

Intellectual Property Rights and Criminal Punishment

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1. Introduction

Penal provisions for infringements of intellectual property rights under the IP Law have the nature of a special law to the Penal Code, and correspond to an administrative penalty.

An administrative penalty is a type of sanction imposed on a private person for an act of breach of duty under the Administrative Law by virtue of general civil power.

Of administrative penalties, a case of imposing a punishment prescribed in the Penal Code (punishments set down in Article 9 of the Penal Code, such as imprisonment with work, fine, petty fine, etc.) refers to administrative criminal punishment, whereas a case of imposing a non-penal fine as a sanction not prescribed under the Penal Code refers to disciplinary action.

As to applicability to criminal offenses under other laws, Article 8 of the Penal Code provides that: “The general provisions of this Part shall also apply to criminal offenses for which punishments are provided by other laws and regulations, except as otherwise provided in such laws and regulations.” Accordingly, the punishments set down in the IP Laws shall fall under “as otherwise provided in such laws and regulations.”

Also, Article 38 (1) of the Penal Code provides that: An act performed without the intent to commit a criminal offense is not punishable; provided, however, that the same shall not apply in cases where otherwise specially provided for by law. Since the IP Laws have no specific provisions regarding acts performed without the intent to commit a criminal offense (negligence), the punishments set down in the IP Laws shall not apply to negligent acts.

Furthermore, according to Article 44 of the Penal Code which provides that “An attempt is punishable only when specifically so provided in the Article concerned,” the punishments set down in the IP Laws shall not apply to attempted acts, either.

A non-penal fine is not a criminal punishment but a type of monetary punishment. In this category, a “fine” and a “petty fine” fall under criminal punishment. In other words, criminal punishment is adjudicated and imposed by the court in accordance with the Code of Criminal Procedure, a non-penal fine is not governed by the Penal Code of Criminal Procedure, to which the provisions of the Act of Non-Litigation Procedure shall apply, instead (Article 161 through Article 164 of the Act of Non-Litigation Procedure).

This leaflet focuses on the provisions and purports regarding criminal punishment under Industrial Property Law (the Patent Act, the Utility Model Act, the Design Act, the Trademark Act), the Act on the Circuit Layout of Semiconductor Integrated Circuits (the Semiconductor Chip Protection Act), the Copyright Act, the Plant Variety Protection and Seed Act, and the Unfair Competition Prevention Act.

2. Criminal Punishment under the Patent Act

(1) Criminal offense of infringement

For criminal offenses of infringement, Article 196 of the Patent Act provides that: An infringer of a patent right or an exclusive license (excluding one who has committed an act that shall be deemed to constitute infringement of a patent right or an exclusive license under Article 101) shall be punished by imprisonment with work for a term not exceeding ten years, or a fine not exceeding JPY10m, or combination thereof. With regard to acts deemed to constitute infringement, Article 196-2 of the Patent Act shall apply (Article 101 of the Patent Act).

The current Patent Act, as enacted, limited the maximum imprisonment to five years and subsequently, when revised in 2006, was raised to ten years so as to enhance the deterrent effect to infringements and to balance it with statutory punishments for other types of criminal offenses against property.

The current Patent Act, as enacted, set the maximum fine at JPY500,000 and subsequently, was revised to JPY5m yen in 1993 in light of changes in the economic environment such as higher prices, then to JPY10m in 2006 with the view of preventing acts of infringement more stringently and so forth.

Initially it was provided that either a sentence of imprisonment with work or a fine shall be applicable to an infringer of a patent right or an exclusive license; the revision of 2006 introduced the combination of imprisonment with work plus a fine as applicable.

The purpose of the Patent Act is “promoting the protection and the utilization of inventions” (Article 1 of the Patent Act). To achieve this purpose, it is intended not only to grant a right to the patentee but also to hold an infringer/violator civilly responsible as well as subject to criminal punishment for such acts as undermining the foundation of the patent system, as a means of preventing or restraining infringement of a patent right.

Criminal offenses of infringement used to be categorized as a type of criminal offense prosecuted upon complaint, unlike other criminal offenses under the Patent Act discussed below, but were revised to fall under criminal offenses prosecutable without complaint in 1998.

The rationale for setting forth criminal offenses of infringement as prosecuted upon complaint under the Act before revised lies in: A patent right, different from a trademark right which is contributory to the public interest by nature, has the nature of serving private interests with elements of moral interest.

When the current Patent Act was enacted, it was suggested that the criminal offense of

infringement should be set down as prosecutable without complaint, but because of the type of infringement affecting a right to property (type of offense committed by a natural person), it was not stipulated as such.

Today, (i) R&D activities require a huge amount of investment, patent rights play a key role in protecting the results of R&D, and such private interest, once infringed, would cause material damage to the right holder, (ii) the subject party engaged in R&D has shifted from individuals to corporations in recent years as technologies have become more advanced and complicated (of the total patent applications, corporate applicants accounted increasingly from about 95% in 1996 to about 97% in 2002), and the owner of a right is a juridical person in most cases, which has made insignificant the aspect to protect a moral right, (iii) in light of the limitation to the period of prosecution (Article 235 of the Code of Criminal Procedure provides that no complaint shall be made after a lapse of six months from the day on which the complainant knew the offender), it was subsequently stipulated that criminal offenses under the Patent Act shall be prosecutable without complaint to the same effect as under the Trademark Act.

For an act to constitute a criminal offense of infringement, it is premised on the validity of the patent right infringed needless to say, and it requires, like general types of criminal offense, (i) that it meets the criterion of punishability (the subject-matter is within the technical scope of a patented invention), (ii) that the act is illegal, and (iii) that the perpetrator is liable (liability). If any of the requisites are not fulfilled, it comes short of establishing the act as constituting a criminal offense.

To hold the perpetrator liable, it requires (i) that the perpetrator is capable of taking responsibility (to be able to recognize the consequences of his/her own act, and (ii) that an act was performed with intent (Article 38 of the Penal C).

When the perpetrator is not aware of the patent right at the time of committing the act, he/she shall be deemed lacking the intent to commit a criminal offense. However, if the perpetrator was given a warning by the patentee or the exclusive licensee, unless otherwise justified with regard to the act thereafter, nothing shall be deemed to negate the intent.

Even if there is good reason for invalidating a patent right, the patent should remain valid until an appeals board decision for invalidation becomes final and binding (or a judgment for the argument against the exercise of a right in an infringement litigation becomes final and binding); therefore, an argument for invalidity of the patent would not help negate the intent.

Once an appeals board decision to the effect that a patent is to be invalidated has become final and binding, the patent right shall be deemed never to have existed (Article 125 of the Patent Act), which means the alleged act does not constitute a criminal offense.

Even if the perpetrator is aware of the patent right, in a case where the perpetrator believes their act won't infringe upon the patent right, which is substantiated with good reason, the case shall negate the intent.

(2) Criminal offense of deemed infringement

For a criminal offense of deemed infringement set down in Article 101 of the Patent Act, Article 196-2 of the Patent Act provides that: Any person who has committed an act that shall be deemed to constitute infringement of a patent right or an exclusive license under Article 101 shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m, or combination thereof.

This provision was newly laid down in the Act as revised in 2006.

Article 101 of the Patent Act defines acts of producing, assigning, etc., any product to be used for the production of the infringing product, acts of possessing the infringing product for the purpose of assigning, etc. as deemed to constitute infringement. It must be noted that these acts, which do not cause damage to the patentee directly, are categorized as preparatory for or accessory to acts of direct infringement.

Article 196 of the Patent Act setting forth criminal offenses of infringement was revised in 2006 so as to impose longer imprisonment with work and higher fines. On the other hand, in light of the above-mentioned nature of acts deemed to constitute infringement, newly laid-down Article 196-2 maintained the upper limits to a sentence of imprisonment with work and to a fine, applicable to acts deemed to constitute infringement.

(3) Criminal offense of fraud

For criminal offenses of fraud, Article 197 of the Patent Act provides that: Any person who has obtained a patent, a registration of extension of the duration of a patent right or a trial decision by means of a fraudulent act shall be punished by imprisonment with work for a term not exceeding three years or a fine not exceeding JPY3m.

The current Patent Act, as enacted, limited the maximum fine to JPY200,000, and subsequently, when revised in 1993, it was raised to JPY3m for the same reason as under Article 196 of the Patent Act.

Acts of fraud include the act of deceiving an examiner and submitting false materials,

thereby being granted a patent for a non-patentable invention, and the like. For example, it is a case of fraud to be granted a patent by entering false facts (e.g., comparisons), and submitting a false certificate of results of experiment.

A patent obtained by fraud cannot be invalidated by reason of fraud (there is no provision affording the ground for invalidation). Also because a patent is not “an object” it cannot be subject to confiscation (Article 19 of the Penal Code).

To deal with such cases, for fear of consequences that could harm the authority and functions of the State, penal provisions were laid down.

Whereas criminal offenses of infringement under Article 196 of the Patent Act were set down as prosecutable without complaint in 1998, a criminal offense of fraud was stipulated as prosecutable without complaint from the outset of the Patent Act coming into force, since such an act infringes upon the State’s interests protected by law.

It has been controversial whether or not an “appeals board decision” should include a person committing fraud. Since it specifically sets down a “decision to grant a patent,” although the examination process has two types of outcomes: the decision to grant a patent and the decision to reject a patent, it is now interpreted as meaning that the provision shall apply to cases where the perpetrator of the fraud is given a favorable appeals board decision, while excluding cases where the perpetrator of the fraud is given an unfavorable appeals board decision.

Decisions regarding exclusion and recusation of an appeal examiner are not within the scope of Article 197 of the Patent Act, because these decisions are categorized as temporary actions, so that Article 197 of the Patent Act shall not apply unless such decisions have actually affected appeals board decisions.

(4) Criminal offense of false marking

Article 198 of the Patent Act provides that: A person(s) who fails to comply with Article 188 shall be punished by imprisonment with work for a term not exceeding three years or a fine not exceeding JPY3m.

The current Patent Act, as enacted, limited the maximum fine to JPY200,000, and subsequently, when revised in 1993, raised it to JPY3m for the same reason as under Article 196 of the Patent Act.

For prohibition of false marking, Article 188 of the Patent Act provides that:

It shall be prohibited for a person to do the following acts:

- (i) Putting a patent mark or a mark that may be confused therewith on or in a non-patented product or the packaging thereof;
- (ii) Assigning, etc. or displaying for the purpose of assignment, etc. a non-patented product or the packaging thereof on or in which a patent mark or a mark that may be confused therewith is put;
- (iii) Giving in an advertisement an indication to the effect that a non-patented product is related to a patent or an indication confusing therewith for the purpose of having the product produced or used, or assigning, etc. the product; or
- (iv) giving in an advertisement an indication to the effect that a non-patented process is related to a patent or an indication that may confuse therewith for the purpose of having the process used, or assigning or leasing the process.

In the case where a particular pencil is a non-patented product, for example, the provision prohibits (i) the act of putting a mark of patent, (ii) the act of assigning the pencil affixed with a patent mark, (iii) the act of giving in an advertisement an indication to the effect that the pencil is the subject matter of a patent right, and (iv) the act of giving in an advertisement an indication to the effect that a non-patented process for manufacturing the pencil is the subject matter of a patent right.

These acts make ill use of advantages in commerce enjoyed by a patented product or a patented process, which are likely to cause confusion, or mislead the general public. Since it is not permissible to leave such acts unaddressed in light of the public interest, criminal offenses of false marking are set down as prosecutable without complaint.

Does the placing of the letter “patented” only on a non-patented product constitute false marking? Article 68 of the Rules of Enforcement of the Patent Act specifies the affixing of not only the letter “patented” but a patent number thereof. “A patent number” in this context is a number given for the convenience of a third party to search for a specification, etc.; therefore, it is a matter of secondary importance whether or not a number is placed, and whether or not a placed number is authentic in indicating that the product is patented. For this reason, the placing of the letter “patented” only on a non-patented product must be construed as false marking which causes confusion with the patent mark.

Next, does the placing of a patent mark on a patented product after the lapse of a patent constitute false marking? Since the said product becomes non-patented on placing a patent mark, the placing of any patent mark must be construed as false marking. It is obvious that the case of placing a patent mark on a product manufactured during the duration of a

patent right and putting it on the market after the lapse of the patent right does not fall under Article 188(i) of the Patent Act, but it is arguable whether or not it falls under item (ii) of the same Article. If item (ii) is interpreted as applicable only to a product that falls under item (i), so that this example does not fall under item (ii) either, it would lead to an illogical consequence if a person placing a patent mark during the duration of a patent right, knowing that the product will be marketed after the lapse of the patent right, is not subject to the penal provisions.

Then, does the indicating of an application number or “patent pending” constitute false marking? These indicate clearly that a patent is being applied for, which is deemed not to fall under “a mark that may be confused with a patent mark,” so this case must not be construed as false marking.

How about placing an exaggerated advertisement? In respect of a product part of which is patented, creating an impression that the product as a whole is patented (for example, putting an advertisement indicating “a patented refrigerator” for the refrigerator the pocket of which is partly patented) should be called exaggerated advertisement. However, whether or not any exaggerated advertisement constitutes false marking under the Patent Act must be determined by a measure of the level of exaggeration.

How about placing a patent mark on an infringing product? Through understanding that the Act prohibits false marking so as to prevent illicit acts from taking advantage in commerce by falsely presenting a non-patented product as a patented product, placing a patent mark on an infringing product is not a question of false marking. However, because an infringing party has no special need to put a patent mark on an infringing product (Article 187 of the Patent Act restricts a person entitled to the working of a patented invention from placing a patent mark), it is appropriate to interpret the intention of an infringing party to put a patent mark as an expectation for a third party to put it in the belief that a product with a patent mark is a legal product. Hence, it goes against the purpose of Article 188 of the Patent Act if such an act is left unaddressed, saying it is not a question of false marking. It should be seen as appropriate to hold any infringing product to be a “non-patented product.”

(5) Criminal offense of perjury, etc.

For the criminal offense of perjury, etc., Article 199 of the Patent Act provides that: (1) A witness, an expert witness or an interpreter who has sworn under this Act and made a false statement or given an expert opinion or interpretation to the Patent Office or the court

commissioned thereby shall be punished by imprisonment with work for a term between three months and ten years, and (2) Where a person who has committed the criminal offense in the preceding paragraph has made a voluntary confession before a certified copy of the judgment on the case has been served or a trial decision has become final and binding, the punishment may be reduced or exculpated.

The Penal Code has general provisions for criminal offenses of perjury. For perjury, the Code sets down “When a witness who has sworn in accordance with law gives false testimony, imprisonment with work for not less than three months but not more than 10 years shall be imposed” (Article 169 of the Penal Code); for reduced punishment by reason of confession, “When a person who has committed the criminal offense prescribed under the preceding Article confesses before a judgment becomes final and binding or before disciplinary action is taken in the case in which he/she testified, such confession may lead to the punishment being reduced or may exculpate the offender” (Article 170 of the Penal Code); and for false expert opinion or interpreting, “An expert witness or interpreter who has sworn in accordance with laws and gives a false expert opinion or makes a false interpretation or translation shall be dealt with in the same manner as prescribed for in the preceding two Articles” (Article 171 of the Penal Code), respectively.

Therefore, Article 199(1) of the Patent Act rests on the same principle as that of the Penal Code and is based on the same grounds for sentencing. For this reason, a new key provision in Article 199(2) was laid down in the Patent Act, since the examiner’s decision and appeals board decision do not fall under a “trial” as set down in Article 170 of the Penal Code.

A “witness” is defined under the Code of Civil Procedure as a third party who is ordered by the court to testify under examination with regard to specific matters based on his/her knowledge and experience. Under the Patent Act, the entity ordering a witness to testify is the Patent Office, and a court commissioned by the Patent Office.

An “expert witness” under the Code of Civil Procedure means a person who has the relevant knowledge and experience necessary to give expert testimony or report his/her expert opinions so as to assist the judge(s) in determining the issue.

An “interpreter” is not necessarily assigned only for foreign nationals, since Article 154(1) of the Code of Civil Procedure provides that if a person who participates in oral argument is unable to communicate in Japanese, or unable to hear or speak, an interpreter shall attend the oral argument.

False testimony” is a statement given against the witness’s memory. It does not come

into question whether or not the content of the statement agrees with the objective facts.

“False expert opinion” is an opinion or determination contrary to the expert witness’s opinion, and again for an expert witness, whether or not the content of the opinion matches the objective facts is not brought into question.

(6) Criminal offense of divulging secrets

Article 200 of the Patent Act provides that: A present or former official of the Patent Office who has divulged or misappropriated any secret relating to an invention claimed in a pending patent application that has become known to him/her in the course of performing his/her duties shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY500,000 .

Under the National Public Service Act before revision, if a national government official has divulged any secret that may have come to his/her knowledge in the course of his/her duties, it constitutes a violation of Article 100 of the Act. Such person shall be punished by imprisonment with work for not more than one year or a fine of not more than thirty thousand yen under Article 109 of the National Public Service Act.

The National Public Service Act shall apply to an official of the Patent Office as a national government official, yet it must be noted that the National Public Service Act has no provision to the effect that a person who misappropriates any secret relating to an invention claimed shall be punished. Also it is important to note there is legislation that says that a person engaged in special affairs, who has divulged any secret that may have come to his/her knowledge in the course of his/her duties shall be subject to punishment severer than under the National Public Service Act. In consideration of these circumstances, the Patent Act limited a fine to the amount not exceeding JPY500,000.

In 2008, the National Public Service Act was revised to set down “imprisonment with work for not more than one year or a fine of not more than fifty thousand yen,” as a result of which punishments under the Patent Act are currently the same as under the National Public Service Act.

(7) Criminal offense of breach of protective order

Article 200-2 of the Patent Act provides that: (1) “A person who fails to comply with a protective order shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m or combination thereof, “(2) “The prosecution of the crime under the preceding paragraph may not be initiated unless a complaint is filed,”

and (3) “The crime under paragraph (1) shall apply to a person who commits the crime outside Japan.”

Article 200-2 of the Patent Act was laid down when the Court Act was revised in 2004, with the view of ensuring the effectiveness of the protection of trade secrets by way of protective orders (Article 105-4 of the Patent Act).

To ensure the enforceability of trade secrets, paragraph (1) sets down criminal punishment by imprisonment with work and/or a fine. Pursuant to the revision of the Unfair Competition Prevention Act in 2005, it was revised so as to allow the imposing of imprisonment with work and a fine cumulatively and to raise the upper limit of the fine.

Paragraph (2) provides that the prosecution of criminal breach of protective order must be initiated upon a complaint. It can be assumed that the substance of the trade secret in question is uncovered during criminal proceedings on a case of breach of a protective order. Since the Constitution requires criminal proceedings to be conducted publicly, it is difficult to conduct criminal proceedings privately in light of the nature of a criminal trial, which would put the trade secret to be protected by the protective order at risk of being further infringed in the course of the criminal proceedings. In anticipation of such risk, the provision leaves prosecution to the decision of the proprietor of the trade secret.

Paragraph (3) extends the criminal punishment for breach of a protective order to persons outside Japan. Pursuant to the revision of the Unfair Competition Prevention Act in 2005, this paragraph was introduced with a view to protecting interest in trade secrets to be protected by law, along with punishing acts of using, and disclosing trade secrets outside Japan.

Unlike the general use/disclosure of trade secrets outside Japan, the paragraph intends to punish none but the litigant party for committing the criminal offense of breach of a protective order.

Because, in litigation before a Japanese court, it lacks rationality to distinguish a trade secret kept under control within Japan from a trade secret kept under control in a foreign country from the viewpoint of maintaining the legal order, the scope of punishment is set down as a “person having committed a crime outside Japan” without any distinction in the type of trade secret.

(8)Dual liability

Regarding dual liability, Article 201 of the Patent Act provides that “Where a representative of a juridical person or an agent, employee or other worker of a juridical

person or an individual has committed in the course of performing his/her duties for the juridical person or individual, any act in violation prescribed in the following items, in addition to the offender, the juridical person shall be punished by a fine as provided for in the corresponding item and the individual shall be punished by a fine as provided for in the Article prescribed in the corresponding item” (paragraph (1)), and sets down (i) a fine not exceeding JPY300m in relation to Article 196, Article 196-2 or 200-2(1), and (ii) a fine not exceeding JPY100m in relation to Article 197 or 198.

In addition, Article 201 of the Patent Act provides that “In the case of the preceding paragraph, a complaint under Article 200-2(2) against the offender shall take effect on the juridical person or individual and the complaint against the juridical person or individual shall take effect on the offender” (paragraph 2), and “Where a fine is imposed on a juridical person or individual under Article 200-2(1) with regard to a violation of Article 196, 196-2 or 200-2(1), the period of prescription shall be governed by the same rules as for crimes in the provisions thereof” (paragraph 3).

The said Article on dual liability is laid down from the viewpoint of preventing criminal acts more effectively, and sets down that for any prescribed violation committed by a representative of a juridical person or an agent of an individual, etc., the juridical person or the individual shall be punished as well as the offender.

For infringement of a patent right, with consideration to: (i) the offense of working a patented invention as a business without authorization has been committed as a part of a juridical person’s business, (ii) a certain manufacturing capability is usually required for the working of a patented invention, and (iii) compared to an offense committed by an individual, the profit gained due to infringement is estimated to be higher in the case where the perpetrator is a juridical person, the revision of the Act in 1998 set down dual liability for a criminal offense of infringement governing the juridical person (imposing a higher maximum fine compared to a criminal offense committed by an infringing individual).

According to the revision of the Act in 1999, dual liability was set down as governing the juridical person for offenses involving fraudulent acts and false marking.

As to fraudulent acts, because (i) an applicant submits a vast number of documents to the Patent Office, the majority of which are considered true and accurate, (ii) users called for the Patent Office to expedite the process, (iii) it was virtually impossible for examiners and appeal examiners to discover fraudulent acts and so on, it was crucially important to set down penal provisions with a sufficient deterrent effect. Under these particular

circumstances in which (i) The profit gained by a juridical person by means of a fraudulent act is far more substantial than by an individual, and (ii) applications filed by businesses represent an overwhelming majority, most of which are filed by major corporations, it was likely that large-scale businesses be involved in fraudulent acts as perpetrators.

Regarding the criminal offense of false marking, dual liability was introduced with consideration given to (i) Given the technically advanced manufacturing capacity that enables a business to manufacture products of a certain quality, most businesses subject to punishment ought to be large-scale, (ii) a large-scale business has capabilities for mass production and mass marketing, where false marking would have a significant impact on society, (iii) dual liability had already been introduced for acts of misleading the public as to quality under the Unfair Competition Prevention Act (Act 2(1)(xiii) of the Unfair Competition Prevention) overlapping at the interest protected by law and so forth.

The new provision was laid down when the Court Act was revised in 2004, thereby introducing dual liability for a juridical person with whom the offender committing the breach of the protective order is affiliated, with a view to ensuring the effectiveness of the protection of a trade secret by way of a protective order.

Paragraph (2) was laid down when the Court Act was revised in 2004. In connection with dual liability set down in paragraph (1), paragraph (2) is intended to ensure that (i) the juridical person shall be prosecuted upon complaint under the same rule as for the offender, and (ii) on the same principle of inseparability for a complaint involving one or more accomplices in an offense (Article 238(1) of the Code of Criminal Procedure), the effect of a complaint filed against an individual committing a breach of a protective order shall extend to the business operator.

Paragraph (3) is a new provision introduced under the Act as revised in 2006, so as to avoid consequence such that different (statute of limitations to prosecution) applies from the natural person to the juridical person in an offense pursuant to Article 250 of the Code of Criminal Procedure when in addition to the natural person committing a criminal offense, the juridical person is punished with a fine.

3. Criminal Punishments Under the Utility Model Act

(1) Criminal offense of infringement

For the criminal offense of infringement, Article 56 of the Utility Model Act provides that: An infringer of a utility model right or an exclusive license shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m, or a combination thereof.

Unlike the Patent Act, this provision shall govern acts deemed to constitute infringement (Article 28 of the Utility Model Act).

For the same purpose as under the Patent Act, the revision of the Act in 1993 raised the maximum amount of the fine, and subsequently in 1995 the maximum term of imprisonment with work was raised to five years and the maximum amount of the fine to JPY5m.

The purpose of laying down Article 56 of the Utility Model Act is the same as under the Patent Act.

(2) Criminal offense of fraud

Article 57 of the Utility Model Act provides that: Any person who has obtained a utility model registration or an appeals board decision by means of a fraudulent act shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY1m.

The current Utility Model Act, as enacted, limited the maximum fine to JPY100,000 and subsequently, when revised in 1993, raised it to JPY1m for the same reason as under Article 56 of the Utility Model Act.

The purpose of laying down Article 57 of the Utility Model Act is the same as under the Patent Act.

(3) Criminal offense of false marking

For the criminal offense of false marking, Article 58 of the Utility Model Act provides that: Any person who fails to comply with Article 52 shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY1m.

The current Utility Model Act, as enacted, limited the maximum fine to JPY100,000, and subsequently, when revised in 1993, raised it to JPY1m, for the same reason as under Article 56 of the Act.

The purpose of laying down Article 58 of the Utility Model Act is the same as under the Patent Act.

(4) Criminal offense of perjury, etc.

For the criminal offense of perjury, etc., Article 59 of the Utility Model Act provides that, as in Article 199 of the Patent Act: (1) A witness, an expert witness or an interpreter who has sworn under this Act and made a false statement or given a false expert opinion or interpretation to the Patent Office or the court commissioned thereby shall be punished by imprisonment with work for a term of between three months and ten years, and (2) Where a person who has committed the crime in the preceding paragraph has made a voluntary confession before a certified copy of the judgment on the case has been served or a trial decision has become final and binding, the punishment may be reduced or exculpated.

The purpose of laying down Article 59 of the Utility Model Act is the same as under the Patent Act.

(5) Criminal offense of divulging secrets

For the criminal offense of divulging secrets, Article 60 of the Utility Model Act provides, as in Article 200 of the Patent Act: A present or former official of the Patent Office who has divulged or misappropriated any secret relating to a device claimed in an application pending for a utility model registration that has become known to him/her in the course of performing his/her duties shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY500,000.

The purpose of laying down Article 60 of the Utility Model Act is the same as under the Patent Act.

(6) Criminal offense of breach of a protective order

For the criminal offense of breach of a protective order, Article 60-2 of the Utility Model Act provides that, as in Article 200-2 of the Patent Act: (1) Any person who fails to comply with a protective order shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m, or a combination thereof ; (2) The prosecution of the crime under the preceding paragraph may not be initiated unless a complaint is filed; and (3)The crime under paragraph (1) shall apply to a person who commits the crime outside Japan.

The purpose of laying down Article 60-2 of the Utility Model Act is the same as under the Patent Act.

(7) Dual liability

Setting forth dual liability, Article 61 of the Utility Model Act provides that where a representative of a juridical person, or an agent, employee or other worker of a juridical person or an individual has committed in the course of performing his/her duties for the juridical person or individual, any act in violation prescribed in the following items, in addition to the offender, the juridical person shall be punished by a fine as provided for in the following items and the individual shall be punished by a fine as provided for in the Article prescribed in the respective items (paragraph 1), and sets down (i) a fine not exceeding 300 million yen in relation to Article 56 or Article 60-2(1), and (ii) a fine not exceeding 30 million yen in relation to Article 57 or Article 58.

In addition, Article 61 of the Utility Model Act provides that, as in Article 201 of the Patent Act, that in the case of the preceding paragraph, the complaint under Article 60-2(2) against the offender shall also take effect on the juridical person or individual and the complaint against the juridical person or individual shall also take effect on the offender (paragraph 2), and that where a fine is imposed on a juridical person or individual under paragraph (1) with regard to a violation of Article 56 or 60-2(1), the period of prescription set down for the criminal offense in the corresponding Article shall apply.

The purpose of laying down Article 61 of the Utility Model Act is the same as under the Patent Act.

4. Criminal Punishment under the Design Act

(1) Criminal offense of infringement

For the criminal offense of infringement, Article 69 of the Design Act provides that an infringer of a design right or exclusive license (excluding one who has committed any acts which are deemed to constitute infringement of a design right or an exclusive license under Article 38) shall be punished by imprisonment with work for a term not exceeding ten years or a fine not exceeding JPY10m or a combination thereof. Article 69-2 of the Design Act shall govern acts deemed to constitute infringement (Article 38 of the Design Act).

For the same reason as under the Patent Act, the revision of the Act in 1993 raised the maximum fine, and subsequently in 2006 the maximum imprisonment with work to ten years and a fine of JPY10m.

The purpose of laying down Article 69 of the Design Act is the same as under Article 196-2 of the Patent Act.

(2) Acts deemed to constitute infringement

For acts deemed to constitute infringement under 38 of the Design Act, Article 69-2 of the Design Act provides that a person who has committed any acts which are deemed to constitute infringement of a design right or an exclusive license under Article 38 shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m, or a combination thereof.

The said provision was laid down when the Act was revised in 2006, like Article 196-2 of the Patent Act.

(3) Criminal offense of fraud

For the criminal offense of fraud, Article 70 of the Design Act provides that any person who has obtained a design registration or an appeals board decision by means of a fraudulent act shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY1m.

The current Design Act, as enacted, limited the maximum fine to JPY100,000 and subsequently, when revised in 1993, raised it to JPY1m for the same reason as under Article 69 of the Design Act.

The purpose of laying down Article 70 of the Design Act is the same as under the Patent Act.

(4) Criminal offense of false marking

For criminal offenses of false marking, Article 71 of the Design Act provides that a person who fails to comply with Article 65 shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY1m.

The current Design Act, as enacted, limited the maximum fine to JPY100,000 and subsequently, when revised in 1993, raised it to JPY1m for the same reason as under Article 69 of the Design Act.

The purpose of laying down Article 71 of the Design Act is the same as under the Patent Act.

(5) Criminal offense of perjury, etc.

For the criminal offense of perjury, etc., Article 72 of the Design Act provides that, as in Article 199 of the Patent Act: (1) A witness, an expert witness or an interpreter who has sworn under this Act and made a false statement or given a false expert opinion or interpretation to the Patent Office or the court commissioned thereby shall be punished by imprisonment with work for a term of between three months and ten years; and (2) Where a person who has committed the crime in the preceding paragraph has made a voluntary confession before a certified copy of the advisory opinion on the case has been served or an examiner's decision or a trial decision has become final and binding, the punishment may be reduced or exculpated.

The purpose of laying down Article 72 of the Design Act is the same as under the Patent Act.

(6) Criminal offense of divulging secrets

For the criminal offense of divulging secrets, Article 73 of the Design Act provides that, as in Article 200 of the Patent Act, that a present or former official of the Patent Office who has divulged any secret relating to a design in a pending application for design registration that has become known to him/her in the course of performing his/her duties, or misappropriated the said design shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding JPY500,000.

The purpose of laying down Article 73 of the Design Act is the same as under the Patent Act.

(7) Criminal offense of breach of a protective order

For the criminal offense of breach of a protective order, Article 73-2 of the Design Act provides that, as in Article 200-2 of the Patent Act: (1) A person who fails to comply with an order given under 105-4(1) of the Patent Act as applied mutatis mutandis in Article 41 shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m yen or a combination thereof; (2) Prosecution of the crime under the preceding paragraph may not be initiated unless a complaint is filed; and (3) The criminal offense under paragraph (1) shall apply to a person who commits the crime outside Japan.

The purpose of laying down Article 73-2 of the Design Act is the same as under the Patent Act.

(8) Dual liability

For dual liability, Article 74 of the Design Act provides that where a representative of a juridical person or an agent, employee or other worker of a juridical person or an individual has committed in the course of performing his/her duties for the juridical person or the individual, any act in violation prescribed in the following items, in addition to the offender, the juridical person shall be punished by a fine as provided for in the corresponding item and the individual shall be punished by a fine as provided for in the Article prescribed in the corresponding item (paragraph (1)), and sets down (i) a fine not exceeding JPY300m in relation to Article 69, 69-2 or 73-2(1), and (ii) a fine not exceeding JPY30m in relation to Article 70 or 71.

In addition, Article 74 of the Design Act provides that, as in Article 201 of the Patent Act, in the case of the preceding paragraph, the complaint filed under Article 73- 2(1) against the offender shall take effect on the juridical person or the individual and the complaint filed against the juridical person or individual shall take effect on the offender (paragraph (2)), and that where a fine is imposed on a juridical person or an individual under paragraph (1) with regard to a violation of Article 69, 69-2 or 73-2(1), the period of prescription shall be governed by the same rules as for crimes in the provisions thereof (paragraph 3).

The purpose of laying down Article 74 of the Design Act is the same as under the Patent Act.

5. Criminal Punishment under the Trademark Act

(1) Criminal offense of infringement

For the criminal offense of infringement, Article 78 of the Trademark Act provides that an infringer of a trademark right or an exclusive right to use (excluding one who has committed an act that shall be deemed to constitute infringement of a trademark right or an exclusive right to use under Article 37 or Article 67) shall be punished by imprisonment with work for a term not exceeding ten years or a fine not exceeding JPY10m, or a combination thereof. Acts deemed to constitute infringement (Article 37 or Article 67 of the Trademark Act) shall be governed by Article 78-2 of the Trademark Act.

From the same standpoint as under the Patent Act, the revision of the Act in 1993 raised the maximum amount of the fine, and subsequently in 2006 the maximum term of imprisonment with work to ten years and the fine to JPY10m.

The purpose of laying down Article 78 of the Trademark Act is the same as for Article 196 of the Patent Act. In light of the nature of the trademark right serving the public interest, however, the criminal offense of infringement under the current Trademark shall be prosecutable without complaint since its enactment.

(2) Act deemed to constitute infringement

In relation to acts deemed to constitute infringement under Article 37 or Article 67 of the Trademark Act, Article 78-2 of the Trademark Act provides that any person who has committed an act that shall be deemed to constitute infringement of a trademark right or an exclusive right to use under Article 37 or Article 67 shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m, or a combination thereof.

This provision was laid down when the Act was revised in 2006, the same as under the Patent Act.

(3) Criminal offense of fraud

For the criminal offense of fraud, Article 79 of the Trademark Act provides that any person who has obtained a trademark registration, defensive mark registration, registration of renewal of the duration of a trademark right or a right based on defensive mark registration, a decision in opposition to registration or an appeals board decision by means of a fraudulent act shall be punished by imprisonment with work for a term not exceeding three years or a fine not exceeding JPY3m.

The current Trademark Act, as enacted, limited the maximum fine to JPY300,000, and subsequently, when revised in 1993, raised it to JPY3m for the same reason as under Article 78 of the Trademark Act.

The purpose of laying down Article 79 of the Trademark Act is the same as under the Patent Act.

(4) Criminal offense of false indication

For false marking, Article 80 of the Trademark Act provides that any person who fails to comply with Article 74 shall be punished by imprisonment with work for a term not exceeding three years or a fine not exceeding JPY3m.

The current Trademark Act, as enacted, limited the maximum fine to JPY300,000, and subsequently, when revised in 1993, raised it to JPY3m for the same reason as under Article 78 of the Trademark Act.

The purpose of laying down Article 80 of the Trademark Act is the same as under the Patent Act.

(5) Criminal offense of perjury, etc.

For the criminal offense of perjury, etc. Article 81 of the Trademark Act provides that, as in Article 199 of the Patent Act: (1) A witness, an expert witness or an interpreter who has taken an oath under this Act and has made a false statement or given a false expert opinion or a false interpretation before the Patent Office or a court commissioned thereby, shall be punished by imprisonment with work for a term of between three months and ten years; and (2) Where a person who has committed the offense in the preceding paragraph has made a voluntary confession before a transcript of the judgment on the case has been served, or a decision on an opposition to registration or a trial decision has become final and binding, the punishment may be reduced or waived.

The purpose of laying down Article 81 of the Trademark Act is the same as under the Patent Act.

(6) Criminal offense of breach of a protective order

For the criminal offense of breach of a protective order, Article 81-2 of the Trademark Act provides that, as in Article 200-2 of the Patent Act: (1) Any person who fails to comply with an order under Article 105-4(1) of the Patent Act as applied mutatis mutandis in Article 39 of this Act (including cases where it is applied mutatis mutandis in Article

13-2(5)) shall be punished by imprisonment with work for a term not exceeding five years or a fine not exceeding JPY5m or a combination thereof; (2) Prosecution of the crime under the preceding paragraph may not be instituted unless a complaint is filed; and (3) any criminal offense under paragraph (1) shall apply to a person who commits the crime under the said paragraph while outside Japan.

The purpose of laying down Article 81-2 of the Trademark Act is the same as under the Patent Act.

(7) Dual liability

For dual liability, Article 82 of the Trademark Act provides that where a representative of a juridical person or an agent, employee or other staff member of a juridical person or an individual has committed, in the course of performing social activities for the juridical person or individual, any act in violation of the provisions prescribed in the following items, in addition to the offender, the juridical person shall be punished by a fine as provided for in the corresponding items and the individual shall be punished by a fine as provided for in each article prescribed in the following items (paragraph 1), and sets down (i) a fine not exceeding 300 million yen in relation to Article 78, Article 78-2 or Article 81-2(1), and (ii) a fine not exceeding JPY100m in relation to Article 79 or Article 80.

Article 82 of the Trademark Act also provides that, as in Article 201 of the Patent Act, in the case of the preceding paragraph, a complaint under Article 81-2(2) against the offender shall also take effect on the juridical person or individual and a complaint against the juridical person or individual shall also take effect on the offender (paragraph 2), and that where a fine is imposed on a judicial person or individual pursuant to paragraph (1) with regard to a violation of Article 78, Article 78-2 or 81-2(1), the period of prescription shall be governed by the same rules as for crimes in the provisions thereof (paragraph 3).

The Act, when revised in 1996, extended dual liability to any criminal offense of infringement of a trademark right (Article 78, Article 78-2 of the Trademark Act), with a view to enhancing the deterrent effect against fake brand cases involving a juridical person to a sufficient level. Since the purpose of the Trademark Act is, through the protection of trademarks, to ensure the maintenance of the business confidence of persons who use trademarks and thereby to contribute to the development of the industry and to protect the interests of consumers, the criminal offense of infringement of a trademark right would have a great impact on the national economy.

In 1999, the Act was revised from the same standpoint as under the Patent Act so as to

apply dual liability to the criminal offense of fraud (Article 79 of the Trademark Act), and the criminal offense of false marking (Article 80 of the Trademark Act).

Subsequently, along with the revision of the Court Act in 2004, the Act introduced dual liability to the juridical person with which the offender committing the breach of a protective order is affiliated, for the same reason as under the Patent Act.

6. Criminal Punishment Under the Act on the Circuit Layout of a Semiconductor

Integrated Circuits (hereinafter, “Semiconductor Chip Protection Act”)

(1) Criminal offense of infringement

For the criminal offense of infringement, Article 51(1) of the Semiconductor Chip Protection Act provides that any person who has infringed a layout-design exploitation right or an exclusive exploitation right shall be punished by imprisonment with work for not more than three years or a fine of not more than JPY1m. “Any person who has infringed a layout-design exploitation right or an exclusive exploitation right” means a person who has exploited another’s layout-design or committed an act deemed to constitute infringement, without authorization.

The Semiconductor Chip Protection Act (Article 2(3)) defines the term "exploitation" in relation to layout-design as any of the following acts:

- (i) The act of manufacturing semiconductor integrated circuits utilizing such layout-design; and
- (ii) The act of transferring, leasing, displaying for the purpose of transfer or leasing, or importing semiconductor integrated circuits (including articles incorporating said semiconductor integrated circuits as a part thereof) manufactured utilizing such layout-design.

Under the Semiconductor Chip Protection Act, an “act deemed to constitute infringement” (Article 23 of the Act) is defined in the provision: “Any act of manufacturing, transferring, leasing, displaying for the purpose of transfer or leasing, or importing products used solely for the purpose of imitating the registered layout-design in the course of trade shall be deemed to constitute infringement of a layout-design exploitation right or an exclusive exploitation right.”

As Article 51(2) of the Semiconductor Chip Protection Act provides that any criminal offense set down in the preceding paragraph shall be prosecuted only upon complaint, criminal offenses of infringement are categorized as prosecuted upon complaint under the Semiconductor Chip Protection Act.

(2) Criminal offense of fraud

For the criminal offense of fraud, Article 52 of the Semiconductor Chip Protection Act provides that any person who has obtained a registration of establishment by means of a fraudulent act shall be punished by imprisonment with work for not more than one year, or a fine of not more than JPY300,000. Specifically, “any person who has obtained a

registration of establishment by means of a fraudulent act” refers to a person who is not entitled to obtain a registration of establishment and has caused the official in charge of registration of establishment to register establishment by submitting a false application or attached supporting materials.

The penal provision was laid down in the recognition that fraudulent acts would discredit the registration system and eventually undermine the authority and functions of the State.

By its nature contravening the national or social interest protected by law, any criminal offense of fraud shall be prosecutable without complaint.

(3) Criminal offense of breach of confidentiality

For the criminal offense of breach of confidentiality, Article 53 of the Semiconductor Chip Protection Act provides that any person who has violated the provision of Article 38, paragraph (1) shall be punished by imprisonment with work for not more than one year or a fine of not more than JPY300,000.

Article 38(1) of the Semiconductor Chip Protection Act provides for confidentiality binding on any officer or any employee of the registration agency.

(4) Criminal offense of violating an order to discontinue

For violation of an order to discontinue, Article 54 of the Semiconductor Chip Protection Act provides that in the case of the violation of an order to discontinue the affairs of the registration of establishment, etc. issued pursuant to Article 41, an officer or employee of the registration agency who has committed such an act of violation shall be punished by imprisonment with work for not more than one year or a fine of not more than JPY300,000.

Article 41 of the Semiconductor Chip Protection Act provides that the competent Ministry may rescind agency registration or order the discontinuation of the affairs of the registration of establishment.

(5) Punishment on an officer or employee of the registration agency

For punishment on an officer or employee of the registration agency, Article 55 of the Semiconductor Chip Protection Act provides that in any case falling under any of the following items, an officer or employee of the registration agency who has committed such act of violation shall be punished by a fine of not more than JPY300,000:

- (i) When the registration agency has abolished the affairs of the registration of establishment, etc. in whole, without obtaining permission pursuant to Article 34;
- (ii) When the registration agency has failed to make a report pursuant to the provision of Article 39, paragraph (1) or has made a false report, or refused, obstructed or evaded inspection as prescribed in the same paragraph, or has failed to make a statement in reply to a question as prescribed in the same Article 34 or has made a false statement;
and
- (iii) When the registration agency has failed to prepare books or make entries therein or has made false entries therein, in violation of the provision of Article 42, paragraph (1), or has failed to keep the books, in violation of the provision of paragraph (2) of the same Article.

(6) Dual liability

For dual liability, Article 56 of the Semiconductor Chip Protection Act provides that when the representative of a juridical person or an agent, employee, or any other worker of a juridical person or an individual has committed a violation set down in Article 51(1) or Article 52, with regard to the business of said juridical person or individual, not only the offender shall be punished, but also said juridical person or individual shall be sentenced to the fine set down in the respective Articles.

7. Criminal Punishment Under the Copyright Act

(1) Characteristics of penal provisions under the Copyright Act

The penal provisions under the Copyright Act are characterized as follows:

First, a person subject to punishment is a person who has committed a particular act, which is different from a case of infringement of a right under the Civil Code. An infringer under the Civil Code means the subject to whom legal and economic effects of infringement are attributed. On the other hand, the perpetrator in criminal terms is in principle a natural person, so that dual liability (Article 124 of the Copyright Act) shall be binding on the employer of the perpetrator, which makes the employer punishable as well. As a rule, penal provisions shall apply to the individual engaged in a particular act that is judged to be antisocial.

Second, for a particular act to constitute a criminal offense, the perpetrator is required to have committed a criminal offense; any act due to negligence shall not be punishable. “Intent” means knowledge of a particular fact that constitutes infringement as set down in the penal provisions, irrespective of whether the perpetrator understands the Copyright Act or not.

Third, the Copyright Act shall be applicable to infringement of a right in civil terms, to such extent that the alleged act is committed within Japan. By contrast, penal provisions shall extend to acts committed outside Japan. Article 27 of the Act for Enforcement of the Penal Code sets down criminal offenses that shall be governed by Article 3 of the Penal Code (Crimes Committed by Japanese Nationals outside Japan), providing that the Penal Code shall apply to any Japanese national who commits a crime outside the territory of Japan, including (i) criminal offenses under the Copyright Act. Therefore, in the event that a Japanese national commits a criminal offense as set down in the penal provisions under the Copyright Act, the national shall be punished upon returning to Japan unless the statute of limitations to prosecution has lapsed.

For example, civil action may not be brought against a person who without authorization has published a copyrighted work protected under the Copyright Act of Japan in any country that is non-signatory to a bilateral treaty with Japan. Criminally, however, the copyright holder may file an accusation against the said person upon returning to Japan. In this case, the statute of limitations shall be suspended during the period when the offender is outside Japan (Article 255(1) of the Code of Criminal Procedure).

(2) Criminal offense of infringement

Article 119(1) of the Copyright Act provides that a person who infringes a copyright, a right of publication or a neighboring right (excluding, however, (a) a person who reproduces by himself a work or performance, etc. for private use as provided for in Article 30, paragraph (1) (including cases where applied mutatis mutandis in Article 102, paragraph (1)); (b) a person who, pursuant to the provisions of Article 113, paragraph (3), commits an act deemed to constitute an act of infringement of a copyright or a neighboring right (including rights deemed to constitute neighboring rights pursuant to the provisions of Article 113, paragraph (4); the same shall apply in Article 120-2 (iii)); (c) a person who commits an act deemed to constitute an act of infringement of a copyright or a neighboring right pursuant to the provisions of Article 113, paragraph (5); (d) or a person described in items (iii) or (iv) of the following paragraph) shall be punishable by imprisonment with work for a term of not more than ten years or by a fine of not more than ten million yen, or by both.

Article 119(2) of the Copyright Act provides that a person with respect to whom either of the following items applies shall be punishable by imprisonment with work for a term of not more than five years or by a fine of not more than 5,000,000 yen, or by both:

- (i) A person who infringes on the moral rights of an author or performer (excluding a person who commits an act deemed to constitute an act of infringement on the moral rights of an author or performer pursuant to the provisions of Article 113(3))
- (ii) A person who, for profit-making purposes, causes the automatic reproducing machine provided for in Article 30 (1)(i) to be used to reproduce works or performances, etc., when such an act of reproduction constitutes an infringement of a copyright, right of publication or neighboring rights;
- (iii) A person who commits an act deemed to constitute an act of infringement of the copyright, right of publication or neighboring rights pursuant to the provisions of Article 113(1);
- (iv) A person who commits an act deemed to be an act of infringement of a copyright pursuant to the provisions of Article 113(2):

The maximum term of imprisonment with work, and the maximum amount of the fine imposed on the criminal offense of infringement have been raised in consideration of rising prices, the higher risks of infringement of a copyright due to advancements in IT, and the importance of promoting contents for Japan. The maximum fine was raised to 1,000,000 yen as revised in 1985, to 3,000,000 yen in 1996, and to 5,000,000 yen in 2004.

Subsequently in 2006, the maximum fine for infringement of a copyright, a right of publication or a neighboring right, for acts deemed to constitute infringement of a copyright or a neighboring right set down in Article 113(3) of the Copyright Act, was revised upward to 10,000,000 yen.

The maximum term of imprisonment with work was revised upward to five years in 2004, and subsequently to 10 years for infringement of a copyright, right of publication or neighboring rights, for acts deemed to constitute infringement of the copyright or neighboring rights set down in Article 113(3) of the Copyright Act in 2006.

The category of punishable infringements of a copyright or a neighboring right under Article 119(1) excludes (a) a person who reproduces by himself a work or performance, etc. for private use as provided for in Article 30(1) (including cases where applied *mutatis mutandis* in Article 102(1)); (b) a person who, pursuant to the provisions of Article 113(3), commits an act deemed to constitute an act of infringement of a copyright or neighboring rights (including rights deemed to constitute neighboring rights pursuant to the provisions of Article 113(4); the same shall apply in Article 120-2 (iii)); (c) a person who commits an act deemed to constitute an act of infringement of a copyright or neighboring rights pursuant to the provisions of Article 113, paragraph (5); (d) or a person described in Article 119(2)(iii) or (iv).

Also, Article 119(2)(i) provides that a person who infringes on the moral rights of the author or performer (excluding a person who commits an act deemed to constitute an act of infringement on the moral rights of the author or performer pursuant to the provisions of Article 113, paragraph (3)) shall be punishable. Besides, the same paragraph sets down: (ii) A person who, for profit-making purposes, causes the automatic reproducing machine provided for in Article 30(1)(i) to be used to reproduce works or performances, etc., when such an act of reproduction constitutes; (iii) A person who commits an act deemed to constitute an act of infringement of the copyright, right of publication or neighboring rights pursuant to the provisions of Article 113(1); and (iv) A person who commits an act deemed to be an act of infringement of a copyright pursuant to the provisions of Article 113(2) shall be punishable.

Criminal offenses of infringement set down in Article 119 of the Copyright Act shall be prosecuted upon complaint. (Article 123(1) of the Copyright Act)

(3) Violation of protection of moral interests after the author's death

For violation of protection of moral interests after the death of the author or the performer, Article 120 of the Copyright Act provides that a person who violates the provisions of Article 60 or Article 101-3 shall be punishable by a fine of not more than 5,000,000 yen.

The maximum fine for violation of protection of moral interests after the death of the author or the performer was raised, as under Article 119, to 1,000,000 yen as revised in 1985, to 3,000,000 yen in 1996, and to 5,000,000 yen in 2004.

Criminal offenses of violation of protection of moral interests after the death of the author or the performer set down in Article 120 of the Copyright Act shall not be punished by imprisonment with work, as this is a sentence not necessarily indispensable to maintaining order by law.

Also, violation of protection of moral interests after the death of the author or the performer set down in Article 120 of the Copyright Act is prosecutable without complaint (Article 123(1) of the Copyright Act). Compared to the protection of moral interests while the author or the performer is alive, providing protection for the moral interests after the death of the author or the performer is more instrumental in protecting social and public interests protected by law.

(4) Criminal offense of transfer to the public of a device of which the sole function is to circumvent technological protection measures, etc.

For the criminal offense of transferring to the public a device of which the sole function is to circumvent technological protection measures, Article 120-2 of the Copyright Act provides that a person which respect to whom any of the following items applies shall be punishable by imprisonment with work for a term of not more than three years, or by a fine of not more than three million yen, or by both:

- (i) A person who either transfers to the public the ownership of, or rents to the public, manufactures, imports or possesses for transfer of ownership or rental to the public, or offers for use by the public, a device of which the sole function is to circumvent technological protection measures (including a set of parts [of such a device] capable of being easily assembled) or reproductions of a computer program, the sole function of which is to circumvent technological protection measures, or transmits to the public, or makes transmittable, the aforementioned computer program;
- (ii) A person who, as a business, circumvents technological protection measures in

- response to a request from the public;
- (iii) A person who, for profit-making purposes, commits an act deemed to constitute an act of infringement on the moral rights of the author, copyright, moral rights of the performer or neighboring rights pursuant to the provision of Article 113(3);
 - (iv) A person who, for profit-making purposes, commits an act deemed to constitute an act of infringement of a copyright or neighboring rights pursuant to the provision of Article 113(5).

Article 120-2 of the Copyright Act was laid down so as to ensure the effectiveness of the protection of copyrights, etc. To this end, it provides for acts preparatory for infringement of a right and inherently lawful acts of importing commercial phonograms which are likely to circumvent technological protection measures for copyrights, etc. and eventually constitute infringement of a copyright, etc. but there is no provision stipulating infringement of a copyright, etc.

Regarding criminal offenses of transfer to the public of a device of which the sole function is to circumvent technological protection measures set down in Article 120-2 of the Copyright Act, a criminal offense involving (i) a person who either transfers to the public the ownership of, or rents to the public, manufactures, imports or possesses for transfer of ownership or rental to the public, or offers for use by the public, a device of which the sole function is to circumvent technological protection measures (including a set of parts [of such a device] capable of being easily assembled) or reproductions of a computer program of which the sole function is to circumvent technological protection measures, or transmits to the public, or makes transmittable, the aforementioned computer program, and (ii) a person who, as a business, circumvents technological protection measures in response to a request from the public, are prosecutable without complaint, while criminal offenses involving (iii) a person who, for profit-making purposes, commits an act deemed to constitute an act of infringement on the moral rights of the author, copyright, moral rights of the performer or neighboring rights pursuant to the provision of Article 113(3), and (iv) a person who, for profit-making purposes, commits an act deemed to constitute an act of infringement of a copyright or neighboring rights pursuant to the provision of Article 113(5), shall be prosecuted upon complaint (Article 123(1) of the Copyright Act).

(5) Criminal offense of false indication

For the criminal offense of false indication, Article 121 of the Copyright Act provides

that a person who distributes a reproduction of a work on which the true name or widely-known pseudonym of a person who is not the author is indicated as the name of the author (including a reproduction of a derivative work on which the true name or widely-known pseudonym of a person who is not the author of the original work is indicated as the name of the author of the original work) shall be punishable by imprisonment with work for a term not more than one year or by a fine of not more than one million yen, or by both.

The maximum fine for the criminal offense of falsely indicating the name of the author, etc. was raised to 1,000,000 yen as revised in 1996, and later it was provided that imprisonment with work plus a fine may be imposed cumulatively under the Act as revised in 2004.

Any criminal offense of false indication set down in Article 121 of the Copyright Act is prosecutable without complaint (Article 123(1) of the Copyright Act).

(6) Criminal offense of reproducing a commercial phonogram manufactured by those engaged in the business of manufacturing commercial phonograms outside this country

For the criminal offense of reproducing a commercial phonogram manufactured by those engaged in the business of manufacturing commercial phonograms outside this country, Article 121-2 of the Copyright Act provides that a person who [(a)] reproduces, as a commercial phonogram, a commercial phonogram which falls under either of the following two items (including reproductions of said commercial phonogram, including reproductions produced by multiple acts of reproduction), or [(b)] distributes such reproductions or possesses them for the purposes of distributing, shall be punishable by imprisonment with work for a term of not more than one year or by a fine of not more than one million yen, or by both; provided, however, that the foregoing shall not apply with respect to a person who makes, distributes or possesses reproductions made after the passage of more than fifty years from the year immediately following the year in which the first fixation of sounds on the matrices listed in the following items, setting forth (i) a commercial phonogram manufactured by a person engaged in the business of manufacturing commercial phonograms in this country, from the matrix of the phonogram (other than those phonograms with respect to which any of the four items of Article 8 applies) received from the producer of said phonogram, and (ii) a commercial phonogram manufactured by those engaged in the business of manufacturing commercial phonograms outside this country, from the matrix of the phonogram (other than those phonograms with

respect to which any of the four items of Article 8 applies) received from the producer who produced said phonogram and who is a national of any of the contracting states to the Convention for the Protection of Performers, etc., the members of the World Trade Organization or the Contracting States to the Phonograms Convention ("nationals" includes juridical persons established under the laws and regulations of such Contracting States or members and those who have their principal offices in such a Contracting State or member).

The criminal offense of reproducing a commercial phonogram manufactured by those engaged in the business of manufacturing commercial phonograms outside this country as set down in Article 121-2 of the Copyright Act is stipulated with a view to preventing unfair competition in the phonogram industry, and complementing the protection of phonograms under the neighboring right system.

The criminal offense of reproducing a commercial phonogram manufactured by those engaged in the business of manufacturing commercial phonograms outside this country as set down in Article 121-2 of the Copyright Act shall be prosecuted upon complaint (Article 123(1) of the Copyright Act).

(7) Breach of duty of clear indication of source

For a breach of duty of clear indication of source, Article 122 of the Copyright Act provides that a person who violates the provisions of Article 48 or Article 102(2) shall be punishable by a fine of not more than five hundred thousand yen.

The criminal offense of breach of duty of clear indication of source set down in Article 122 of the Copyright Act was laid down so as to ensure fulfillment of the duty to indicate clearly the source of the work, the performance, the phonogram, or the broadcast to be exploited pursuant to the provisions of limitations on copyrights or neighboring rights.

The maximum fine under Article 122 of the Copyright Act was raised to 100,000 yen in 1984, to 300,000 yen in 1996, and to 500,000 yen in 2004.

The criminal offense of breach of duty of clear indication of source shall be punishable without complaint (Article 123(1) of the Copyright Act123).

(8) Criminal offense of violating a protective order

For violation of a protective order, Article 122-2 of the Copyright Act provides that: (1) A person who violates a protective order shall be punishable by imprisonment with work for a term of not more than five years or by a fine of not more than 5,000,000 yen, or by both; and (2) The crimes provided for in the preceding paragraph shall also apply to a person who has committed the crimes provided for in this paragraph outside this country.

The purpose of setting down the criminal offense of violating a protective order in Article 122-2 of the Copyright Act is the same as under the Industrial Property Law.

Any criminal offense of violating a protective order set down in Article 122-2 of the Copyright Act shall be prosecuted upon complaint (Article 123(1) of the Copyright Act).

(9) Dual liability

For dual liability, Article 124 of the Copyright Act provides that, where the representative of a juridical person (including the administrator of an association or foundation without juridical personality), an agent, an employee or any other worker for a juridical person or person, in connection with the business of such juridical person or person, commits an act in violation of the provisions mentioned in any of the following items, then, in addition to the punishment of the violator [himself], the fine fixed in each item below shall be imposed upon such juridical person, and the fine fixed in the provisions of each Article mentioned in each item below shall be imposed upon such person (paragraph (1)), setting forth a fine not exceeding 300 million yen in relation to Article 119(1) or (2)(iii), Article 119(2)(i) or (ii), or Article 122-2(1) (item (i)), and a fine as provided for in the corresponding Article in relation to Article 119(2)(i) or (ii), or Article 120 through Article 122 (item (ii)).

In addition, Article 124 of the Copyright Act provides that, where the provisions of the preceding paragraph apply to an association or foundation without juridical personality, its representative or administrator shall represent such association or foundation in connection with its acts of litigation, and the provisions of the Code of Criminal Procedure which are applicable where a juridical person is the accused or suspect shall apply *mutatis mutandis* (paragraph (2)), that in the case of paragraph (1), a complaint filed against the violator and the dismissal of such complaint against such violator shall be also effective with respect to the juridical person or the person concerned, and a complaint filed against a juridical person or a person, or the dismissal of such a complaint against such a juridical person or person shall be also effective with respect to the violator concerned (paragraph (3)), and

that the statute of limitations in cases where a fine is imposed on a juridical person or a person for an act of violation under Article 119(1) or (2) or Article 122-2(1) pursuant to the provisions of paragraph (1) shall be the statute of limitations for the crimes in these provisions.

Dual liability set down in Article 124 of the Copyright Act is intended to hold not only an employee of a juridical person, but also the juridical person liable in cases where the employee committed a criminal offense in the course of business attributable to the employer, in light of insufficiency in punishing the offender alone to accomplish the purpose of punishment. The same Article sets down the criminal proceedings to be followed.

For the criminal offense of infringement of rights other than the author's or the performer's moral right, and for the criminal offense of violating a protective order, dual liability was introduced when the Act was revised in 2000. The maximum fine for the juridical person was revised upward to 100 million yen in 2002, to 150 million yen in 2004, and to 300 million yen in 2006.

Article 124(2) of the Copyright Act provides that the Code of Criminal Procedure and so forth shall apply *mutatis mutandis* to cases where the accused or the suspect is a juridical person.

With regard to the application of dual liability, Article 124(3) of the Copyright Act provides that a complaint filed against the violator and the dismissal of such a complaint against such a violator shall be also effective with respect to the juridical person, etc. Article 124(4) of the Copyright Act is a new provision laid down under the Act as revised in 2006, so as to avoid the consequence that a variable statute of limitation to prosecution applies from the natural person to the juridical person in an offense pursuant to Article 250 of the Code of Criminal Procedure when in addition to the natural person/offender, the juridical person is punished with a fine.

8. Criminal Punishment Under the Plant Variety Protection and Seed Act

(1) Criminal offense of infringement

For the criminal offense of infringement, Article 67 of the Plant Variety Protection and Seed Act provides that any person who has infringed a breeder's right or an exclusive exploitation right shall be punished by imprisonment with work for not more than ten years or by a fine of not more than 10,000,000 yen, or a combination thereof.

In the case of infringement of the breeder's right or an exclusive license, the affected party may take civil action for an injunction or damages. A criminal remedy is also available, under which the offender is punishable to ensure the integrity of the variety registration system from the administrative viewpoint.

Article 2(5) of the Plant Variety Protection and Seed Act defines "exploitation" in relation to a variety as:

- (i) Production, conditioning, offering for transfer, transferring, exporting, importing or stocking for the purpose of any of these acts, propagating material of the variety;
- (ii) Production, offering for transfer or lease, transferring, leasing, exporting, importing or stocking for the purpose of any of these acts, harvested material obtained through the use of propagating material of the variety (limited to cases where the holder of the breeder's right or the holder of the exclusive exploitation right has not had reasonable opportunity to exercise his/her right against the acts prescribed in the preceding item);
- (iii) Production, offering for transfer or lease, transferring, leasing, exporting, importing or stocking for the purpose of any of these acts, processed products of the variety (limited to cases where the holder of the breeder's right or the holder of the exclusive exploitation right has not had reasonable opportunity to exercise his/her right against the acts prescribed in the preceding two items).

According to the definition, infringement of the breeder's right pertaining to harvested material, and exploitation of the processed products are covered under the criminal offense of infringement, as prosecutable without complaint.

Since Article 67 of the Plant Variety Protection and Seed Act has no provision for punishment for negligence, infringement of the breeder's right due to negligence is not subject to criminal punishment, and an attempted infringement of the breeder's right is not, either.

When revised in 2007, the Act raised the maximum imprisonment with work to 10 years, and the maximum fine to 10,000,000 yen, respectively, and introduced a combined sentence of imprisonment with work plus a fine, with a view to enhancing the deterrent effect.

(2) Criminal offense of fraud

For the criminal offense of fraud, Article 68 of the Plant Variety Protection and Seed Act provides that any person who has obtained a variety registration by means of a fraudulent act shall be punished by imprisonment with work for not more than three years, or by a fine of not more than 3,000,000 yen.

This Article sets down penal provisions applicable to any person having obtained a variety registration for the applied variety which does not satisfy the requirements for registration, by means of submitting false materials, claiming a false fact so as to deceive the examiner, and this type of criminal offense is prosecutable without complaint.

The current Plant Variety Protection and Seed Act, as enacted, sets the maximum imprisonment with work at one year and the maximum fine at 1,000,000 yen, and these were raised to three years and 3,000,000 yen respectively when revised in 2007.

(3) Criminal offense of false marking

For the criminal offense of false marking, Article 69 of the Plant Variety Protection and Seed Act provides that any person who fails to comply with the provision of Article 56 shall be punished by imprisonment with work for not more than three years or by a fine of not more than 3,000,000 yen.

This provision was laid down when the Plant Variety Protection and Seed Act was revised in 2007, and Article 56 of the Act provides that any person shall be prohibited from doing any of the following acts:

Placing the mark of a registered variety or a mark that could be confused therewith on propagating material of a nonregistered variety or the package thereof

- (i) Transferring or displaying for the purpose of transfer the propagating material of a nonregistered variety with the mark of a registered variety or a mark that could be confused therewith on them or on the package thereof,
- (ii) Indicating in an advertisement, for the purpose of transferring the propagating material of a nonregistered variety, that the propagating material is of a registered variety or an indication that could be confused therewith

The purpose of laying down Article 69 of the Plant Variety Protection and Seed Act is the same as under the Patent Act.

(4) Criminal offense of breach of a protective order

For the criminal offense of breach of a protective order, Article 70 of the Plant Variety Protection and Seed Act provides that: (1) Any person who fails to comply with the protective order shall be punished by imprisonment with work for not more than five years or by a fine of not more than 5,000,000 yen, or a combination thereof; (2) Prosecution of the crime under the preceding paragraph may not be initiated unless a complaint is filed; and (3) The crime prescribed in paragraph (1) of this Article shall also apply to a person who commits the said crime abroad.

This provision was laid down when the Act was revised in 2007, and the purpose of laying down Article 70 of the Plant Variety Protection and Seed Act is the same as under the Patent Act.

(5) Criminal offense of selling designated seeds with false labeling, etc.

For the criminal offense of selling designated seeds with false labeling, etc., Article 71 of the Plant Variety Protection and Seed Act provides that any person who falls under any of the following items shall be punished by a fine of not more than 500,000 yen, categorizing (i) a person who has sold designated seeds with false indication concerning the matters to be shown pursuant to the provisions of Article 59(1) and (2), and (ii) a person who has sold designated seeds in violation of the dispositions taken pursuant to the provisions of Article 60 (1) or (2).

Article 71 of the Plant Variety Protection and Seed Act is a penal provision relating to the labeling system) of designated seeds, which is applicable to any person engaged in the sale of designated seeds in the course of business (Article 2(6) of the Plant Variety Protection and Seed Act). For the purpose of this provision, it is interpreted as sufficient that such person proves to be a seed dealer engaged in the actual business, regardless of whether the person has notified the competent Ministry of required matters as a seed dealer . The penal provision is applicable to (i) a person who has falsely indicated the matters set down in Article 59, and (ii) a person who has sold designated seed in violation of a Ministerial order to indicate the listed items, a Ministerial order to change the contents of the indicated items, a Ministerial order to prohibit the sale of the designated seeds, or a Ministerial order to comply with the labeling standards set down in Article 60.

For labeling of designated seeds, Article 59(1) of the Plant Variety Protection and Seed Act provides that designated seeds shall not be sold unless their package is furnished with an indication containing the following items or it is attached with a voucher indicating the

said items. However, this shall not apply where the items listed in (i) to (iv), and (vi) of this paragraph pertaining to designated seeds are indicated by a notice or other readily visible means, or where designated seeds are sold by a person other than a seed dealer, setting forth (i) the name and the domicile of the seed dealer providing these items, (ii) the type and the variety name (in the case of grafted saplings, the types and the variety names of scion and rootstock), (iii) the place of production, (iv) in the case of seed, the date of production or the time limit of validity and the germination percentage, (v) the quantity, and (vi) any other items specified by an Ordinance of the Ministry of Agriculture, Forestry and Fisheries.

In addition, Article 59(2) of the Plant Variety Protection and Seed Act provides that the indication of the place of production under item (iii) of the preceding paragraph shall be done, in the case of a domestic product, by stating the prefecture in which the said place of production is located, and, in the case of a foreign product, by stating the country in which the said place of production is located.

For orders pertaining to designated seeds, Article 60 of the Plant Variety Protection and Seed Act provides that the Minister of Agriculture, Forestry and Fisheries may order any seed dealer who has violated the provisions of paragraphs (1) and (2) of Article 59 to indicate the items listed in each item of paragraph (1) of the said Article or to change the contents of the indicated items, or may prohibit the sale of the designated seeds pertaining to the act of violation (paragraph (1), and that the Minister of Agriculture, Forestry and Fisheries may, where any seed dealer fails to comply with the recommendation issued pursuant to the provisions of paragraph (4) of Article 59, order the seed dealer to comply with the standards set down under paragraph (3) of the said Article, designating a time limit.

(6) Criminal offense of false notification, etc.

For criminal offense of false notification, etc. Article 72 of the Plant Variety Protection and Seed Act provides that any person who falls under any of the following items shall be punished by a fine of not more than 300,000 yen: (i) a person who fails to notify pursuant to the provisions of Article 58 or makes false notification; (ii) a person who, without justifiable grounds, refuses, obstructs or evades the collection set down under Article 62(1) or Article 63(1); or (iii) a person who fails to submit a report or document specified pursuant to the provision of Article 65 or submits a false report or document.

Pursuant to this provision, (i) a seed dealer who fails to notify or notifies falsely the

matters set down in Article 49, (ii) a person who refuses, obstructs or evades collecting from seed dealers such quantities of designated seeds as are necessary for inspection, and (iii) a seed dealer who fails to report or submit a document specified by the Minister of Agriculture, Forestry and Fisheries, or submits a false report or document shall be subject to penal provisions.

(7) Dual liability

For dual liability, Article 73 of the Plant Variety Protection and Seed Act provides that where a representative of a juridical person, or an agent, an employee or any other worker of a juridical person or an individual has committed an act in violation of provisions prescribed in any of the following items with regard to the business of the juridical person or the individual, not only shall the offender be punished but the said juridical person shall also be punished by a fine as prescribed respectively in those items, or the said individual shall be punished by the fine prescribed in the respective Articles (paragraph (1)): (i) a fine of not more than 300,000,000 yen in relation to Article 67 or Article 70(1), a fine of not more than 100,000,000 yen in relation to Article 68 or Article 69, and (iii) the fine prescribed in the corresponding Article in relation to Article 71, Article 72(i) or (iii).

In addition, Article 73 of the Plant Variety Protection and Seed Act provides that in the case referred to in the preceding paragraph, the complaint under Article 70(2) against the offender shall also be effective against the juridical person or individual and the complaint against the juridical person or individual shall also be effective against the offender (paragraph (2)), and that when a juridical person or an individual is to be punished by a fine due to an act of violation prescribed in Article 67 or Article 70(1) pursuant to the provision of paragraph (1) of this Article, the period of prescription shall be the one set down for the crime prescribed in those provisions.

The purpose of laying down Article 73 of the Plant Variety Protection and Seed Act is the same as under the Patent Act.

9. Criminal Punishment Under the Unfair Competition Prevention Act

(1) The nature of the Unfair Competition Prevention Act, and the history of criminal punishment under the Act

The Unfair Competition Prevention Act provides protection for the public interest in ensuring fair competition, as well as protection for the individual's private interests in maintaining their reputation in commerce.

Criminal punishment under the Unfair Competition Prevention Act is intended to protect the public interest in ensuring fair competition.

The current Unfair Competition Prevention Act was drastically revised in 1993. The current Unfair Competition Prevention Act, as enacted, raised the maximum amount of the fine and set down dual liability.

The Unfair Competition Prevention Act has been systematically revised from time to time, thereby expanding the scope of criminal punishment and raising the maximum term of imprisonment with work and the maximum amount of the fine.

For example, when the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was adopted in 1998, the Unfair Competition Prevention Act laid down new articles to prohibit the provision of illicit profits, etc. to foreign public officials, etc. and set down criminal punishments and dual liability from the viewpoint of maintaining fair competition in international business transactions. Criminal punishment for providing illicit profits to foreign public officials, etc. was revised in 2000. In 2004, the offense of providing illicit profits to foreign public officials, etc. committed outside Japan was stipulated as punishable by reason of the nationality of the offender.

In 2003, criminal punishment was introduced for wrongful acquisition, use and disclosure of a trade secret in order to address leakage of the trade secrets of Japanese enterprises overseas and over networks. Consequently, the revision of 2004 laid down a protective order to prevent a trade secret from becoming publicly known in the course of a lawsuit in 2004, and the revision of 2005 included disclosure of a trade secret by a former employee as criminally punishable and set down dual liability binding on the new employer of such person.

In addition, the revision of 2005 covered acts of unauthorized use of famous indications of other producer's goods and acts to imitate the configuration of goods as criminally punishable in order to combat copycats and piracy, and this was followed by raising the maximum term of imprisonment with work and the maximum amount of the fine in 2005

and in 2006.

The Unfair Competition Prevention Act was revised again in 2009 so as to extend the scope of criminal punishment for infringing trade secrets, which has not yet come into force (as of January, 2010; the revision of 2009 is outlined below).

(2) Criminal punishment involving trade secrets

Article 21(1) of the Unfair Competition Prevention Act provides that:

Any person who falls under any of the following items shall be punished by imprisonment with work for not more than ten years, a fine of not more than ten million yen, or both.

- (i) A person who uses or discloses a trade secret acquired by an act of fraud or others (meaning the act of deceiving, assaulting, or intimidating a person; the same shall apply hereinafter) or an act violating control obligations (meaning the act of stealing a document or a data storage medium containing a trade secret (hereinafter referred to as "a medium containing a trade secret"), trespassing on a facility where a trade secret is kept, making unauthorized access (an act of unauthorized access prescribed in Article 3 of the Unauthorized Computer Access Act (Law No. 128 of 1999)), or violating the control of a trade secret maintained by its holder in any other way) for the purpose of unfair competition;
- (ii) A person who acquires a trade secret by any of the following methods through an act of fraud or others or an act violating control obligations for the purpose of using or disclosing it in the manner prescribed in the preceding item:
 - (a) Acquiring a medium containing a trade secret under the control of a holder; or
 - (b) Reproducing information in a medium containing a trade secret under the control of a holder
- (iii) A person to whom a trade secret was disclosed by its holder, and who, for the purpose of unfair competition, uses or discloses it after taking possession of or making a document or a data storage medium containing the trade secret, by any of the following methods, through an act of fraud or others or an act violating control obligations, or through embezzlement or other acts of breaching their duty to keep safe custody of the medium containing the trade secret:
 - (a) Taking possession of a medium containing a trade secret under the control of the holder; or
 - (b) Reproducing information contained in a medium containing a trade secret under

the control of the holder;

- (iv) A person who is an officer (a director, operating officer, managing partner, secretary, auditor, or persons equivalent to them; the same shall apply in the following item) or an employee of a trade secret holder by whom the trade secret has been disclosed, and, for purposes of unfair competition, uses or discloses it in breach of the duty to keep safe custody of the trade secret (except for a person as prescribed in the preceding item);
- (v) A person who is an officer or an employee of a trade secret holder by whom the trade secret has been disclosed, and for the purpose of unfair competition, offers to disclose it in breach of the duty to keep safe custody of the trade secret or receives a request to use or disclose it while in office, and uses or discloses it after leaving their job (except for a person as prescribed in item 3);
- (vi) A person who, for the purpose of unfair competition, uses or discloses a trade secret acquired by disclosure which is an offence prescribed in item 1 or items 3

Item (i) sets down that the act of acquiring a trade secret without authorization by fraudulent or wrongful means, and the act of using or disclosing the said trade secret for the purpose of unfair competition shall be subject to punishment.

Item (ii) sets down that the act of acquiring—or reproducing information contained in—a medium containing a trade secret under the control of the holder by fraudulent or intrusive means for the purpose of using or disclosing it shall be subject to punishment.

Item (iii) sets down that the act of taking possession of—or reproducing information contained in—a medium containing a trade secret under the control of the holder, and using or disclosing the trade secret, committed by a person to whom the trade secret was disclosed by its holder for the purpose of unfair competition, shall be subject to punishment.

Item (iv) sets down that the act of using or disclosing a trade secret in breach of the duty to keep the trade secret in safe custody, committed by a person who is an officer or employee of the trade secret holder and to whom the trade secret was disclosed by the holder for the purpose of unfair competition, shall be subject to punishment.

Item (v) sets down that the act of offering to disclose a trade secret in breach of the duty to keep safe custody of the trade secret or complying with a request to use or disclose it while in office, and using or disclosing it after leaving the job, committed by a person to whom the trade secret was disclosed by the holder for the purpose of unfair competition, shall be subject to punishment.

Item (vi) sets down that the act of using or disclosing a trade secret acquired in the manner described in (i), (iii) through (iv), for the purpose of unfair competition, shall be

subject to punishment.

As Article 21(3) of the Unfair Competition Prevention Act provides that the offenses prescribed in Article 21(1) of the Unfair Competition Prevention Act, criminal offenses involving trade secret shall be prosecuted upon complaint.

Article 21(4) of the Unfair Competition Prevention Act provides that the offenses prescribed in (i), (iii) through (vi) of paragraph 1 shall also apply to a person who committed those offences outside Japan for a trade secret that had been kept within Japan at the time that the act of fraud or others was committed, or safe custody was violated, or at the time the trade secret was disclosed by its holder. This means that the penal provisions shall apply to cases where a trade secret under control in Japan was used or disclosed.

(3) Other criminal punishments under the Unfair Competition Prevention Act

Regarding punishment for criminal offenses involving other than trade secrets, Article 21(2) of the Unfair Competition Prevention Act provides that any person who falls under any of the following items shall be punished by imprisonment with work for not more than five years, or a fine of not more than five million yen, or both.

- (i) A person who, for a wrongful purpose, commits any act of unfair competition listed in Articles 2(1)(i) (acts that create confusion by a well-known indication of another producer's goods) or (xiii) (acts that mislead the public as to the place of origin, etc.);
- (ii) A person who, for the purpose of acquiring illicit gain through the use of the reputation or fame pertaining to another person's well-known indication on their goods or business or for injuring said reputation or fame, commits any act of unfair competition listed in Article 2(1)(ii) (acts that use a well-known indication of another producer's goods, etc. without permission);
- (iii) A person who, for the purpose of acquiring illicit gain, commits any act of unfair competition listed in Article 2(1)(iii) (acts that imitate the configuration of another producer's goods)
- (iv) A person who misrepresents information on goods or with respect to services, or in an advertisement thereof or in a document or correspondence used for a transaction related thereto, in a manner that is likely to mislead the public as to the place of origin, quality, contents, manufacturing process, use, or quantity of such goods, or the quality, contents, purpose, or quantity of such services (except for persons prescribed in item (i));
- (v) A person who violates a protective order set down in Article 10 or Article 11; or

(vi) A person who violates any provision of Article 16 (Prohibition on the commercial use of foreign national flags, etc.), Article 17 (Prohibition on the commercial use of a mark of an international organization), or Article 18(1) (Prohibition on providing illicit profits, etc. to foreign public officials, etc.).

To this end, under the Unfair Competition Prevention Act, the act of obstructing the effect of technological restrictions (Article 2(1)(x) or (xi)), the act of misrepresenting a domain name (Article 2(1)(xiii), an act injurious to the business reputation of another person in a competitive relationship (Article 2(1)(xiv), and the act of misusing a trademark by an agent, etc.(Article 2(1)(xv) are not subject to criminal punishment, while criminal punishment relating to the means of circumventing technological protection is laid down under the Copyright Act (Article 120-2(i) or (ii)).

Article 21(3) of the Unfair Competition Prevention Act provides that the criminal offenses set down in Article 21(2)(v) shall be prosecuted only upon complaint, with the offense of violating a protective order being categorized as the type of criminal offense prosecuted upon complaint.

As to the said item (v), Article 21(5) of the Unfair Competition Prevention Act provides that the offense prescribed in Article 21(2)(v) shall also apply to a person who committed it outside Japan.

Article 21(6) of the Unfair Competition Prevention Act provides that criminal punishment for the offense of providing illicit profits, etc. to foreign public officials, etc. shall be governed by Article 3 of the Penal Code, which also applies to a Japanese national committing the offense outside Japan.

The term “foreign public official” as used in Article 18(1) of the Unfair Competition Prevention Act is defined as follows (Article 18(2)):

- (i) A person who engages in public services for a foreign, state, or local government;
- (ii) A person who engages in services for an entity established under a special foreign law to carry out specific affairs in the public interest;
- (iii) A person who engages in the affairs of an enterprise of which the number of voting shares or the amount of capital subscription directly owned by one or more foreign, state, or local governments exceeds 50 percent of that enterprise’s total issued voting shares or total amount of subscribed capital, or of which the number of officers (including directors, auditors, secretaries, and liquidators and other persons engaged in the management of the business) appointed or designated by one or more foreign, state, or local foreign governments exceeds half of that enterprise’s total number of

officers, and to which special rights and interests are granted by the foreign state or local governments for the performance of its business, or a person specified by a Cabinet Order as an equivalent person;

- (iv) A person who engages in public services for an international organization (which means an international organization constituted by governments or intergovernmental international organizations); or
- (v) A person who engages in the affairs under the authority of a foreign, state, or local government or an international organization, and which have been delegated by such organization.

“A person specified by a Cabinet Order” set down in item (iii) means:

- (i) A business operator of an enterprise that has 50% of the voting shares directly owned by one or more foreign, state, or local governments
- (ii) A business operator of an enterprise for which any resolution on the agenda to be resolved at the shareholders meeting in all or in part may not come into effect or such resolution can be rescinded unless a foreign or local government effectuates permission, approval, endorsement, consent or any action equivalent thereto;
- (iii) A business operator of an enterprise of which the number of voting shares or the amount of capital subscription directly owned by the enterprise’s total issued voting shares or the total amount of subscribed capital, or of which the number of officers (directors, auditors, secretaries, and liquidators and other persons engaged in the management of the business) appointed or designated by one or more foreign, state, or local foreign governments exceeds half of that enterprise’s total number of officers, and to which special rights and interests are granted by the foreign state or local governments for performance of its business, or a person specified by a Cabinet Order as an equivalent person (except for the business operator prescribed in (i)).

“Public business operator” means a business operator as defined in Article 8(2)(iii) of the Unfair Competition Prevention Act, and those prescribed above in (i) and (ii). A business operator who is appointed or designated by one or more foreign, state, or local foreign governments exceeds half of that enterprise’s total number of officers, and to which special rights and interests are granted by the foreign state or local governments for performance of its business is prescribed as a “public business operator.”

In the context of the Penal Code, Article 21(7) of the Unfair Competition Prevention Act provides that the penal provisions under the act shall not preclude application of penal

provisions under the Penal Code or any other acts, which expressly indicates that the Penal Code and other acts vs. the Unfair Competition Prevention Act is not in general a law vs. special law relationship when it comes to counting criminal offenses. This allows for due punishment in consideration of sentencing for another criminal offense, e.g. theft (Article 235 of the Penal Code: imprisonment with work for not more than 10 years).

(4) Dual liability and the juridical person's responsibility

Article 22(1) of the Unfair Competition Prevention Act provides that when a representative of a juridical person, or an agent, employee or anyone other than a juridical person or an individual has committed a violation prescribed in any of the provisions of items (i), (ii) or (iv) of paragraph 1, or paragraph 2 of Article 21 with regard to the business of said juridical person or said individual, not only the offender but also the said juridical person shall be punished by a fine of not more than three hundred million yen, or by the fine prescribed in the relevant Article.

The provision of dual liability is laid down with a view to reinforcing the prevention of criminal offenses, setting down that not only the representative of a juridical person or the agent of an individual committing a prescribed criminal offense, but also the said juridical person or the said individual, shall be punished as well.

For punishment of a juridical person, in general, determination begins with the presumed negligence in due care in selecting/supervising its employees and preventing offenses and violations. Unless there is proof that such due care has been taken comprehensively, the employer shall not escape from criminal liability. To be exempt from punishment on the part of a juridical person, it is required to prove that the juridical person has taken due care to prevent the offenses and violations in a practical and thorough manner.

However, the acts prescribed in Article 21(1)(iii) through (v) of the Unfair Competition Prevention Act are excluded from the scope of dual liability governing the juridical person. For these acts of using or disclosing a duly disclosed trade secret for an unfair purpose, it was considered appropriate not to punish the juridical person unless they were directly involved in the offense, because (i) it is unjust to punish the company, the affected party in the criminal case where its director or employee, both internal personnel, used or disclosed a trade secret of the employer for an unfair purpose; (ii) in the event that a person coming to know a trade secret in the course of his duties in business uses or discloses it for an unfair purpose after changing employment, if the new employer is punished for such offense, it would discourage businesses from employing employees changing jobs; and

(iii) if the licensee company coming to know a trade secret through licensing, etc. is punished for the offence committed by an employee of the licensor company, it would affect the business relationship between the two companies.

Article 22(2) of the Unfair Competition Prevention Act provides that in the case referred to in the preceding paragraph, a complaint filed against the said offender pertaining to an offense prescribed in items (i), (ii) and (vi) of paragraph (1) and item (v) of paragraph (2) of the preceding Article shall also be effective against the juridical person or the individual, and a complaint filed against the juridical person or the individual shall also be effective against the said offender. Regarding dual liability as set down in paragraph (1), this provision sets down that (i) it shall be prosecuted upon complaint, and (ii) on the same principle of inseparability of accusation with respect to the accomplice (Article 238(1) in the Code of Criminal Procedure), the effect the accusations has on the offender shall extend to the business entity concerned.

In addition, Article 22(3) of the Unfair Competition Prevention Act provides that the period of prescription of the penalty of a fine to be imposed on a juridical person or individual pursuant to the provisions of paragraph (1) in regard to an act of violation of items (i), (ii) or (vi) of paragraph (1) or paragraph (2) of the preceding Article shall be the same as that for the offenses prescribed in the provisions of the preceding Article. This provision is laid down so as to avoid consequence such that a variable statute of limitations to prosecution applies from the natural person to the juridical person in an offense pursuant to Article 250 of the Code of Criminal Procedure, when in addition to the natural person/offending individual, the juridical person is punished with a fine. Criminal offenses under the Unfair Competition Prevention Act are categorized on the assumption that a criminal offense was committed with intent to put corporate interests before individual interests. In practice, it would be unfair to set a longer statute of limitations to prosecution for an employee who commits a criminal offense in the best interests of the employer. To ensure fairness, it is provided that the statute of limitations in sentencing the juridical person, etc. to a fine shall be governed by the statute of limitations applicable to the criminal offense of the merits.

(5) Outline of the Unfair Competition Prevention Act as revised in 2009

The Unfair Competition Prevention Act was revised in 2009 in order to more effectively protect trade secrets under the control of businesses by means of expanding the scope of protecting trade secrets under penal provisions, with a view to ensuring fair

competition among businesses (not yet in effect). The revision was published on April 30, 2009, and put into effect no later than one year and six months later.

Initially, the Unfair Competition Prevention Act defined “the act of using or disclosing to a third party” “a trade secret held by a business operator” acquired by fraudulent means “for the purpose of unfair competition” as the criminal offense of infringement of a trade secret and as criminally punishable.

Since any alleged act cannot be subject to criminal punishment unless “the purpose of unfair competition” is established, acts such as disclosing a trade secret to a non-competitive third party, or disclosing it to the public for the purpose of causing damage to the holder of the trade secret, could not be punished in the past.

Moreover, the Act was not effective enough as a deterrent, since “use/disclosure” of stolen information is carried out internally by the offender or the competitor, or outside Japan, where it has been extremely difficult to prove the allegation.

To address these challenges, the Act was revised from three viewpoints: (i) to reinforce protection of intangible technology/knowhow key to the competitiveness of Japanese industry, (ii) to go along with developments in IT and networking, and (iii) to promote open innovation, in the following respect:

(1) Modification of the “purpose” element of the criminal offense of trade secret infringement

“For the purpose of unfair competition” was revised so as to cover acts committed for the purpose of acquiring illicit gains, or for the purpose of causing damage to the holder that are punishable.

(2) Introducing criminal punishment to the act of acquiring a trade secret in breach of the duty of keeping in safe custody

To fill up the gray zone of punishability, the act of taking possession of a trade secret in breach of the duty to keep it in safe custody (e.g. photocopying or taking out materials not allowed to photocopy or to take out, etc.) was added to the category of punishable acts.

The provisions of the revised Article 21(1) of the Unfair Competition Prevention Act are as follows:

Article 21. Any person who falls under any of the following items shall be punished by imprisonment with work for not more than ten years, a fine of not more than 10,000,000 yen, or both:

(i) A person who uses or discloses a trade secret acquired by means of a fraudulent act

- (deceiving, assaulting, or intimidating a person; the same shall apply hereinafter) or an act violating safe custody (stealing a document or a data storage medium containing a trade secret (hereinafter referred to as "a medium containing a trade secret"), trespassing on a facility where a trade secret is kept, making unauthorized access (the act of unauthorized access prescribed in Article 3 of the Unauthorized Computer Access Act (Act No. 128 of 1999)), or violating the control of a trade secret maintained by its holder in any other way) for the purpose of acquiring illicit gains;
- (ii) A person who uses or discloses a trade secret, the acts of using or disclosing a trade secret, by means of a fraudulent act, or of an act violating safe custody, for the purpose of acquiring illicit gains, or for the purpose of causing damage to the holder of the trade secret;
 - (iii) A person who takes possession of a trade secret disclosed by a business operator holding such a trade secret, for the purpose of acquiring illicit gains or causing damage to such holder, in breach of the duty to keep the trade secret in safe custody, by any of the following means:
 - (a) Taking possession of a medium containing a trade secret (which means a document, drawing or record on which the trade secret is entered or recorded; the same shall apply hereafter) or an item of property containing a trade secret;
 - (b) Reproducing information entered or recorded on a medium or an item of property containing a trade secret ;
 - (c) Failing to delete information entered or recorded on a medium containing a trade secret to be deleted, and disguising that the said information has been deleted.
 - (iv) A person who uses or discloses a trade secret disclosed by the holder in breach of the duty to keep the trade secret in safe custody, by taking into their possession by any of the means set down in (iii)(a) to (c) above, in breach of the duty to keep the trade secret in safe custody, for the purpose of acquiring illicit gains, or for the reason of causing damage to the holder (except for persons prescribed in the preceding item);
 - (v) A person who is an officer (which means a director, operating officer, managing partner, secretary, auditor, or an equivalent person; the same shall apply in the following item) or an employee of a trade secret holder to whom the trade secret has been disclosed, and who uses or discloses the trade secret in breach of the duty to keep it in safe custody, for the purpose of acquiring illicit gains, or for the purpose of causing damage to the holder (except for persons prescribed in the preceding item);
 - (vi) A person who is an officer or an employee of the trade secret holder to whom the trade

secret has been disclosed, and offers to disclose it in breach of the duty to keep the trade secret in safe custody or receives a request to use or disclose it while in office, and uses or discloses it after leaving the job, for the purpose of acquiring illicit gains, or for the purpose of causing damage to the holder (except for persons prescribed in (iv));

(vii) a person who uses or discloses a trade secret acquired by disclosure which is a criminal offence under (ii) or (iii) to (vi), for the purpose of acquiring illicit gains, or for the purpose of causing damage to the holder.