

To: International Reporters  
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Japan National Reporter  
Re: Answers to Question B  
Date: May 25, 2010

Answers to Question B: Comparative Advertising

1. Legal framework for the applicable rules on comparative advertising

1.1 Yes

1.2 Consumer/Competition Law

Note: “Comparative Advertising Guideline” made public in 1986 by the General Secretariat of Japan Fair Trade Commission (JFTC) provides rules applicable to comparative advertising. It is an administrative guideline which clarifies the standards for lawful comparative advertising (i.e. comparative advertising which is not considered to be “misleading representations” under Art. 4 of Act against Unjustifiable Premiums and Misleading Representations (“AUPMR”)). See general remarks at 1.8(2) below.

1.3 No

1.4 Yes

See general remarks at 1.8(2) below.

1.5 See general remarks at 1.8(1) below.

1.6 The question is hard to answer. In our observation, the difference of the two approaches is not recognized nor overtly discussed in the legal community.

1.7 (a) (b) (c) (d) (e)

As far as the Comparative Advertising Guidelines is concerned, the rules do not cover any of the factual settings described in (a), (b) (c), (d) and (e). But under Art.4 of AUPMR, which generally prohibits misleading representations, (c) could be illegal if the representation made in one’s advertisement is misleading to consumers. See Supplemental notes in General Remarks at 1.8 (3) below.

1.8 General Remarks

(1) An overview of main areas where comparative advertising is discussed

In Japan, Comparative Advertising Guideline under AUPMR is the only rule which specifically addresses to comparative advertising. Comparative advertising is most often discussed in relation to this regulatory guideline, and the question is whether a particular advertising, by failing to meet the standard provided

in the guideline, violates AUPMR which generally prohibits misleading representations in advertising.

Sometimes, comparative advertising is discussed in relation to Article 2 (1) (x iii) and (xiv) of Unfair Competition Law (Unfair Competition Prevention Act as amended in 1993. Act No.47 of 1993). Here, the question is whether a representation made in a particular advertising is misleading (Article 2(1)(xiii)) or is false and injurious to a competitor (Article 2(1)(xiv)).

Another situation where comparative advertising has been discussed relates to “use as a trademark”. Though not expressly provided in Trademark Law, we have a judge made law called “use as a trademark” doctrine. Under this doctrine, trademark infringement is established only where a mark is used “as a trademark”, i.e. used as an identifier of origin of the goods or service. Use of marks in comparative advertising often raises the issue whether a mark is used “as a trademark” or not. The precedents and legal theories recognize three functions of trademarks. The first function is to identify the origin of goods or services (the identity of a certain firm which provides the goods or service). The second and third functions, which are considered to be derivative from the first function, relate to “quality assurance” and “advertising effect”. Dominant legal theory in the trademark law holds that there is no trademark infringement unless the first function of the trademark is injured. This is the fundamental legal framework under which legitimacy of a comparative advertising is discussed.

**\* Unfair Competition Law, in relevant parts provide as follows:**

Article 2 (1) (Definition)

The term “unfair competition” as used in this Act means any of the following:

- (xiii) acts of misrepresenting information on goods or services, or in an advertisement thereof or in a document or correspondence used for a transaction related thereto, in a manner that is likely to mislead the public as to the place of origin, quality, contents, manufacturing process, use or quantity of such services, or the act of assigning, delivering, displaying, exporting, importing or providing through an electric telecommunication line, goods with such and indication or providing services with such an indication.
- (xiv) acts of making or circulating a false allegation that is injurious to the business reputation of another person in a competitive relationship.

(2) AUPMR and Comparative Advertising Guideline

AUPMR, as its title shows, generally prohibits misleading representations in connection with goods or services. The purpose of AUPMR is “to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services” and “to ensure fair competition, and thereby to protect the interests of general consumers.” (Article1). AUPMR is a regulatory law and its enforcement is exclusively within the authority of JFTC. It should be noted that AUPMR does not create a private right of a person who may be adversely affected by comparative advertising. (As a result

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INTERNATIONAL LEAGUE OF COMPETITION LAW  
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of this, the rules on comparative advertising provided under AUPMR and IP laws do not interfere or overlap with each other.)

In 1986, JFTC made public a guideline that is generally referred to as “Comparative Advertising Guideline. The purpose of the guideline, as explained by JFTC, is to provide criteria for “lawful” comparative advertising, i.e. comparative advertising which is not considered to be “misleading” under Article 4 (1) of AUPMR. The requirements set forth in the guideline are as follows:

- (i) The representation or allegation made in the comparative advertising must be supported by objective, verified facts;
- (ii) The verified data or facts must be cited in an accurate and appropriate manner; and
- (iii) The method of comparison must be fair and reasonable.

According to the explanation in the guideline, these requirements are for a comparative advertising in which the advertising party compares its goods or service with that of a competitor by referring to facts or objective evaluation (such as comparison test data). Lawfulness of other types of comparative advertising (i.e. comparative advertising that does not refer to facts or objective evaluation) will be determined on a case by case basis by considering the objectives of AUPMR and with reference to the requirements set forth above.

**\*Article 4 of AUPMR provides in relevant parts as follows:**

Article 4 (Prohibition of misleading representations)

- (1) No entrepreneur shall make such representation as provided for in any one of the following items in connection with transactions of goods or services which he supplies:
  - (i) Any representation by which the quality, standard or any other matter relating to the substance of goods or services are shown to general consumers to be much better than the actual one or much better than that of other entrepreneurs who are in a competitive relationship with the entrepreneur concerned contrary to the fact and thereby which tends to induce customers unjustly and to impede fair competition;
  - (ii) Any representation by which price or any other trade terms of goods or services will be misunderstood by general consumers to be much more favorable to the general consumers than the actual one or than those of other entrepreneurs who are in a competitive relationship with the entrepreneur concerned, and thereby which tends to induce customers unjustly and to impede fair competition; or
  - (iii) In addition to what are listed in the preceding two items, any representation by which any matter relating to transactions of goods or services is likely to be misunderstood by general consumers and which is designated by the Fair Trade Commission as such, finding it likely to induce customers unjustly and to impede fair competition.

(3) Supplemental notes to question 1.7

In a broader context;

- (a) Comparative product tests and publications by consumer associations or media could be subject to tort claim, if it contains false information and thereby injures business reputation of the supplier of the referred to product.
- (b) Non-informative, but rather funny or playful comparison could be subject to tort claim, if it amounts to defamation or injury to reputation.
- (c) Comparison without individually recognizable competitors might be a violation of Article 2 (1)(xiii) of Unfair Competition Law depending upon factual situations.
- (d) The situations described in (d) are primarily dealt with by Unfair Competition Law. Imitation of a product design which creates a risk of confusion could be an act of unfair competition if the imitated design is a well known indication of goods/service or a firm and there is a likelihood of confusion (Article 2(1) (i)), or if the imitated design is a distinguished indication of goods/service or a firm (Article 2(1) (ii)). Also, it could be an act of unfair competition if the imitated design is a slavish copy of another's design which has not been used by such another party for more than 3 years (Article 2(1) (iii)).

## 2. Conditions for lawful comparative advertising in relation with IP rights

### 2.1 None

(IP rights are protected in accordance with the provisions of respective IP laws. We cannot think of a situation where an IP right “collides” with the provisions on comparative advertising.)

### 2.2 (a) (b)

Use of a sign identical to a protected trade mark is a trademark infringement only where such use is a “use as a trademark”.

Note: Japanese Trademark Law does not require “a risk of confusion” for a trademark infringement, although such risk is usually considered as an important factor in the determination of “similarity”. Accordingly, where a sign identical to a protected trademark is used, lack of a risk of confusion cannot be a ground for denying infringement. However, where A uses in his comparative advertising a sign which is identical to a protected trademark of owner B, and it is obvious that such sign is used for identifying B's product as a subject of comparison rather than for suggesting A's product, infringement will be denied on the ground that such use is not a “use as a trademark”. A recent judgment of a lower court denied infringement on the ground that such use is not a “use as a trademark” and therefore there is no risk of confusion.

- (c) We are not sure what “indicating use” exactly means. In any event, “comparative advertising” by itself is no defense against a trademark infringement under our law, but if an “indicating use” is found not to be a “use as a trade mark”, then trademark infringement will be denied.

- (d) No

(e) No

(f) No

### 2.3

(a) Design Law

Unfair Competition Law: A product design which is well known as an indication of one's goods or business is protected by Unfair Competition Law. (Article 2 (1) (i) and (ii))

(b) With respect to Design Law: No

(Infringement of a protected design under Design Law could be established only where a design identical or similar to a protected design is physically realized in a designated article. We cannot think of a situation where application of Design Law and rules relating to comparative advertising overlap.)

With respect to Unfair Competition Law: No

(Unfair Competition Law in Article 2 (1)(i) and (ii) provides that an act of using another person's well known design "as one's own indication of goods and business" is illegal. In a comparative advertising, the element of "use as one's own indication of goods and business" should be lacking.)

(c) N/A

### 2.4

Geographical indications are protected under Unfair Competition Law (Article 2(1)(xiii)) . Trade mark protection is also available if a geographical indication is registered as "regional collective trademark" by a qualified regional association (Article 7-2 of Trademark Law). Further, Article 4 of AUPMR generally prohibits misleading representations, including representations concerning geographical indications. These laws apply independently without excluding the application of other laws. In that sense, there is no overlap with the provisions relating to comparative advertising and other laws on geographical origin.

(a) Yes, such comparisons are generally permissible to the extent that they do not fall within Article 2 (1) (xiii) of Unfair Competition Law, which makes misleading representation relating to geographical origin, quality, contents, manufacturing process, use, quantity etc. illegal. In addition, AUPMR generally prohibits misleading representations. The criteria for "misleading" applied to geographical indications would not be different from the criteria applied to other signs or indications.

(b) Yes. The conclusions would be the same.

### 2.5

(a) Identifier may be protected by copyright if it qualifies as a creative, copyrightable work. (Example: fanciful characters)

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Product designs, generally, may not be protected by copyright. Copyright protection of a design is afforded only to works of art, which include unique, hand-made types of articles but exclude articles ordinarily produced by mass production.

- (b) No. (We cannot think of a situation where provisions relating comparative advertising and the laws relating design protection overlap.)
- (c) N/A

2.6 Sanctions and enforcement against an unlawful use of another's IP right are made pursuant to respective IP laws. Our IP laws generally provide injunction and damages as remedies for infringement. It does not make any difference whether an alleged infringing use is made in a comparative advertising or whether the comparative advertising is illegal or not.

Apart from the procedure for sanctions and private enforcement of IP rights, one may report to the regulatory agency (the Consumer Affairs Agency, "CAA", which took over the JFTC regulatory authority over false and misleading advertisement on and after September 1, 2009) of an unlawful comparative advertising and ask the agency to take corrective steps against it. Since the enforcement of AUPMR is within the exclusive authority of the Consumer CAA, it determines on its sole discretion whether or not to investigate and take actions against such reported, allegedly unlawful comparative advertising.

2.7 (Assuming that the word "codes of conduct" refers to a set of rules adopted by industry associations which set out standard of conduct to be adhered to by the members): Many industry associations have their own codes of conduct which cover, among other things, advertising. We are not sure, however, whether many of such codes specifically address to comparative advertising. Associations in some industry, such as in pharmaceuticals and medical devices industry, have detailed codes of conduct which contain the codes regarding comparative advertising.

2.8 General remarks

Comparative Advertising Guideline under AUPMR, which sets forth specific rules for comparative advertising, is primarily aiming at consumer protection and preservation and fostering of fair competition, whereas IP laws purport primarily to protection of private rights of IP owners. Since the purposes of the laws are different, there is not much interaction between the specific rules on comparative advertising under the Guideline and the IP laws.

2.9

(a) No.

If express rules are to be established at all, such rules should be based on a delicate balancing of benefits of comparative advertising to consumers and the risks of IP right owners whose goodwill or reputation may be deteriorated. We think, however, it should be difficult to establish express rules that are appropriate in every situation. It is preferable to leave the questions open to case laws, which tends to be more flexible than express rules.

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INTERNATIONAL LEAGUE OF COMPETITION LAW  
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- (b) We believe that the legal framework under which unfair competition, infringement of intellectual properties, and false or misleading advertising have been judged or regulated has been workable, and should be maintained basically.
- (c) Yes.  
We expect that codes of conduct established by industry associations will be able to reflect various interests which are unique to the industry. Today, many industry associations have their own codes of conduct that are approved by the regulatory authority. Pharmaceuticals and medical devices industries are among the ones that have detailed codes of conduct on labeling and advertising.