

## IP in business transactions: Japan overview

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### OVERVIEW OF MAIN IPRS

#### 1. Give a brief overview of the main IPRs in your jurisdiction and how they are protected.

##### Patents

The Patent Act covers exclusive rights to inventions based on technical ideas using natural laws.

Patent rights are protected through registration with the Japan Patent Office (JPO).

The legal requirements to obtain patent rights are:

- Novelty.
- Inventive step.
- Susceptibility to industrial application.
- Non-existence of a claim under a prior application.

The categories that are excluded from patent protection are:

- Ideas that do not use the laws of nature.
- Laws of nature themselves.
- Techniques.
- Unfinished inventions.
- Medical operation processes and methods for the treatment or diagnosis of human beings.
- Matters liable to adversely affect public order, morality or public health.

The JPO provides guidance on the procedures for obtaining patents on its website ([www.jpo.go.jp](http://www.jpo.go.jp)).

##### Utility models

The Utility Model 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 devices.

The differences between patents and utility models are the protected subject matter and the required level of technical complexity. The scope of the subject matter protected by the Utility Model Act is narrower than that protected by the Patent Act, and the level of technical complexity required by the Utility Model Act is lower than that required by the Patent Act.

For the legal requirements to obtain utility model rights, see above, *Patents*.

The JPO provides guidance on the procedures for obtaining utility model rights on its website ([www.jpo.go.jp](http://www.jpo.go.jp)).

##### Trade marks

Any mark that consists of a character, figure, sign, three-dimensional shape, or colour, or any combination of them, or a sound, that is used in connection with goods or services for

commercial purposes, can be registered and protected under the Trade Mark Act.

Unregistered marks that are widely recognised or well known can be protected under either or both the Unfair Competition Prevention Act and the Civil Code. Registration with the JPO is necessary for protection under the Trade Mark Act and is highly recommended for the protection of trade marks.

The JPO can refuse to register a trade mark on the grounds that it:

- Has no distinctive character.
- Is identical or similar to the mark of a national or international organisation.
- Is identical or similar to a registered or well-known mark.
- Is likely to cause confusion in connection with the goods or services pertaining to the business of another person.

The JPO provides guidance on the procedures for obtaining trade marks on its website ([www.jpo.go.jp](http://www.jpo.go.jp)).

##### Copyright

Copyright arises automatically on creation of a work in which thoughts or sentiments are expressed in a creative way and which falls in the literary, academic, artistic or musical domain.

No registration is necessary under the Copyright Act when a work has been created. However, in the event of assignment, a copyright cannot be asserted against a third party unless it has been registered.

Registration must be made with the Agency for Cultural Affairs ([www.bunka.go.jp/english](http://www.bunka.go.jp/english)) or, for computer programs, the Software Information Center (SOFTIC) ([www.softic.or.jp/en/index.html](http://www.softic.or.jp/en/index.html)) by submitting an application with supporting information. The Agency for Cultural Affairs and SOFTIC do not provide any guidance on applications in English on their websites.

Additionally, the author's name, first publication date and so on of a copyrighted work can be registered with the Agency for Cultural Affairs (or SOFTIC for computer program registration).

An author's moral rights are exclusive to the author and cannot be transferred. While there is a debate over whether a waiver of moral rights is valid, covenants not to exercise moral rights are common in practice and are generally considered valid. An assignee should have the assignor agree to not exercise those rights against the assignee or its successors.

##### Design rights

Under the Design Act, a design means any of the following which has an aesthetic nature:

- The shape, pattern, colour, or combination of these of an article.
- The shape, pattern, colour, or combination of these of a building.
- A graphic image (limited to images that are provided for use in the operation of the article, or images that are displayed as a result of the article performing its functions).

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Registration with the JPO is necessary for protection under the Design Act.

Following amendments to the Design Act (which came into force on 1 April 2020), the scope of protected designs was expanded to include:

- Graphic images not recorded or displayed on articles (for example, images stored on a cloud network and provided through such network, projected in virtual reality (VR) or augmented reality (AR), projected on walls or roads in projection mapping, and so on).
- Building exterior and interior designs, such as store designs.

The legal conditions to obtain design rights are:

- Industrial applicability.
- Novelty.
- Creativity.
- Distinctiveness and dissimilarity with any design previously filed.

The JPO provides guidance on the procedures for obtaining design rights on its website ([www.jpo.go.jp](http://www.jpo.go.jp)).

Unregistered designs can be protected under the Unfair Competition Prevention Act if a configuration of goods, which means the external and internal shape of goods and the pattern, colour, gloss, and texture combined with this shape that can be perceived by consumers in normal use, is deemed to be unfair competition.

Further, unregistered designs in which thoughts or sentiments are expressed can also be protected as copyrighted works under the Copyright Act. It is under discussion whether applied arts need to be more original than fine arts to be protected by copyright.

### Trade secrets and confidential information

There is no registration system or form of protection for confidential information. However, confidential information can be protected as trade secrets under the Unfair Competition Prevention Act. A trade secret is defined as technical or business information useful for commercial activities, such as manufacturing or marketing methods, that is kept secret and is not publicly known.

Grounds for an action for unauthorised use of confidential information include:

- Acquiring a trade secret by improper means, or using or disclosing a trade secret through wrongful acquisition.
- Acquiring a trade secret with knowledge or gross negligence of the fact that the secret was acquired through improper means, or using or disclosing a trade secret so acquired.
- Using or disclosing a trade secret with knowledge or gross negligence of the fact that the secret was acquired through improper means after acquiring the secret.
- Using or disclosing a trade secret that has been disclosed by the business operator holding the trade secret, for the purpose of acquiring illicit gains or causing injury to the holder.
- Assigning, delivering, displaying for the purpose of assignment or delivery, exporting, importing or providing through a telecommunications line articles manufactured by using a technical secret that was acquired wrongfully, except when such actions are carried out by a person that did not know that the articles originated from wrongful acquisition, and was not grossly negligent in not knowing so at the time of receiving them.

In addition, an amendment Act to the Unfair Competition Prevention Act came into force on 1 July 2019. The amendment protects certain types of "big data", which is defined as "limited provided data" (*gentei-teikyo* data) that meets all of the following conditions:

- Technical and business data.
- Accumulated in substantial quantities.
- Managed by electromagnetic means (excluding data that is kept secret).
- Treated as data to be provided to a specific entity.

### Other

New plant varieties can be registered and protected under the Plant Variety Protection and Seed Act (plant breeder's right) if they can both:

- Be distinguished from any other plant variety by at least one of their important characteristics.
- Be propagated while maintaining all their expressions of characteristics without change.

For further information about the main IPRs, see *Patents, trade marks, copyright and designs in Japan: overview*.

## MAINTAINING IPRS

### Search and information facilities

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## 2. What facilities are available to conduct IP searches and obtain IP information on registered IP rights?

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### Patents

The JPO maintains a free, searchable online database of patents, utility models, designs and trade marks ([www.j-platpat.inpit.go.jp](http://www.j-platpat.inpit.go.jp)).

The JPO also maintains information on new applications for each type of IPR on its online database. However, there may be a time lag in the JPO's online database being updated.

It is highly advisable to consult an attorney (*bengoshi*) specialising in IP law or a patent agent/attorney (*benrishi*). *Benrishi* is a profession specifically licensed to practice IP law, which is a different qualification than *bengoshi*.

### Utility models

See above, *Patents*.

### Trade marks

See above, *Patents*.

### Copyright

The Agency for Cultural Affairs and SOFTIC maintain information on registered copyrights. They have a free online database searchable by the name and registry number of a copyrighted work (this database is only available in Japanese, and detailed information on copyright registrations is only available on request to the Agency for Cultural Affairs or SOFTIC for a handling fee).

### Design rights

For registered designs, see above, *Patents*.

There is no registration system or searchable online database for unregistered designs.

## Maintenance of main IPRs

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## 3. What steps must a business take to maintain the registration, if applicable, and legally protectable status of its main IPRs?

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### Patents

A patent right is effective on registration and expires 20 years from the application filing date.

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An applicant must pay the annuities for the first three years in a lump sum within 30 days of receiving notice of the grant of a patent. Fees for the fourth annuity onwards must be paid by the end of the preceding year.

Details of maintenance and other fees are available on the JPO website ([www.jpo.go.jp](http://www.jpo.go.jp)). If a patented invention is not sufficiently and continuously used in Japan for three years or more, a person intending to use the patented invention can request that the patent owner or exclusive licensee (*senyo-jisshi-ken-sha*) hold a meeting to discuss granting a non-exclusive licence. If no agreement is reached or no meeting can be arranged, the person can request that the Commissioner of the JPO grant a non-exclusive licence (except for patents filed in the preceding four years).

### Utility models

A utility model right is effective on registration and expires ten years from the application filing date.

An applicant must pay the annuities for the first three years in a lump sum at the time of the application. Fees for the fourth annuity onwards must be paid by the end of the preceding year.

Details of maintenance and other fees are available on the JPO website.

### Trade marks

An applicant must pay the registration fee within 30 days after receiving notice of the grant of a trade mark.

A registered trade mark expires on the ten-year anniversary of its registration and can be renewed by the holder of the trade mark filing a renewal application.

Details of maintenance and other fees are available on the JPO website.

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

### Copyright

Registration is not necessary to obtain copyright protection, and no fee is required.

An amendment to the Copyright Act, arising from Japan's ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), came into force on 30 December 2018, extending copyright duration. Copyright protection now starts from the creation of a work and continues for 70 years after the death of the author (for a cinematographic work, 70 years from publication).

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

- Assignment of a copyright.
- Establishment of publication rights.
- Authors' names and dates of publication for anonymous works.
- Date of creation of a copyrighted program.

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

### Design rights

Design rights are registered on payment of the registration fee for the first year. The registration fee must be paid within 30 days after receiving notice of the grant of the rights. The registration fees for the second year onwards must be paid annually by the end of the preceding year.

The protection of design rights expires after 25 years from the application date and cannot be renewed.

The duration of design rights was extended from 20 years from the registration date to 25 years from the filing date of the application by amendments to the Design Act that came into force on 1 April 2020 (see *Question 27, Design Act*).

Details of maintenance and other fees are available on the JPO website.

Protection of unregistered designs under the Unfair Competition Prevention Act arises on creation and lasts for three years from the time the relevant article is first sold in Japan.

### Trade secrets and confidential information

There is no registration system for trade secrets or confidential information.

### Monitoring infringement

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## 4. What steps can a business take to avoid infringing another party's IPRs and to monitor whether another party is infringing its IPRs?

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### Patents

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

Under the Patent Act, any party can file with the JPO an opposition to a granted patent within six months of publication of the patent in the Official Gazette. An invalidation action can also be commenced, but only by interested parties. For example, if a person or company is aware of a prior art similar to a newly granted patent of a competitor, it can either:

- File an opposition.
- File an invalidation action as an interested party.

There is no official JPO system to monitor infringements of IPRs by competitors.

### Utility models

See above, *Patents*. However, any party can file an invalidation action against a utility model, but there is no option to file an opposition.

### Trade marks

See above, *Patents*.

### Copyright

There is no special step for copyright protection.

### Design rights

See above, *Patents*. However, any party can file an action for invalidation of granted design rights, but there is no option to file an opposition.

### Trade secrets and confidential information

There are no special steps for trade secrets or confidential information.

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## EXPLOITING IPRS

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

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#### Patents

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 using the JPO's online database.

A right can still be held invalid after registration if a person files an invalidation action with the JPO.

#### Utility models

See above, *Patents*. Unlike other IPRs, utility model rights are registered without the JPO examining their validity, so utility model rights are often held invalid when challenged.

#### Trade marks

See above, *Patents*.

#### Copyright

Since the details of copyright cannot be searched through public sources, inquiries should be made with the author or copyright owner.

#### Design rights

See above, *Patents*.

#### Trade secrets and confidential information

Since trade secrets and confidential information cannot be publicly disclosed, details must be obtained from the holders of the trade secrets and confidential information.

## ASSIGNMENT

### Scope of assignment

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### 6. On what basis can the main IPRs be assigned?

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#### Patents

Patent rights, including the right to obtain a patent (future right), can be assigned in whole or in part.

#### Utility models

Utility model rights, including the right to obtain a utility model (future right), can be assigned in whole or in part.

#### Trade marks

Trade mark rights, including the rights deriving from an application for trade mark registration, can be assigned separately from goodwill. When several goods or services are designated for registration, a trade mark can be divided into each class and can be assigned separately.

#### Copyright

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

An author's moral rights are exclusive to the author and cannot be assigned or transferred. While there is a debate over whether a waiver of moral rights is valid, covenants not to exercise moral rights are common in practice and are generally considered valid. An assignee should have the assignor agree to not exercise those rights against the assignee or its successors.

#### Design rights

Design rights, including the right to obtain a design registration (future right), can be assigned in whole or in part.

#### Trade secrets and confidential information

There is no notion of assigning actual trade secrets or confidential information. However, trade secrets and confidential information can be disclosed (in whole or in part), if this is agreed. It is also possible to agree to disclose information obtained in the future.

#### Formalities for assignment

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### 7. What formalities are required to assign each of the main IPRs?

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#### Patents

To assign patents, utility model rights, trade mark rights and design rights, a written application for registration of the assignment must be filed (in principle, jointly by the assignor and assignee) with the JPO. The registration must be substantiated by submitting relevant documents evidencing 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.

#### Utility models

See above, *Patents*.

#### Trade marks

See above, *Patents*.

#### Copyright

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

#### Design rights

See above, *Patents*.

#### Trade secrets and confidential information

See *Question 6, Trade secrets and confidential information*.

#### Main terms for assignments

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

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#### Patents

An assignment of patents, utility model rights, trade mark rights and design rights should include:

- The terms 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 essential, but it is highly recommended to include them.

#### Utility models

See above, *Patents*.



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## Trade marks

See above, *Patents*.

## Copyright

The right of adaptation and the right of the original author relating to the exploitation of derivative works are presumed to be reserved to the assignor, unless otherwise specifically referred to in the assignment agreement. Since an author's moral rights are exclusive to the author and cannot be assigned or transferred, the assignee should have the assignor agree not to exercise those rights against the assignee or its successors.

## Design rights

See above, *Patents*.

## Trade secrets and confidential information

See *Question 6, Trade secrets and confidential information*.

## LICENSING

### Scope of licensing

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#### 9. On what basis can the main IPRs be licensed?

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### Patents

For patents, utility model rights, trade marks, and design rights, the right holder can grant both exclusive licences (the exclusive right to exercise the rights for commercial purposes (*senyo-jisshi-ken*)) and non-exclusive licences (*tsujyo-jisshi-ken*).

The scope of a licence is determined by the contract between the right holder and the licensee. IP 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 exclusive licences under foreign IP laws. In Japan, once an exclusive licence is granted by agreement and is registered, the right owner (licensor) can no longer use the licensed right or license the right to another person, unless otherwise agreed between the licensor and the licensee.

A provisional non-exclusive licence can be granted to a person who, without knowledge of an invention claimed in a patent application, has been using the invention prior to the filing of the application. For patents, utility model rights and design rights, there is also a ruling system for the granting of compulsory licences by the Commissioner of the JPO in cases where it is inevitable that a licensee will infringe the licensor's right in the course of using its own licensed right, and where no agreement can be reached with the licensor.

### Utility models

See above, *Patents*.

### Trade marks

See above, *Patents*.

Trade mark rights can be licensed separately from goodwill.

### Copyright

A copyright holder can grant both exclusive licences and non-exclusive licences. The scope of a licence is determined by the contract between the right holder and the licensee.

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

When the identity a copyright holder is unknown, a compulsory licence can be granted by the Commissioner of the Agency for Cultural Affairs on deposit of the ordinary amount of royalty for the copyright.

A broadcaster can also seek a compulsory licence from the Commissioner of the Agency for Cultural Affairs if it intends to broadcast a copyrighted work but fails to reach an agreement with the copyright holder. There is a similar ruling system for the commercial use of copyrighted recordings.

Copyrights under the Copyright Act are only effective in Japan.

Since an author's moral rights are exclusive to the author and cannot be licenced, the licensee should have the right holder agree not to exercise those rights against the licensee or its successors.

### Design rights

See above, *Patents*.

### Trade secrets and confidential information

Trade secrets and confidential information can be licensed in whole or in part, with or without jurisdictional restrictions.

### Formalities for licensing

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#### 10. What are the formalities to license each of the main IPRs?

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### Patents

There are no formalities to license patents, utility model rights, trade marks, and design rights. Registration with the JPO is required for an exclusive licence (*senyo-jisshi-ken* or *kari-senyo-jisshi-ken*, which is a provisional exclusive licence for pending patent rights) to be enforceable against third parties.

Registration was previously required for non-exclusive licences (*tsujyo-jisshi-ken* or *kari-tsujyo-jisshi-ken*, which is a provisional non-exclusive licence for pending patent rights) to be enforceable against third parties. However, the registration system for non-exclusive licences was abolished in April 2012 (the Trade Mark Act has not been amended and, registration remains necessary for trade mark non-exclusive licences).

Therefore, non-exclusive licences of patents, utility model rights and design rights do not need to be registered, and licensees can assert their rights against a third party without registration. However, it is highly recommended that an agreement be entered into in writing.

### Utility models

See above, *Patents*.

### Trade marks

There are no formalities to license trade marks. Registration with the JPO is necessary for exclusive licences (*senyo-shiyo-ken*) to be enforceable against third parties.

Non-exclusive licences (*tsujyo-shiyo-ken*) must be registered with the JPO to be enforceable against third parties (subsequent trade mark assignee, exclusive licensee, bankruptcy trustee, and so on), except for general successors by inheritance or merger.

### Copyright

Copyright licences do not need to be registered. Under the amended Copyright Act, which came into force on 1 October 2020, licensees can assert their rights against third parties without registration. However, it is highly recommended that an agreement be entered into in writing.

### Design rights

See above, *Patents*.

### Trade secrets and confidential information

There are no formalities required to license trade secrets or confidential information. However, to ensure that information remains confidential, it is advisable for a confidentiality agreement to be in writing.

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## Main terms for licences

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

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The main terms that should be included in an IP licence are:

- The scope of the licence, including:
  - identification of the rights licensed;
  - exclusivity;
  - duration;
  - territory; and
  - terms of exploitation.
- Payment terms.
- Audit.
- Warranties and indemnities.
- Proceedings for infringement.
- Assignability.
- Term of agreement.
- Termination.
- Governing law and jurisdiction.

Since an author's moral rights are exclusive to the author and cannot be licensed, the licensee should have the copyright holder agree not to exercise those rights against the licensee or its successors.

To ensure that confidential information remains confidential, it is advisable for a confidentiality term to be included.

## TAKING SECURITY

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### 12. Can security be taken over IPRs?

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Pledges can be taken over each type of IPR. Assignments by way of security (*joto-tampo*) are also commonly taken over each type of IPR.

The most difficult aspect of taking security over IPRs is the valuation of secured IPR assets. IPRs can be invalidated for failure to pay registration or maintenance fees or following the filing of an invalidation action by a third party, and the economic value of an IPR often decreases due to low market demand.

When enforcing security, a limited resale market can pose a problem, as many IPRs are only created for internal use (the resale market issue is also related to the problem of asset valuation).

### 13. What are the main security interests taken over IPRs and how are they created and perfected?

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#### Patents

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

#### Trade marks

See above, *Patents*.

#### Copyright

No formalities are required to take security interests over copyright. However, registration with the Agency for Cultural Affairs (or SOFTIC

for computer programs) is necessary to assert a security interest over copyright against a third party.

#### Design rights

See above, *Patents*.

#### Trade secrets and confidential information

No security interests can be taken over trade secrets or confidential information.

## M&A

### Due diligence

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### 14. What IP-related due diligence is commonly carried out in both a share sale and an asset sale?

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In both share sales and asset sales, the steps commonly taken during IP-related due diligence are as follows:

- Identifying all the IPRs either used or owned by the target that are necessary to conduct its business.
- Gathering further information, such as:
  - for each IPR, the details regarding the territory covered, ownership, registration number, registration date and expiry/renewal date, and ensuring the payment of periodical fees (maintenance or renewal);
  - details of proceedings or claims, actual or threatened, affecting the IPRs owned or used by the target;
  - details of all assignments, licences or other authorisations, research and development agreements and collaboration agreements, including the main clauses of these agreements, such as exclusivity, warranties, scope and term; and
  - details of security interests relating to the IPRs owned or used by the target.

### Warranties/indemnities

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### 15. What IPR-related warranties are commonly given by the seller to the buyer in both a share sale or merger and an asset sale?

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In both share sales and asset sales, the following warranties are typically given by the seller (among other warranties):

- The seller owns the IPRs.
- There are no proceedings, claims or other disputes involving the seller in relation to the IPRs.
- There are no infringements of the IPRs by third parties and no infringement by the seller of any third-party IPRs.

### Transfer of IPRs

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### 16. How are the main IPRs transferred in both a share sale and an asset sale?

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#### Share sale or merger

A share sale does not affect the ownership of the IPRs held by the target company. In a company split (demerger) (*kaisha bunkatsu*), the IPRs are automatically transferred to the successor. However, change of control clauses in existing licence or other agreements involving the relevant IPRs may require the written consent of the other party to the agreement before the share sale or merger.

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## Asset sale

As an asset sale affects the ownership of IPRs, the buyer must ensure that:

- No assignment clause in existing agreements with the target can prevent the transfer of the IPRs.
- The asset purchase agreement includes a complete and accurate list of the IPRs to be transferred.

In addition, the assignment of IPRs must be registered to be enforceable against third parties (see *Question 7*).

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## JOINT OWNERSHIP OF IP

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### 17. How does joint ownership of IP arise?

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Joint ownership of IPRs can arise either:

- Through strategic alliances (such as joint development/venture agreements, commercialisation partnership agreements, and co-marketing agreements), and co-operative arrangements to create or develop IP (such as artistic collaborations).
- When two or more parties are involved in the actual creative process, regardless of the form of the agreement/arrangement.

The author of a cinematographic work is a person that makes a creative contribution to the overall shaping of the work through responsibility for its production, direction, staging, filming, art direction, and so on, other than the author of a novel, scenario, music, or other work that is adapted into or reproduced in the cinematographic work.

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### 18. What key issues arise in terms of the parties' rights to exploit and enforce jointly owned IP? How should these issues be dealt with in the agreement between the parties?

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For patents, utility model rights, trade marks, and design rights, a joint owner cannot assign, pledge, or license the rights without the consent of all the other joint owners. However, each of the joint owners can use the IPRs themselves without the consent of the other joint owners, unless otherwise agreed.

A joint copyright owner cannot assign, pledge, or exercise the copyright without the consent of all the other joint owners. A joint owner cannot refuse to grant consent without justifiable grounds. The moral rights of co-authors of a joint work cannot be exercised without the unanimous agreement of all the co-authors. However, a co-author must not, in bad faith, prevent an agreement from being reached.

A joint owner can independently seek an injunction and/or damages for infringement of an IPR without the consent of the other joint owners.

The following IP-related provisions, among others, should be included in joint venture agreements:

- Scope and duration of the joint venture.
- Licence to the joint venture of the existing IPRs necessary for the project and related warranties.
- Terms of ownership of the IPRs developed by the joint venture and related registration and maintenance duties.
- Allocation of the IPRs licensing and other exploitation rights, and enforcement rights.
- Terms of revenue sharing.
- Termination and post-termination provisions.

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## COMPETITION LAW

### Main provisions and common issues

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### 19. What are the most common national competition law issues that arise in the exploitation of the main IPRs?

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The exploitation of IPRs can be affected by the Anti-monopoly Act, which prohibits:

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

The following, among other things, are at risk of being considered prohibited acts:

- Patent pools.
- Multiple licensing.
- Cross-licensing.
- Bundle licensing.
- Resale price fixing.
- Prohibition of competing products after licence termination.
- Unilateral termination.
- Non-assertion covenants.
- Refusing to license or bringing an action for injunction against a party who is willing to take a FRAND (fair, reasonable and non-discriminatory) licence by a standard essential patent holder.

(*Guidelines for the Use of Intellectual Property under the Anti-monopoly Act, issued by the Japan Fair Trade Commission.*)

It is highly advisable to consult an attorney specialising in IPRs or competition law at the time of making an IP-related agreement to manage the legal risk.

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### Exclusions/exemptions

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### 20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs?

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Lawful parallel importation is considered to be promoting price competition. Accordingly, obstruction of lawful parallel imports can be an issue under the Anti-monopoly Act if it is conducted to maintain the price level of a product covered by contract.

The Anti-monopoly Act does not apply to acts recognisable as the exercise of rights under the Copyright Act, Patent Act, Utility Model Act, Design Act and Trade Mark Act (*Article 21, Anti-monopoly Act*). This means that the Anti-monopoly Act still applies to restrictions to the use of technology that is essentially not considered as the exercise of rights. The Guidelines for the Use of Intellectual Property under the Anti-monopoly Act issued by the Japan Fair Trade Commission set out certain examples of restrictions on the exploitation of IPRs that are prohibited under the Anti-monopoly Act (see *Question 19*).

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## ADVERTISING

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### 21. To what extent do advertising laws impact on the use of third party trade marks?

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Advertisements and any signs (including trade marks) used for commercial purposes that mislead general consumers as to the

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contents of products or services are prohibited (*Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962)*).

The Act against Unjustifiable Premiums and Misleading Representations does not prohibit the comparative advertising of products or services of competitors itself. However, the following types of comparative advertising would be deemed misleading representations that are prohibited under the Act because they are likely to unduly affect the selection of products or services by general consumers:

- Comparisons of matters that have not been proven or are incapable of being proven.
- Comparisons based on unfair grounds, such as an emphasis on facts that are inconsequential on the selection of products or services by consumers, or an arbitrary selection of the products compared.
- Advertising that disparages competitors or their products or services.

*(Guidelines for Comparative Advertising under the Act against Unjustifiable Premiums and Misleading Representations, issued by the Consumer Affairs Agency.)*

## **EMPLOYEES AND CONSULTANTS**

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### **22. Who owns each of the main IPRs created by an employee in the course of employment?**

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#### **Ownership**

For patents, utility model rights and design rights, the right to obtain the IPRs created by an employee in the course of employment used to be held by the employee without exception, and the employer only had a non-exclusive licence of the right. However, the Patent Act, Utility Model Act and Design Act (amended in May 2015) have made it possible for employers to reserve, from the outset, the right to obtain the IPRs in employee inventions if they so provide in employment contracts, work rules, or any other stipulations.

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 instruments.

#### **Compensation**

When the right to obtain IPRs is obtained by an employer or is assigned by an employee to an employer, the employer must provide reasonable consideration for the assignment. The compensation can be payable in cash or other economic benefits. An employer can stipulate in advance how to determine the amount of the consideration in the employment contract, work rules, or through other appropriate procedures. If the consideration provided is unreasonable or the method for determining the consideration is not stipulated in advance, a court can decide the amount of the consideration by taking into account the profit earned by the employer, along with any other circumstances relating to the IPRs. The Minister of Economy, Trade and Industry has formulated and issued guidelines that provide the standards for appropriate valuation procedures.

#### **Main steps**

An employer can stipulate in advance that it holds or is assigned the right to obtain IPRs in employment contracts, work rules or similar instruments. Many companies have these types of provisions in their work rules.

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### **23. Who owns each of the main IPRs created by an external consultant?**

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#### **Ownership**

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

#### **Main steps**

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

## **TAX**

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### **24. What are the main taxes payable by a licensor on the licensing of the main IPRs?**

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#### **Income tax**

Royalties paid for the use of IPRs in Japan are subject to the Income Tax Act.

A licensee must withhold income tax at the rate of 20% on any royalty payments, unless a reduced rate or exemption is available under 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 subject to the Consumption Tax Act. Licensors must pay consumption tax at the rate of 10% on royalty payments.

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### **25. What are the main taxes payable by a seller on the sale or transfer of the main IPRs?**

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

## **CROSS-BORDER ISSUES**

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### **26. Are foreign IPRs recognised in your jurisdiction?**

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#### **Patents**

Japan is party to the WIPO Paris Convention for the Protection of Industrial Property 1883 (Paris Convention). Under the Paris Convention, an international application can be entitled to a priority right, based on the filing of a patent application for the same invention in a Paris Convention country in the preceding 12 months.

The JPO also accepts requests for the restoration of priority rights.

In addition, Japan is party to the Patent Cooperation Treaty 1970 (PCT), under which 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.

#### **Utility models**

Under the Paris Convention, an international application for a utility model is entitled to a priority right, based on the filing of an application for the utility model in a Paris Convention country in the preceding 12 months.

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 a priority right, based on the filing of an application for the same trade mark in a Paris Convention country in the preceding six months.

In addition, Japan is party to the WIPO Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks 1989 (Madrid Protocol). Under the Madrid Protocol, when an international registration application has been filed, the person whose name that application has been made in can obtain protection for their mark in the territory of the Madrid Protocol countries.

## Copyright

Japan is party to the WIPO Berne Convention for the Protection of Literary and Artistic Works 1971 (Berne Convention). Foreign copyright holders whose governments are party to the Berne Convention enjoy the same rights as Japanese nationals.

## Design rights

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

In addition, Japan is party to the Geneva Act of the Hague Agreement concerning the International Deposit of Industrial Designs 1925. Under the Geneva Act, an international registration will, from the date of the international registration, have at least the same effect in each designated contracting party as a regularly-filed application for industrial design protection.

## REFORM

### 27. Summarise any proposals for reform to the main IPR laws.

Amendments to the Patent Act, Utility Model Act, Design Act and Trade Mark Act were enacted on 10 May 2019. An amendment to the Copyright Act was also enacted on 5 June 2020. The key amendments are summarised below.

#### Patent Act

**Evidence of patent infringement.** A new evidence collection system has been introduced, which allows an independent third-party technical expert to conduct on-site inspections to collect evidence of an alleged patent infringement.

Under this system, on the request of an owner or an exclusive licensee (*senyo-jisshi-ken-sha*), and if certain prescribed requirements are met, a court may order an independent third-party expert to conduct inspections to collect evidence of the alleged patent infringement at the site of the alleged infringer (for example, at its manufacturing site).

This system is expected to be used in patent litigation in fields of technology in which conventional procedures for collecting evidence of patent infringement are not sufficiently effective. Examples of patents for which the existing evidence collection system is not sufficiently effective are:

- Patents of manufacturing methods.
- Patents of business-to-business products that are not readily available on the open market.
- Patents of software for which it is difficult to verify the state of operation based on documents alone.

This amendment to the Patent Act came into force on 1 October 2020.

**Damages calculation.** Another change introduced by the amended Patent Act is patentee-friendly revisions to damages calculations. A

new methodology has been adopted to calculate compensation for damages in patent infringement cases. The pre-amendment Patent Act provided a rebuttable presumption of the amount of damage and lost profits that could be compensated for patent infringement. Losses were calculated by multiplying the amount of profit per unit of product that the patentee (patent owner or exclusive licensee (*senyo-jisshi-ken-sha*)) would have earned if there had been no infringement, by the quantity of products sold by the infringer, subject to limitations arising from the patentee's manufacturing or selling capacity.

Under the amended Patent Act, a patentee can seek a reasonable royalty for products sold by the infringer even if the quantity claimed is beyond the patentee's manufacturing or selling capacity. This royalty can be claimed in addition to the lost profits for the quantity of products that the patentee would have sold within its manufacturing or selling capacity.

The amended Patent Act also increases the amount of damages that can be claimed for reasonable royalties in patent litigation. The pre-amendment Patent Act provided that patentees could seek damages for the amount the patentee would have been entitled to receive as reasonable royalties for the infringing products. The amendments to the Patent Act provide that a court can determine the amount of reasonable royalties by considering the amount the patentee would be entitled to receive if the patentee and the infringer had entered into an agreement, on the basis that the patent is valid and has been infringed.

This damages calculation methodology also applies to calculations for damages for infringements of utility models, designs and trade mark rights.

This amendment to the Patent Act came into force on 1 April 2020.

#### Design Act

The amendments to the Design Act, which came into force on 1 April 2020, include the following changes (among others):

- Expansion of the scope of designs protected under the Design Act, which means that graphic images that are not recorded or displayed on articles and interior and exterior designs of buildings will be included in the scope of designs.
- Enhancement of the protection of "related designs" (*kanren-ishou*), which allows an applicant to register a design similar to the design for which the applicant has filed an application for registration. Under these amendments an applicant can:
  - register a related design within ten years after the filing date of the principal design; and
  - register a design similar only to the related design.
- Extension of the duration of design rights from 20 years from the registration date to 25 years from the filing date of the application for registration.
- Expansion of the scope of indirect infringement, whereby a third party that manufactures or imports a component may be deemed to have committed an indirect infringement under certain conditions. Under the pre-amendment Design Act, if a third party manufactured or imported the main components of a finished product protected by design rights, such manufacturing or importing did not constitute design infringement because protection could not be extended to individual components. The amendment enables registered designs for finished products to be protected more effectively.

#### Trade Mark Act

Under the amendments to the Trade Mark Act, which came into effect on 27 May 2019, the national government, local municipalities, national or public universities and other public interest organisations can license well-known trade marks representing such organisations.

## Copyright Act

The amended Copyright Act introduces the following changes:

- **Leech websites and leech apps.** Under the pre-amendment Copyright Act, providing links to users on a leech website or leech app, and operating a leech website or app, did not constitute copyright infringement and were not subject to injunctions/claims for damages and/or criminal penalties. Under the amended Copyright Act, intentionally or negligently providing links through leech websites or leech apps that specifically lead the public to infringing works, or are used primarily for the use of infringing works by the public, is deemed to constitute copyright infringement. Therefore, these acts are now subject to injunctions/claims for damages and criminal penalties. Operating a leech website or providing a leech app is also a criminal offence. Failure to remove a link to infringing material, intentionally or negligently, may constitute copyright infringement. This amendment came into force on 1 October 2020.
- **Downloading infringing content.** Under the current Copyright Act, downloading illegally uploaded music or videos is considered illegal. Under the amended Copyright Act, downloading any type of illegally uploaded copyrighted works will be generally illegal, including for private use, but with knowledge that a work has been illegally uploaded. Downloading infringing content is not illegal if the portion is minor or there are special circumstances that would not unfairly harm the interests of the copyright holder. Criminal penalties will only be imposed if the legitimate version is provided for a fee and the act of downloading is carried out continuously or repeatedly. This amendment will come into force on 1 January 2021.
- **Enforcement of licence rights.** Under the pre-amendment Copyright Act, a copyright licensee was not able to assert its rights against subsequent copyright assignees or bankruptcy trustees, except for general successors by inheritance or merger. The amended Copyright Act, which came into force on 1 October 2020, enables licensees to assert their rights against subsequent copyright assignees or bankruptcy trustees.

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