Japan

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OVERVIEW OF MAIN IPRS

1. Please give a brief overview of the main IPRs in your jurisdiction, including how they are protected (whether through registration or otherwise). Consider:

- **Patents.**
- **Trade marks.**
- **Copyright.**
- **Design rights.**
- **Confidential information.**
- **Any other main IPRs that apply in your jurisdiction.**

Patents (including utility model rights)

Japan has a two-tier patent system: the Patent Act and the Utility Models Act.

The Patent Act covers exclusive rights to inventions based on technical ideas using natural laws. The Utility Models Act covers exclusive rights to devices based on technical ideas using natural laws in connection with a device's shape, structure, or a combination of them.

The only differences between the two Acts are the objects covered and the technical idea level. The Utility Models Act is narrower and the technical level lower than the Patent Act.

Both patents and utility model rights are protected through registration with the Japan Patent Office (JPO).

Trade mark rights

Under the Trademark Act, any mark that is a character, figure, sign, or three-dimensional shape, or any combination of them, or any combination of them used with colours which is used in connection with goods or services for commercial purposes, can be registered and protected.

Registration with the JPO is necessary for protection under the Trademark Act. Unregistered trade marks can be partially protected under the Unfair Competition Prevention Act if unfair competition can be shown.

Design rights

Under the Design Rights Act, a design means the shape, pattern, colour or combination of them, of an item which has an aesthetic sense. Registration with the JPO is necessary for protection under the Design Rights Act.

Unregistered designs can be partially protected under the Copyright Act as copyrighted work, and under the Unfair Competition Prevention Act if acts of unfair competition are shown.

Copyright

Copyright arises automatically and no registration is necessary under the Copyright Act when a work has been created. Registration with the Agency for Cultural Affairs (or the Software Information Centre (SOFTIC) for computer programs) is necessary to assert an assignment of copyright against a third party.

Confidential information

Trade secrets can be partially protected under the Unfair Competition Prevention Law.

For further information about the main IPRs, see *Main IPRs: Japan.*

MAINTAINING IPRS

2. What facilities are available to conduct IP searches and obtain IP information on registered IP rights, for example to search:

- **Before an application to register an IPR.**
- **After registration to maintain IPRs and monitor possible infringement?**

The JPO maintains a free searchable online database of the texts of patents (including utility models) and the registrations of design rights and trade marks, see website *www.ipdl.inpit.go.jp/homepg_e.ipdl*).

The JPO also maintains information on new applications for each IPR on its online database. However, it usually takes six months for the JPO to publish them.

It is highly recommended to consult an attorney (*bengoshi*) whose speciality is IPRs or a patent agent/attorney (*benrishi*). *Benrishi* have not necessarily passed the national bar examination and are qualified after passing another national examination.

3. What steps must a business take to maintain the registration and status of its main IPRs (for example, registration renewal, using an IPR in a certain time period, and avoiding misuse of the IPR)?

Patents (including utility model rights)

A patent right is effective on registration, and expires 20 years (for utility model rights, ten years) from the application filing date.

The applicant must pay the first three years' annuities in a lump sum within 30 days after receiving a notice of allowance of the rights (for utility model rights, the payment must be made at the same time as the application). From the fourth annuity, the annuities must be paid by the end of the preceding year.

If a patented invention is not sufficiently and continuously used for three years or longer in Japan, a person intending to use the patented invention can request the patent owner or exclusive licensee (*senyo-jisshi-ken-sha*) to hold a consultation to discuss granting a non-exclusive licence. If no agreement is reached, or no consultation can be arranged, the person can request the Commissioner of the JPO to grant a non-exclusive licence (excluding patents filed within the preceding four years).

Trade marks

The applicant must pay the registration fee within 30 days after receiving a notice of the allowance of the rights.

Registered trade mark protection expires after ten years from the date of its registration. This can be renewed by the holder of the trade mark filing a renewal application.

If a registered trade mark has not been used in Japan for three consecutive years or longer by the holder or licensee without reasonable cause, any person can file a request to cancel the trade mark registration.

Design rights

Design rights are registered when the registration fee for the first year has been paid. The registration fee must be paid within 30 days after receiving a notice of the allowance of the rights. From the second year of registration, the registration fees must be paid annually by the end of the preceding year.

The duration of a design right expires after 20 years from the date of its registration and there is no renewal.

Details of maintenance and other fees patents, trade mark rights and design rights are available on the JPO website, *www.jpo.go.jp/*.

Copyright

Registration is not necessary to acquire copyright and no fee is necessary. Copyright starts with the creation of the work, and continues for 50 years after the death of the author.

For certainty, the following can be registered at the Agency for Cultural Affairs (or the Software Information Centre (SOFTIC) for computer program registration):

- Assignment of copyright.
- The establishment of publication rights.
- Authors' names and the dates of publication for anonymous works.
- Date of creation of copyrighted programs.

Assignment of copyright cannot be asserted against a third party unless it has been registered, but it is effective between the assignor and assignee.

4. What steps can a business take to avoid committing an infringement of a main IPR and to monitor whether a competitor is infringing its IPRs?

For patents, utility models rights, trade marks, and design rights, before conducting business it is highly recommended to conduct a search of prior IPRs. Any person can search for prior rights through the JPO free internet database (*see Question 2*).

Also, any person can request an invalidation trial with the JPO (*see Question 5*).

There is no official JPO system to monitor whether a competitor is infringing IPRs. However, any person can request the JPOto determine the scope of the right, and find out whether an act infringes a registered right or not.

There is no special step for copyright protection.

EXPLOITING IPRS

5. What are the main steps in an IP audit in your jurisdiction to determine the content of an IP portfolio?

For patents, utility model rights, trade marks, and design rights, the main step in an IP audit to determine the content of an IP portfolio is to conduct a search through the JPO internet database (*see Question 2*).

A right can still be held invalid after registration, if a person requests an invalidation trial by the JPO. Unlike the other IPRs, utility model rights are registered without the JPO examining the contents of the utility model, so utility model rights tend to be held invalid if challenged.

Since the details of copyright cannot be searched through public sources, the information should be obtained from the author or copyright owner.

ASSIGNMENT

6. How can main IPRs be assigned (for example, in whole or part, with or without goodwill (in the case of trade marks), in relation to future rights, and with jurisdictional restrictions)?

Patents (including utility model rights)

A patent right can be assigned in whole or in part. It is possible to assign the right to obtain a patent (future right), as well as an existing patent.

Trade mark rights

Trade mark rights can be assigned separately from goodwill. Trade mark rights can be partly assigned on a good-by-good or service-by-service basis.

It is possible to assign the right to obtain a trade mark right (future right), as well as an existing trade mark right.

Design rights

A design right can be assigned in whole or in part. It is possible to assign the right to obtain a design right (future right), as well as an existing design right.

Copyright

Copyright can be assigned in whole or in part, that is, copyright which is a bundle of rights, such as the right of reproduction, exhibition, distribution, translation and so on.

7. What formalities are required to assign each of the main IPRs (for example, in writing, signed by both parties and registration)?

To assign patents, utility models, trade mark rights and design rights, an application for registration of the assignment must be filed (in principle, jointly by the assignor and assignee) in writing with the JPO. The registration has to be substantiated by submitting relevant documents providing evidence that the parties have agreed to the assignment.

If a right is jointly owned, a joint owner cannot assign or pledge the right without the consent of all the other joint owners.

No formalities are necessary to assign copyright. However, to assert a copyright assignment against a third party, an application to register the assignment must be filed in writing with the Agency for Cultural Affairs (or SOFTIC for computer programs). The registration must be substantiated by submitting relevant documents providing evidence that the parties have agreed to the assignment.

8. What main terms should be included in an assignment of IPRs?

An assignment of IPRs should include:

- The terms of the subject of the assignment.
- Co-operation relating to assignment registration procedures.
- Consideration for the IPRs.

Representations and warranties, confidentiality, and governing law and jurisdiction provisions are not absolutely necessary, but it is highly recommended to include them.

For copyright assignment, if the right of adaptation, or the right of the original author relating to the use of a derivative work created by using the work is not referred to in the assignment agreement, these rights are presumed to be reserved to the assignor. Therefore, these rights must be specifically referred to in the assignment agreement.

Since an author's moral rights are exclusive to the author and cannot be transferred, the assignee should have the assignor agree not to exercise these rights against the assignee and its successors.

LICENSING

9. How can each of the main IPRs be licensed (for example, in whole or part, with or without goodwill (in the case of trade marks), and with jurisdictional restrictions)?

For patents, utility model rights, trade marks, and design rights, the right holder can grant both exclusive (the exclusive right to use the rights for commercial purposes) and non-exclusive licences for the rights.

The extent of the rights is determined by the contract between the rights holders (both in whole and in part is allowed). There is no explicit jurisdictional restriction, however rights under Japanese law are only effective in Japan, and registrations contrary to this are not allowed.

An exclusive licence (*senyo-jisshi-ken*) under Japanese law has a unique meaning compared to foreign IP laws. In Japan, once an exclusive licence is granted by agreement and registered, the right owner (licensor) can no longer use the licensed right or grant a licence of the right to another person, unless otherwise agreed between the licensor and the licensee.

Other than by contract, a prior user of the claimed right without knowledge of the claimed right in the application at the time of the application, is granted a provisional non-exclusive licence. For patents, utility model rights and design rights, there is also a ruling system which grants a compulsory licence from the Commissioner of the JPO when it is inevitable that the licensee will infringe the licensor's right in the course of using its own right and where no agreement can be reached with the licensor.

For copyright, the holder can grant both exclusive (right to use the rights for commercial purposes) and non-exclusive licences. The extent of the rights is determined by the contract between the rights holders (both in whole and in part is allowed).

Since copyright is a bundle of rights such as the right of reproduction, exhibition, distribution, translation and so on, copyright can be partially licensed.

When the holder of a copyright that is made public is unknown, a ruling system grants a compulsory licence from the Commissioner of the Agency for Cultural Affairs on payment or deposit of the ordinary amount of royalty for such copyrights. This ruling system was expanded from 1 January 2010, to apply when the performer whose right is protected under the Copyright Act is unknown.

A broadcaster may also seek this ruling granting a compulsory licence from the Commissioner of the Agency for the Cultural Affairs when they wish to broadcast a copyrighted work but fail to mutually agree with the right holder of the copyrighted work. There is a similar ruling system for copyrighted recordings for the purpose of commercial use.

There is no explicit jurisdictional restriction. However, copyrights under the Copyright Act are only effective in Japan.

10. What are the formalities to license each of the main IPRs (for example, is registration required)?

For patents, utility model rights, trade marks, and design rights, licences require no formalities. However, to enjoy protection under IPR laws, registration with the JPO is necessary, as by law exclusive licences are not effective without registration. In relation to non-exclusive rights, registration is necessary to assert the rights against a third party.

For patents, there is a registration system for a provisional exclusive licence (*kari-senho-jisshi-ken*) and provisional non-exclusive licence (*kari-tsujo-jisshi-ken*) of patent pending rights to assert the rights against a third party before the rights come into effect as a patent.

No copyright licence registration is necessary. However, it is highly recommended that an agreement is entered into in writing.

11. What main terms should be included in an IP licence?

The main terms that should be (or highly recommended to be) included in an IP licence are:

- Grant of licence.
- Disclosure of know-how.
- Payment for the licence.
- Audit.
- Warranties.
- Innovation.
- Confidentiality.
- Term of agreement.
- Termination.
- Governing law and jurisdiction.

TAKING SECURITY

12. Is security commonly taken over IPRs? If yes, which types of IPRs are commonly secured? What problem areas commonly arise (for example, problems valuing the secured IPR assets, or when enforcing the security)?

Pledges can be taken over each IPR. A mortgage by transfer (*joto-tampo*) is also commonly taken over each IPR.

The most difficult problem is valuing secured IPR assets. IPRs can become invalid by not paying the registration/maintenance fee or an invalidation trial requested by a third party. The economic value of the right often decreases due to market demand.

When enforcing the security, a limited resale market can be a problem, as many IPRs are only produced for internal use (the resale market is also related to the problem of valuing the assets).

13. What are the main security interests taken over IPRs? How are they created (for example, in writing) and how are they perfected (that is, made enforceable against third parties, for example by registration)? Consider:

- **Patents.**
- **Trade marks.**
- **Copyright.**
- **Design rights.**

For patents, utility model rights, trade marks, and design rights, security interests take effect through registration with the JPO.

No formalities are necessary to take security interests over copyright. However, registration is necessary to assert copyright against a third party. The security interest must be registered with the Agency for Cultural Affairs (or SOFTIC for computer programs).

M&A

14. What IP-related due diligence is commonly carried out in:

- **A share sale?**
- **An asset sale?**

IP-related due diligence is commonly carried out in both share sales and asset sales. It includes:

- Identification of the relevant IPRs and registration of them.
- Review of the files relating to the main IPRs, if necessary.
- Information from the owner or licensor relating to the IPRs.
- Review of the chain of title to the IPRs.
- Review of change of control provisions in licences.
- An evaluation of the IPRs.

15. What IP-related warranties and/or indemnities are commonly given by the seller to the buyer in:

- **A share sale?**
- **An asset sale?**

Both in share sales and asset sales, when the seller gives the buyer warranties and/or indemnities, they include that:

- The seller owns the IPR, which is free and clear of claims, pledges, restrictions and encumbrances, including royalty payments.
- There has been no assertion or claim challenging the validity or enforceability of the IPR.
- To the knowledge of the seller, there are no infringements, violations or misappropriations by a third party of the IPR.

16. How are the main IPRs transferred in:

- **A share sale?**
- **An asset sale?**

In share sales, since the owner of the IPR remains unchanged, no special transfer is necessary.

In a company split (demerger) (*Kaisha Bunkatsu*), the IPRs are automatically transferred to the successor. However, to assert the transfer against a third party, registration is necessary at the JPO, if relevant.

In asset sales, the procedures are the same as for normal assignments (*see Questions 6 and 7*).

JOINT VENTURES

17. Is it common for companies to set up joint ventures in your jurisdiction to develop projects that heavily involve IPRs? If yes, please briefly outline the main IP-related provisions that should be included in the joint venture agreement.

It is common for companies to set up joint ventures in Japan. The main IP-related provisions that should be included are as follows:

- The trade name and/or trade marks of the new company.
- Capitalisation by contribution in kind, and evaluation of IPRs or IPR transfer to the new company.
- IPR licences to the new company.
- Distribution of profits.
- Confidentiality.
- IPR transfer after termination.

COMPETITION LAW

18. Please briefly outline the main provisions of your national competition law that can affect the exploitation of the main IPRs.

The Anti-monopoly Law can affect the exploitation of IPRs. It prohibits:

- Private monopolisation.
- Unreasonable restraint of trade.
- Unfair trade practices.

19. Please give brief practical examples of national competition law issues that can arise in the exploitation of the main IPRs (such as problematic licence terms) and briefly outline any possible solutions to manage them.

It is difficult to establish uniform standards for private monopolisation, unreasonable restraint of trade and unfair trade practices. However, the following, among other things, are at risk of being considered prohibited acts (*Guidelines for the Use of Intellectual Property under the Antimonopoly Act, issued by the Japan Fair Trade Commission*):

- Patent pools.
- Multiple licensing.
- Cross-licensing.
- Bundle licensing.
- Setting the resale price.
- Prohibition of competitive products after terminating the licence.
- Unilateral termination.
- Obligation of non-assertion of rights.

To manage the risk, at the time of making an IP related agreement, it is highly recommended to consult an attorney specialising in IPRs and/or competition law.

20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs (for example, are parallel exemptions available)?

Proper parallel imports are considered to promote price competition in a market. Accordingly, obstruction of proper parallel imports presents a problem under the Anti-Monopoly Act, if it is conducted to maintain the price level of the product covered by the contract.

Article 21 of the Anti-monopoly Act provides that the Act does not apply to the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act, or the Trademark Act. However, this provision is confusing, because it is interpreted as having no meaning, so the exploitation of IPRs is still in practice subject to the Anti-monopoly Law.

ADVERTISING

21. Please briefly outline the extent to which advertising laws impact on the use of third party trade marks.

Any sign (including trade marks) used for commercial purposes, which misleads general consumers as to the contents of the products or services, is prohibited (*Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962)*).

EMPLOYEES AND CONSULTANTS

22. Who owns each of the main IPRs created by an employee in the course of his employment? Is compensation payable in relation to employee IPRs? What main steps can an employer take to ensure it owns each of the main IPRs (for example, by including an assignment of IPRs clause in the employment contract)?

For patents, utility model rights and design rights, in principle, the right to obtain the IPR created by an employee in the course

of his employment is owned by the employee, and the employer only has a non-exclusive licence on the right.

However, the employer can provide in advance that the right to obtain the IPR is assigned to the employer in the employment contract, work rules or similar. Most companies have such provisions in their work rules.

When the rights to obtain the IPRs are assigned from the employee, the employer must pay reasonable consideration for the assignment. If the consideration is unreasonable, the court can determine the consideration by taking into account the amount of profit that will be earned by the employer, and any other circumstances relating to the IPRs.

Copyright in a work created by an employee in the course of employment vests in the employer unless otherwise stipulated by contract, work rules, or similar.

23. Who owns each of the main IPRs created by an external consultant? What main steps can a business take to ensure it owns each of the main IPRs (for example, by negotiating an assignment of IPRs)?

IPRs created by an external consultant are in principle owned by the consultant.

It is therefore recommended to negotiate an assignment of IPRs created by an external consultant, before they are created.

TAX

24. What are the main taxes payable by a licensor on the licensing of the main IPRs (for example, withholding tax on royalty payments)?

Income tax

Royalties paid for the use of IPRs in Japan are covered under the Income Tax Act.

The licensee must withhold income tax at the rate of 20% on any royalty payment, unless a reduced rate or exemption is applied by tax treaties.

Consumption tax

Royalties paid for the use of IPRs registered in Japan (for copyright, royalties paid to a licensor whose residence is in Japan) are covered under the Consumption Tax Act. Licensors must therefore pay consumption tax at the rate of 5% on royalty payments.

25. What are the main taxes payable by a seller on the disposal of the main IPRs?

Consideration paid for the disposal of IPRs in Japan is subject to the same tax treatment as that for royalties (*see Question 24*).

CROSS-BORDER ISSUES

26. What international IP treaties is your jurisdiction party to?

The major international IP treaties Japan is a party to are the:

- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (TRIPS).
- WIPO Paris Convention for the Protection of Industrial Property 1883 (Paris Convention).
- Patent Cooperation Treaty 1994 (PCT).
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure 1977.
- Strasbourg Agreement Concerning the International Patent Classification 1971.
- Trademark Law Treaty 1994.
- Madrid Agreement Concerning the International Registration of Marks 1891 (Madrid Agreement).
- WIPO Protocol Relating to the Madrid Agreement (Madrid Protocol).
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks 1957.
- Berne Convention for the Protection of Literary and Artistic Works 1971 (Berne Convention).
- WIPO Copyright Treaty 1996.
- WIPO Performances and Phonograms Treaty 1996.
- Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms.
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations.

27. Are foreign IPRs recognised in your jurisdiction? Please briefly outline any relevant recognition or registration procedure for each of the main IPRs.

Patents (including utility model rights)

Japan is a party to the Paris Convention. Under the Paris Convention, an international application can be entitled to priority rights, based on the filing of a patent application for the same invention in a Paris Convention country within the preceding 12 months.

In addition, Japan is party to the PCT. Under the PCT, the filing date of an international application is considered to be the actual filing date in each designated state, as well as having the effect of a normal national application.

Trade marks

Under the Paris Convention, an international application for a trade mark can be entitled to priority rights, based on the filing of an application for the same trade mark in a Paris Convention country within the preceding six months.

In addition, Japan is party to the Madrid Protocol. Under the Madrid Protocol, when an international application for registration has been filed, the person in whose name that application has been made can obtain protection for his mark in the territory of the Madrid Protocol countries.

Copyright

Japan is a party to the Berne Convention. Authors of foreign copyright whose nations are party to the Berne Convention enjoy the same rights as Japanese nationals.

REFORM

28. Please briefly summarise any proposals for reform and state if they are likely to come into force and, if so, when.

The Unfair Competition Prevention Act was amended on 30 April 2009 to extend the scope of unfair competition acts that are eligible for criminal punishment. While the current Unfair Competition Prevention Act punishes specific acts violating trade secrets for the purpose of unfair competition, the amended Unfair Competition Prevention Act punishes specific acts such as violating trade secrets for the purpose of achieving an unlawful interest or harming owners of such secrets. The effective date of the amended Act has not yet been determined, but will be determined by 31 October 2010.

There is no bill relating to IPRs currently being discussed by the Japanese Diet.

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