 of the Unfair Competition Prevention Law.

2. Therefore, when the defendant uses the appellation “JACCS” anywhere on its web page, there is an apprehension that the plaintiff’s interests will be infringed.

Therefore, the defendant is also hereby enjoined from using “JACCS” anywhere on its web page.

E. Accordingly, There is No Reason to Adjudicate the Remaining Claims of the Defendant and the Plaintiff’s Motions are Granted. It is so ordered.

B. *The JACCS Case Commentary*

Of course, the primary significance of the *JACCS Case* is the fact that it is the first cybersquatting case that has made it through the Japanese court system. In October of 2000 under the auspices of the JPNIC (Japan’s equivalent to ICANN), a new domain name dispute resolution policy took effect.²⁷ This policy is very similar to ICANN’s Uniform Dispute Resolution Policy. Japan, however, is unlikely to adopt a statute similar to the United States’ Anticybersquatting Consumer Protection Act.²⁸ Rather, the current proposal being considered is to merely add “domain names” to the types of appellations of source protected by the Unfair Competition Prevention Act.²⁹ Therefore, the current situation is that a trademark owner can file with JPNIC in order to recover its trademark if registered by another as a domain name in

27. For the text of this policy in English, see JAPAN NETWORK INFORMATION CENTER, JP DOMAIN NAME DISPUTE RESOLUTION POLICY (July 19, 2000), at <http://www.nic.ad.jp/en/regist/dom/doc/jp-drp-policy-e.html> (last visited May 17, 2001).

28. 15 U.S.C. § 1125(d) (2000).

29. See *supra* note 18.

bad faith, but must still sue under the Unfair Competition Prevention Act to obtain injunctive or other relief. Given the *JACCS Case* as precedent, the Japanese legislature is likely to proceed rather carefully and not create a new, *sui generis* statute to protect domain names.

As such, the plaintiff must show that its trademark is being used in violation of Article 2-1-2 of the Unfair Competition Law, that is, diluted. In the *JACCS Case*, the plaintiff was able to make this showing. To do so, however, the requirement that the mark was “famous” seems to have been relaxed to some degree. After all, “JACCS” is not as well known a mark as Mastercard or Visa. The court, however, found the mark sufficiently well-known for purposes of the injunction.

Clearly, the fact that the defendant, at least at first, seems to have intentionally attempted to trade off of the good will of the plaintiff's mark significantly influenced the court's analysis. In fact, in places, the court seems simply to not believe the defendant's explanations. They certainly do seem rather contrived—creative, but contrived nevertheless.

This was not the only hurdle that had to be overcome in order to apply existing intellectual property law to a cybersquatter. Lost in the shuffle about whether JACCS is famous enough to warrant this treatment is the much more basic issue of whether the defendant's use of the plaintiff's trademark constituted use of something contemplated by the statute. The court refers to this problem of whether there was a “use of an appellation of source” by the defendant. That is, if the defendant's use of the domain name does not identify the source or origin of some good or service, its use is not trademark infringement nor dilution but rather a fair use. The court only hints at this issue of fair use.

The court resolves this issue, as it must, in favor of JACCS; however, more significant than merely being the first cybersquatting case or the finding that JACCS is now famous, the court also finds that the mere use of a trademark in a domain name to be “use of an appellation of source.” That is, the court has determined that a domain name operates to identify source just like any other “appellation of source.” A domain name is an appellation of source and registering it and providing the sale of some goods or services using that web cite is “use” under the Unfair Competition Prevention Act.

This case is currently on appeal before the Nagoya High Court. The High Court's decision is not expected for at least two years. If this case is not overruled, it may be a significant expansion of trademark and unfair competition law, not because of its holding regarding the fame of JACCS, but rather because of its recognition of a domain name as an appellation of source.

Finally, an interesting claim made here that occasionally arises in Japanese intellectual property cases is the argument regarding “abuse of rights.” In Japan, as in many Civil Law countries, a plaintiff may establish that it technically possesses some right by which it can enjoin the conduct of a defendant; however, the ascertainment of that right may

be so inherently unfair that to do so would amount to an abuse of that right. The defendant here unsuccessfully asserts that argument. The court dismisses it, but raising it at all in these circumstances is extremely bold and a good example of creative lawyering. The attorneys recognized that their client apparently adopted a domain name that they knew would cause confusion regarding the plaintiff's trademark. The court determined that the defendant had superior rights to the domain name, however, because of the first to file system.

By rejecting this argument, the court implicitly concludes that although the first to register system is in effect, the trademark significance of a domain name will be weighted more heavily than the fact that someone happened also to register it as a domain name.

VI. CONCLUSION

The principal objective of this Commentary has been to demonstrate using very specific examples that the Japanese judiciary is alive and well regarding intellectual property law cases. The analysis in the cases is inherently rational and predictable. Although further statutory development is still desirable and likely, the Japanese judiciary continues to do a perfectly rational job of protecting legitimate intellectual property. Unfortunately, this in itself may be remarkable or controversial to some.

Nevertheless, the cases introduced here demonstrate that Japanese intellectual property case law has become much more accessible via the Internet. This high level of accessibility is to the consternation, surprisingly, of some. Before the Internet innovation, there were no sources where one could immediately obtain judicial opinions on multiple subjects. Although a few CD-ROM vendors existed (and still do), these were published intermittently and were rather expensive. This created a closed community where only libraries and some (not all) practitioners had access to the relevant cases—a system similar to how the Dead Sea Scrolls were treated.

More specifically, the cases translated above teach a very important lesson regarding what is perhaps the greatest misconception by foreigners who casually consider Japan. Some observers have been quick to conclude that one can essentialize Japan—that Japan is predominantly motivated by culture, that duty and responsibility dictate parties' conduct and judges' decisions, and that there is then something mysterious about law in Japan where only Japanese could truly understand it. There is now a significant amount of scholarship produced by serious Japanese scholars which concludes that the notion

that “culture is king” in Japan is simply wrong.³⁰ The cases above bear that out as well.

For example, some believe that rather than using traditional forms of remedies, Japanese courts are likely to make the non-prevailing party in a law suit publish a public apology and order very weak, if any, sanctions. The theory there is that by making them apologize, they are somehow humbled and that that public humbling is far worse than any amount of damages.

In the *Konami Case*, however, the court ordered the defendant to pay 2,000,000 yen (approximately \$20,000) in damages for violating the plaintiff’s moral rights alone.³¹ The court also ordered the master and any copies of the tape to be destroyed and enjoined the defendant from further distributing its infringing video. Most significantly, it refused the plaintiff’s request that the defendant publish a public apology. If culture is king in Japan, one would expect the exact opposite: no, or very low, monetary damages and an order to apologize.

Lest the Author be accused of exactly what is being criticized (essentializing Japan based on one anecdotal incident), consider some of the other cases above regarding this issue. For example, in the *Walkman Case*, the Chiba District Court ordered the defendant to cease its infringing use of the “Walkman” trademark and pay Sony 3,000,000 yen.³² Although this converts into a mere \$30,000 and therefore does not seem to be a significant amount, in both this case as well as the *Konami Case*, this amount of damages is most likely a devastating amount to the defendants as they are both private enterprises without significant amounts of cash on hand.

Furthermore, in the *Walkman Case* the court took a surprisingly U.S.-approach: the court looked to the facts, searched for a clear statutory proscription to what it considered inappropriate conduct by the defendant, and, finding none, extended existing Japanese trademark law to legitimate its holding. Where culture is king and Japanese judges are criticized for mechanically applying statutory language without further considering the larger ramifications of such rigid adjudication, one would not expect such an outcome.

Perhaps the best example of the rational extension of statutory law to fit a perceived harm is the *JACCS Case* above.³³ In order to reach its conclusion, the court there had to make not one, but two steps into the unknown. First, the court had to find the JACCS trademark famous enough to fit the standard set in the statute. More importantly, the court, without any statutory guidance, had to find the use of a domain name constituted “use of an appellation of source.”

30. *E.g.*, ERIC A. FELDMAN, *THE RITUAL OF RIGHTS IN JAPAN: LAW, SOCIETY AND HEALTH POLICY* (2000).

31. *See* discussion *supra* Part II.

32. *See* discussion *supra* Part III.

33. *See* discussion *supra* Part V.

The court took these two steps and closed down the defendant's web site and ordered the domain name transferred to the plaintiff. Once again, this is a perfect example of what one expects from rational judges. Although a literal reading of the statute—or, as in the *JACCS Case* a lack of any statutory language at all—might allow the court to side-step the issue, in the *JACCS Case*, the court took the entirely rational course and extended the law where it saw gaps to avoid a clear injustice.

If this is an example of where culture is king, then U.S. courts are guilty of the same thing. There is no credible evidence that Japanese judges are the culture and duty bound automatons they are made out to be in the West. In fact, even in a Civil Law system where they could be far less activist, in intellectual property cases, they take rather extraordinary measures in individual cases to arrive at the just result.

Even when the legislature seems to grant incredibly expansive rights to trade dress owners, the courts seem capable of rationally circumscribing the statute's application to fit a general notion of propriety as opposed to what might be possible under the statute. That is, in both the *Bear's Club Case* and the *Gibson Guitar Case*, the defendant's conduct was very similar: both defendants intentionally copied the shape or look and feel of the plaintiffs' products. Although attorneys for Fernandes (the defendant in the *Gibson Guitar Case*) disagree that their client intentionally copied Gibson's guitar, that position seems fantastic. Without so-called "dead copying," neither Fernandes' guitars nor the defendant's towel set in the *Bear's Club Case* could possibly be so similar simply out of coincidence.

In the *Gibson Guitar Case*, however, the court very astutely looks at all of the evidence to conclude that the shape at issue there had, in Japan, become the generic shape of one type of an electric guitar. Once again, the startling part of this outcome is the routine nature of the decision. The court here is behaving precisely how one would expect. The court looks to the statute, applies the language of the statute, and, in so doing, further clarifies the legislative enactment. It does not concern itself with culture. It does not act as the legislature's automaton. It rationally considers the law and interprets it to come to a well-reasoned outcome.

Therefore, intellectual property law is alive and well in Japan. Judges' opinions are inherently rational and predictable. Thanks to the Internet, judicial opinions are now accessible. Now, in order to understand Japanese intellectual property case law, all one needs to do is read the opinions. The Author hopes the translations above help in this regard.