

IP in business transactions: Japan overview

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OVERVIEW OF MAIN IPRS

1. What are the main IPRs in your jurisdiction? How are they protected?

Patents including utility model rights

Japan has a two-tier patent system:

- The Patent Act, which covers exclusive rights to inventions based on technical ideas using natural laws.
- The Utility Model Act, which 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 differences between the two Acts 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.

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

The legal requirements to obtain patent rights and utility model 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 in which the laws of nature are not used.
- The laws of nature themselves.
- Techniques.
- Unfinished inventions.
- Medical operation processes or 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).

Trade marks

Any mark that consists of a character, figure, sign, three-dimensional shape, 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 Trademark Act.

If unregistered marks are widely-recognised or well-known, they can be protected under the Unfair Competition Prevention Act and/or the Civil Code. Registration with the JPO is necessary for protection under the Trademark 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 (*see above*).

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) or, for computer programs, the Software Information Center (SOFTIC) (www.softic.or.jp/en/index.htm) 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.

Furthermore, 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 are inalienable. 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 the shape, pattern, colour, or combination thereof of an article which has an aesthetic sense. A graphic image that is provided for use in the operation of an article (limited to operations carried out to enable the article to perform its functions) and is displayed on the article itself or another article that is used with the article in an integrated manner can also be protected by the Design Act. Registration with the JPO is necessary for protection under the Design Act.

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 (*see above*).

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 a copyrighted work under the Copyright Act. It is under discussion whether applied arts need to be more original than fine arts in order to be protected by the Copyright Act.

Trade secrets and confidential information

There is no registration system or form of protection for confidential information. However, confidential information, which 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, can be protected under the Unfair Competition Prevention Act as trade secrets.

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.
- For the purpose of acquiring illicit gains or causing injury to the holder, using or disclosing a trade secret which has been disclosed by the business operator holding the trade secret.
- Acquiring a trade secret with knowledge or gross negligence of the fact that the secret was disclosed 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 disclosed through improper means after acquiring the secret.
- 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 assignment is made by a person that was without knowledge that those articles originated from wrongful acquisition, and was without gross negligence in not knowing so at the time of receiving them.

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

MAINTAINING IPRS

Search and information facilities

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

Patents, including utility model rights

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 (www.j-platpat.inpit.go.jp/web/all/top/BTmTopEnglishPage).

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

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 intellectual property law, which is a different qualification than *bengoshi*.

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

See above, *Patents*.

Trade secrets and confidential information

There is no registration system for confidential information.

Maintenance of main IPRs

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

Patents (including utility model rights)

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

An applicant must pay the annuities for the first three years in a lump sum within 30 days of receiving notice of the granting of a patent (for utility model rights, payment must be made at the same time as 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 (*see Question 1, Patents, including utility model rights*). 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 within the preceding four years).

Trade marks

An applicant must pay the registration fee within 30 days after receiving notice of the granting of the 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 (*see Question 1*).

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. Copyright protection starts from the creation of a work and continues for 50 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 it 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 granting of the rights. The registration fees for the second year onwards must be paid annually by the end of the preceding year.

The term of a design right expires after 20 years from the date of its registration and cannot be renewed.

Details of maintenance and other fees are available on the JPO website (*see Question 1*). 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 confidential information.

Monitoring infringement

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

Patents (including utility model rights)

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

Under the Patent Act (amended in May 2014), any party can file with the JPO an opposition to granted patents within six months after issuance of the official gazette in which the patent is published. In addition, there is an option to file an invalidation trial. However, standing for an invalidation trial is limited to 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 trial as an interested party.

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

Trade marks

See above, *Patents (including utility model rights)*.

Copyright

There is no special step for copyright protection.

Design rights

See above, *Patents (including utility model rights)*; provided that 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 confidential information.

EXPLOITING IPRS

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

Patents (including utility model rights)

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 trial with the JPO. Unlike the other IPRs, utility model rights are registered without the JPO examining the contents of the utility models, so utility model rights are often held invalid when challenged.

Trade marks

See above, *Patents (including utility model rights)*.

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 (including utility model rights)*.

Trade secrets and confidential information

Since confidential information cannot be publicly disclosed, it must be obtained from the holders of the confidential information.

ASSIGNMENT

Scope of assignment

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

Patents (including utility model rights)

Patent rights, including the right to obtain a patent (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. Trade mark rights can be partly assigned on a good-by-good or service-by-service basis.

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.

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 confidential information. However, confidential information can be disclosed, in whole or in part, where agreed. It is also possible to agree to disclose information obtained in the future.

Formalities for assignment

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

Patents (including utility model rights)

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.

Trade marks

See above, *Patents (including utility model rights)*.

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 (including utility model rights)*.

Trade secrets and confidential information

There is no notion of assigning actual confidential information. However, a right regarding confidential information can be assigned. When a right regarding confidential information is assigned, the assignor discloses the confidential information to an assignee, and the assignor agrees to neither use the confidential information nor to disclose it to a third party. While there are no formalities required for such an agreement, it is advisable for the agreement to be made in writing since the right cannot be registered.

Main terms for assignments

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

An assignment of IPRs 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.

For copyright assignment, 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 are inalienable, the assignee should have the assignor agree not to exercise those rights against the assignee or its successors.

LICENSING

Scope of licensing

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

Patents (including utility model rights)

For patents, utility model rights, trade marks, and design rights, the right holder can grant both exclusive licences (the exclusive right to use 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 (permissible to be in whole or in part). 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 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.

Other than by contract, 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.

Trade marks

See above *Patents (including utility model rights)*.

Copyright

For copyright, the right holder can grant both exclusive licences (allowing the use of the rights for commercial purposes) 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, 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 deposit of the ordinary amount of royalty for the copyright.

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

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

Design rights

See above *Patents (including utility model rights)*.

Trade secrets and confidential information

Confidential information can be licensed in whole or in part where agreed without any jurisdictional restrictions.

Formalities for licensing

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

Patents (including utility model rights)

For patents, utility model rights, trade marks, and design rights, licences require no formalities. However, to enjoy protection under law, registration with the JPO is necessary since, by law, exclusive licences (*senyo-jisshi-ken* or *kari-senyo-jisshi-ken*, which is a provisional exclusive licence for patent pending rights) are not effective without registration.

In relation to non-exclusive rights (*tsujyo-jisshi-ken* or *kari-tsujo-jisshi-ken*, which is a provisional non-exclusive licence for patent pending rights), registration was formerly required to assert those rights against a third party. However, the registration system for these non-exclusive rights was abolished in April 2012 (the Trademark Act has not been amended and, for trade marks, registration of non-exclusive rights is required continuously).

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

Trade marks

There are no formalities to license trade marks. However, to enjoy protection under the Trademark Act, registration with the JPO is necessary since, by law, exclusive licences (*senyo-shiyo-ken*) are not effective without registration.

Non-exclusive rights (*tsujyo-shiyo-ken*) must be registered in order to be asserted against a third party (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. However, it is highly recommended that an agreement be entered into in writing.

Design rights

See above, *Patents (including utility model rights)*.

Trade secrets and confidential information

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

Main terms for licences

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

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

- Grant of licence.
- Disclosure of know-how.
- Consideration for the licence.
- Audit.

- Warranties.
- Innovation.
- Confidentiality.
- Term of agreement.
- Termination.
- Governing law and jurisdiction.

TAKING SECURITY

12. What are the key issues in taking security over the main IPRs?

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

The most difficult problem in taking security over IPRs is the valuation of secured IPR assets. IPRs can be invalidated by failure to pay the registration/maintenance fees or the filing of an invalidation trial 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 is also related to the problem of asset valuation).

13. What are the main security interests taken over IPRs?

Patents (including utility model rights)

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

Trade marks

See above, *Patents (including utility model rights)*.

Copyright

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

Design rights

See above, *Patents (including utility model rights)*.

Trade secrets and confidential information

No security interests can be taken in confidential information.

M&A

Due diligence

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

In both share sales and asset sales, IP-related due diligence is commonly carried out and involves:

- Identification of the relevant IPRs and their registrations.
- Review of the filings relating to the main IPRs, if necessary.
- Obtaining 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.
- Valuation of the IPRs.

Warranties/indemnities

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

In both share sales and asset sales, the seller typically warrants the following and indemnifies the buyer for breach thereof:

- 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 seller's knowledge, there are no infringements, violations or misappropriations of the IPR by a third party.

Transfer of IPRs

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

Share sale or merger

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

In a company split (demerger) (*kaisha bunkatsu*), the IPRs are automatically transferred to the successor.

Asset sale

In asset sales, the procedures are the same as for normal assignments.

JOINT VENTURES

17. Is it common for companies to set up joint ventures in your jurisdiction to develop projects that heavily involve IPRs?

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

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

COMPETITION LAW

Main provisions and common issues

18. What are the main provisions of your national competition law that can affect the exploitation of the main IPRs?

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

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

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

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 Anti-monopoly Act, issued by the Japan Fair Trade Commission):

- 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 licence by a FRAND-encumbered Standard Essential Patent holder.

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

Exclusions/exemptions

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

Lawful parallel importation is considered to promote price competition. Accordingly, obstruction of lawful parallel imports presents a problem under the Anti-monopoly Act if it is conducted to maintain the price level of a product covered by 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, in practice, still subject to the Anti-monopoly Act (*see Question 19*).

ADVERTISING

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

Ads and any signs (including trade marks) used for commercial purposes that mislead general consumers as to the 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 (Guidelines for Comparative Advertising under

the Act against Unjustifiable Premiums and Misleading Representations, issued by the Japan Fair Trade Commission):

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

EMPLOYEES AND CONSULTANTS

22. Who owns each of the main IPRs created by an employee in the course of his employment? Must compensation be paid to the employee? What main steps can an employer take to ensure it owns each of the main IPRs?

Ownership

For patents, utility model rights and design rights, in principle, the right to obtain the IPRs created by an employee in the course of employment was held by the employee without exception, and the employer only had a non-exclusive licence of the right. However, the Patent Act, the Utility Model Act and the 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 content of the consideration in an 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 the said appropriate 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.

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?

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

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

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 therefore pay consumption tax at the rate of 8% on royalty payments.

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

Consideration paid for the sale 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?

Japan is party to the following major international IP treaties:

- 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.
- Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs.

- Locarno Agreement Establishing an International Classification for Industrial Designs.
- Singapore Treaty on the Law of Trademarks (STLT).
- Patent Law Treaty (PLT).
- Beijing Treaty on Audiovisual Performances.

A detailed list of treaties can be found at www.wipo.int/wipolex/en/profile.jsp?code=JP.

27. Are foreign IPRs recognised in your jurisdiction?

Patents

Japan is party to the 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 within the preceding 12 months.

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

In addition, Japan is party to the 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.

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 within the preceding six months.

In addition, Japan is party to the 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 his mark in the territory of the Madrid Protocol countries.

Copyright

Japan is party to the 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 within the preceding six months.

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

REFORM

28. Are there any proposals for reform?

In connection with the Trans-Pacific Partnership (TPP), the following changes relating to intellectual property have been proposed.

In relation to patents:

- Extension of the grace period to 12 months.
- Authorisation to adjust a patent term in case of unreasonable delays in the grant of a patent.

In relation to trade marks, the introduction of pre-established damages or additional damages in case of trade mark counterfeiting.

In relation to copyright:

- Enablement to act on their own initiative to initiate legal action without the need for a formal complaint by a third party or copyright holder in case of copyright piracy.
- Extension of the term of copyright protection.
- Introduction of pre-established damages or additional damages in case of copyright infringement.

ONLINE RESOURCES

Ministry of Internal Affairs and Communications, legislation

W <http://law.e-gov.go.jp>

Description. Official legislation is available on this website, which is maintained by the Ministry of Internal Affairs and Communications.

Ministry of Justice, English translations

W www.japaneselawtranslation.go.jp/?re=02

Description. Unofficial English translations of legislation prepared by the Ministry of Justice are available on this website. Note that they are not updated in a timely manner.

Japan Fair Trade Commission, Intellectual Property Guidelines

W www.jftc.go.jp/dk/guideline/unyoukijun/chitekizaisan.html

Description. The original text of the Guidelines for the Use of Intellectual Property under the Anti-monopoly Act, issued by the Japan Fair Trade Commission.

Japan Fair Trade Commission, English translations

W www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines.html

Description. An unofficial English translation of the Guidelines for the Use of Intellectual Property under the Anti-monopoly Act.

Japan Fair Trade Commission, Comparative Advertising Guidelines

W www.caa.go.jp/representation/pdf/100121premiums_37.pdf

Description. The original text of the Guidelines for Comparative Advertising under the Act against Unjustifiable Premiums and Misleading Representations, issued by the Japan Fair Trade Commission.

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Recent transactions

- Successfully represented a household appliance manufacturer, a software manufacturer and an electronic device manufacturer in litigation and disputes regarding patent validity and infringement.
- Representing an international software company and a social game developer in lawsuits regarding software copyright infringement.
- Represented both plaintiffs and defendants and won various infringement lawsuits regarding software patents, copyrights in picture books and famous unregistered trademarks, including the first case adjudicated by the Grand Panel of the IP High Court of Japan (www.ip.courts.go.jp/eng/documents/pdf/g_panel/decision_summary2005ne10040.pdf).

Languages. Japanese, English

Professional associations/memberships. Daini Tokyo Bar Association.

Publications. Intellectual Property Law Guide 2013/14 (LexisNexis Jan 2014); International eCommerce Business and Legal Issues (CH Japan Limited Mar 2001).



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Areas of practice. IP/IT transactions; IP/IT disputes; venture capital/entrepreneurial services; privacy/data security; international transactions; general corporate; start-up businesses.

Recent transactions

- Advising one of the major Japanese publishing companies on licensing transactions in various countries.
- Assisting and advising domestic and international companies, including start-up and mid-sized venture companies, on financing using their IPRs as well as development of IP portfolios and prosecution strategies.

Languages. Japanese, English

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Areas of practice. IP/IT transactions; IP/IT disputes; venture capital/entrepreneurial services; privacy/data security; international transactions; general corporate; start-up businesses; broadcast regulation; telecommunications business regulation.

Recent transactions.

- Successfully represented a household appliance manufacturer, a pharmaceutical company, and an electronic device manufacturer in litigation and disputes regarding patent validity and infringement.
- Assisted and advised major international pharmaceutical and medical device and domestic SNS companies on patent licensing, ITC companies and advertising agencies regarding their transactions and new businesses with respect to IP laws.
- Assisted and advised various major companies in international licence transactions.
- Assisted and advised various major companies in changing their employee invention systems.
- Drafted the legislative bill for the amendments to the Patent Act, etc. in 2015 regarding employee invention systems as a temporary public servant in the Japan Patent Office.

Languages. Japanese, English

Professional associations/memberships. Daiichi Tokyo Bar Association.

Professional qualifications Japan, Attorney-at-Law (*bengoshi*), 2009; Japan, Patent-Attorney (*benrishi*), 2014

Areas of practice. IP transactions; IP disputes; civil and commercial disputes; general corporate.

Recent transactions.

- Successfully represented a wine sales company in litigation regarding trade mark validity.
- Representing a steelmaking company in litigation regarding trade secret infringement.
- Drafted the legislative bill for the amendments to the Patent Act, Trademark Act, Design Act, etc. in 2014 in the Japan Patent Office.

Languages. Japanese, English

Professional associations/memberships. Daiichi Tokyo Bar Association.