

Introduction to The Intellectual Property Act

Japan Patent Office

Asia - Pacific Industrial Property Center, Japan Institute for
Promoting Invention and Innovation

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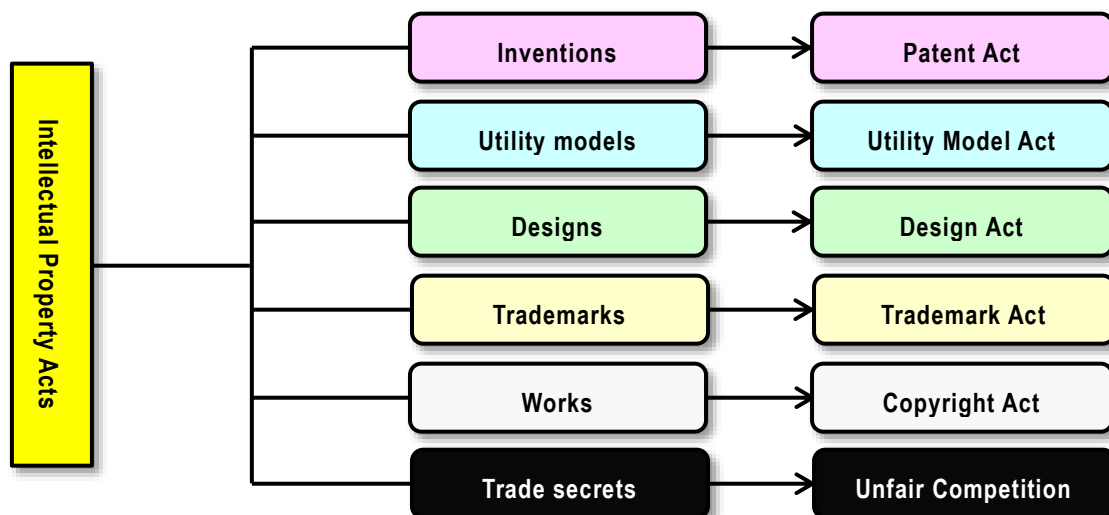
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Chapter 1: Overview of Intellectual Property Acts

I. Types of Intellectual Property and Intellectual Property Acts

Japan's "Intellectual Property Basic Act" defines the following three types of "intellectual property" in Article 2, Paragraph 1: First, those produced through creative activities by human beings (e.g. inventions, utility models, designs, and works); second, those indicating goods or services used in business activities by companies (e.g. trademarks); and third, technical or business information that is useful for business activities (e.g. trade secrets).

Intellectual property and Intellectual Property Acts in Japan can therefore be classified into the following six major types as shown in Figure 1. There are also some kinds of laws that are categorized as Intellectual Property Acts in Japan in addition to these six types. The "Plant Variety Protection and Seed Act" to protect new varieties of plants, for example, and the "Act on the Circuit Layout of Semiconductor Integrated Circuits" to protect the layout design of semiconductor integrated circuits, are both dealt with as Intellectual Property Acts.



(Figure 1) Types of intellectual property and Intellectual Property Acts

Now, let's take a specific example of a case whereby Company X has developed a reversible garment α that allows the wearer to change out of a kimono and then into a dress (or vice versa) using only one garment, in order to solve a problem that conventionally required the wearer to prepare both a kimono and a dress.

(1) Invention (Patent Rights)

Let's suppose that the reversible garment α has a kimono pattern on one side, and a dress pattern on the reverse, to allow the wearer to put on both a kimono and a dress using only one garment. In Intellectual Property Acts, a relatively advanced technical idea like this is called an "invention." By obtaining "patent rights" to the invention of the reversible garment α , Company X can exclusively manufacture and sell the reversible garment α without having other companies imitate the idea of having a

kimono pattern on one side and a dress pattern on the reverse.

(2) Utility Model (Utility Model Rights)

Next, let's imagine that the reversible garment α has an easily reversible structure that allows the wearer to quickly put it on inside out. In Intellectual Property Acts, a relatively simple technical idea like this is called a "**utility model**." By obtaining "**utility model rights**" to the utility model of the reversible garment α , Company X can exclusively manufacture and sell the reversible garment α without having other companies imitate the ease of enabling the wearer to reverse it easily.

(3) Design (Design Rights)

Next, let's think of a reversible garment α that has a design with the motif of a geisha. In Intellectual Property Acts, an object design like this is called a "**design**." By obtaining "**design rights**" to the design of the reversible garment α , Company X can exclusively manufacture and sell the reversible garment α without having other companies imitate the design with a motif of a geisha.

(4) Trademark (Trademark Rights)

And now, let's suppose that Company X has adopted "GEISHA" as a brand to promote the reversible garment α . In Intellectual Property Acts, a brand used for goods or services like this is called a "**trademark**." By obtaining "**trademark rights**" to the trademark "GEISHA," Company X can use it exclusively without having other companies use this brand for clothes without its permission.

(5) Work (Copyright)

Let's next imagine that Company X has created a unique poster using a photograph of the reversible garment α in order to advertise it. In Intellectual Property Acts, a cultural work like this is called a "**work**." By obtaining a "**copyright**" to the poster of the reversible garment α , Company X can prevent other companies from copying this poster without its permission.

(6) Trade Secrets (Unfair Competition)

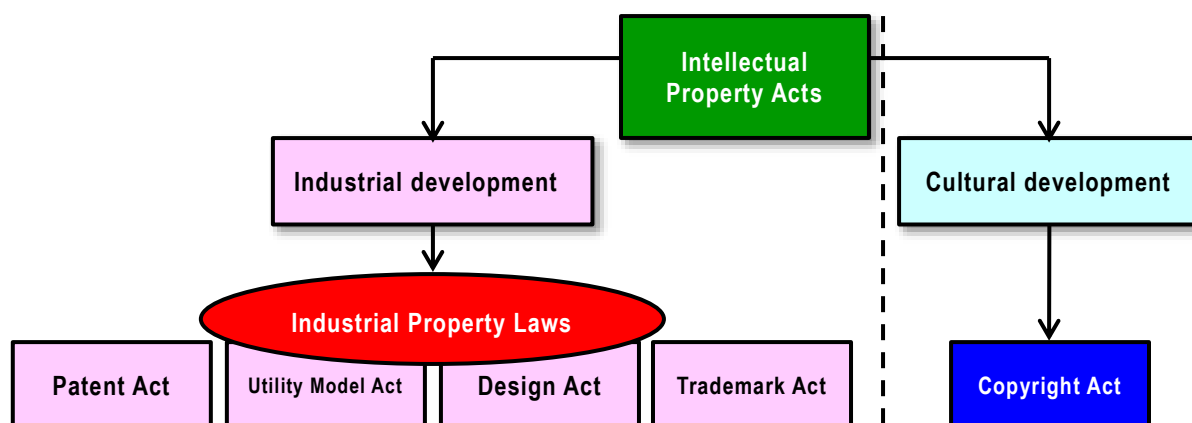
Lastly, let's imagine that Company X has created a customer list describing the customers of the reversible garment α upon its sales activities. In Intellectual Property Acts, information that is useful for the business activities of companies and other organizations, such as a customer list, is referred to as "**trade secrets**." If any other company steals the customer list from Company X and uses it for its own sales activities, "**unfair competition**" regulated by the Unfair Competition Prevention Act will be applied. Company X can therefore perform its business in peace by using the customer list of the reversible garment α .

II. Classification of Intellectual Property Acts

To classify the above intellectual property and Intellectual Property Acts, the three following points of view s are generally utilized.

(1) Classification by Purpose of Law

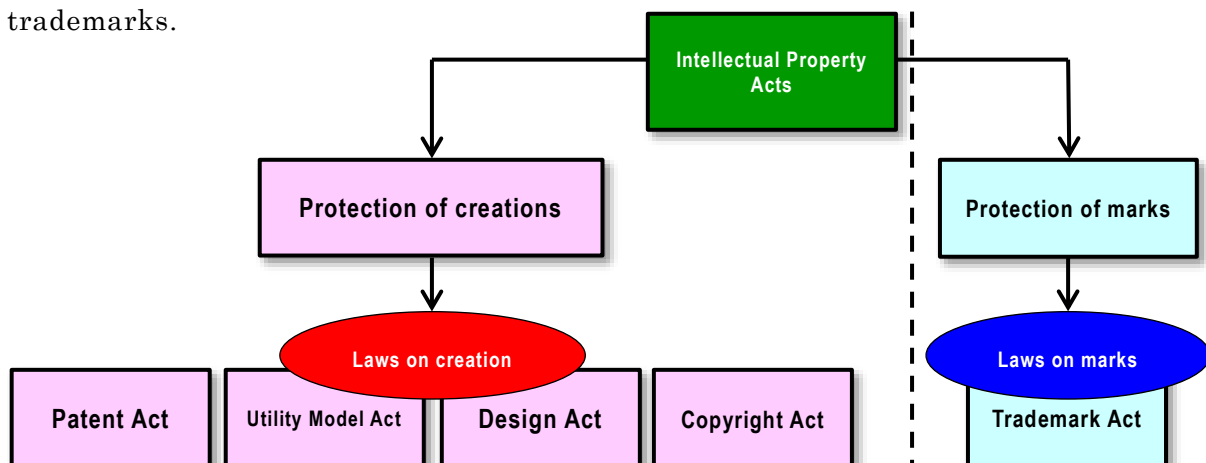
First, the classification can be made in terms of the “**purpose**” of each Intellectual Property Act. Industrial property laws can be classified into two groups according to their purpose, as shown in Figure 2: **Industrial property laws** that aim to help **industrial development**, such as the Patent Act, Utility Model Act, Design Act, and Trademark Act; and the **Copyright Act**, which aims to encourage **cultural development**.



(Figure 2) Classification of Intellectual Property Acts according to the purpose of law

(2) Classification by Subject of Protection

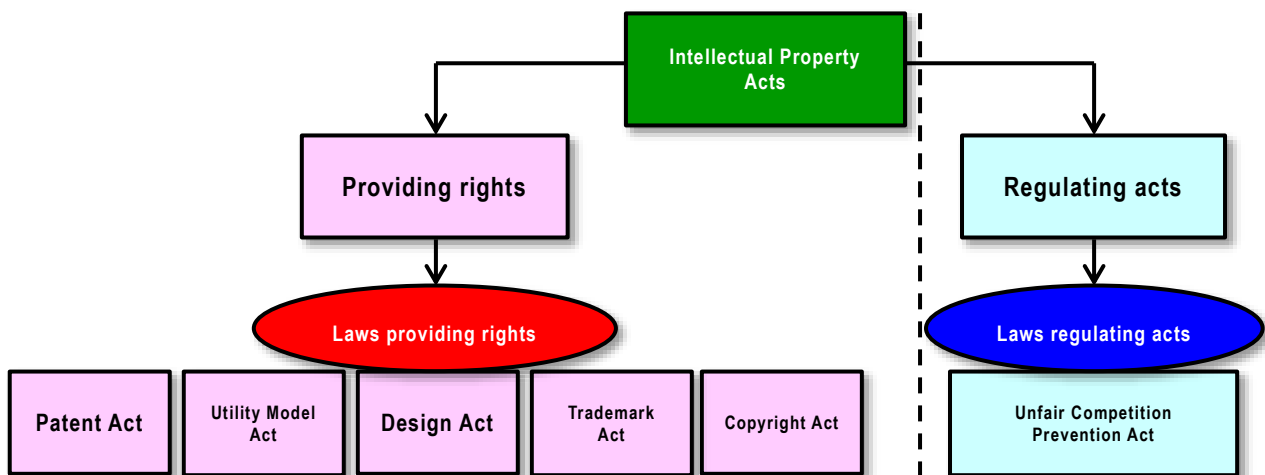
Next, the classification can also be made in terms of the **subject of protection** for each Intellectual Property Act. Industrial property laws can be classified into two groups according to their purpose as shown in Figure 3: **Laws on creation** to protect **creations** that are produced through creative activities by human beings, such as inventions, utility models, designs, and works; and **laws on marks** to protect **marks** that indicate goods or services used in business activities by companies, such as trademarks.



(Figure 3) Classification of Intellectual Property Acts according to the subject of protection

(3) Classification by Protection Method

Further, the classification of Intellectual Property Acts can be made in terms of the **method** to protect intellectual property as well. industrial property laws can be classified into two groups according to their purpose as shown in Figure 4: **Laws providing rights** for right holders to protect intellectual property, such as the Patent Act, Utility Model Act, Design Act, Trademark Act, and Copyright Act; and **laws regulating acts** that directly regulate **acts** of infringement to protect intellectual property, such as the Unfair Competition Prevention Act.



(Figure 4) Classification of Intellectual Property Acts according to the protection method

III. Characteristics of Intellectual Property Rights

Intellectual property and intellectual property rights have four major characteristics in common. .

(1) Intangible Object

The first characteristic is that intellectual property does not have any substance. In other words, it is an **intangible object**. To cite an example, it may seem that music—which is a sort of work—is tangible when it is written as sheet music or recorded on a CD. But the music itself, such as background music played in a coffee shop, is intangible.

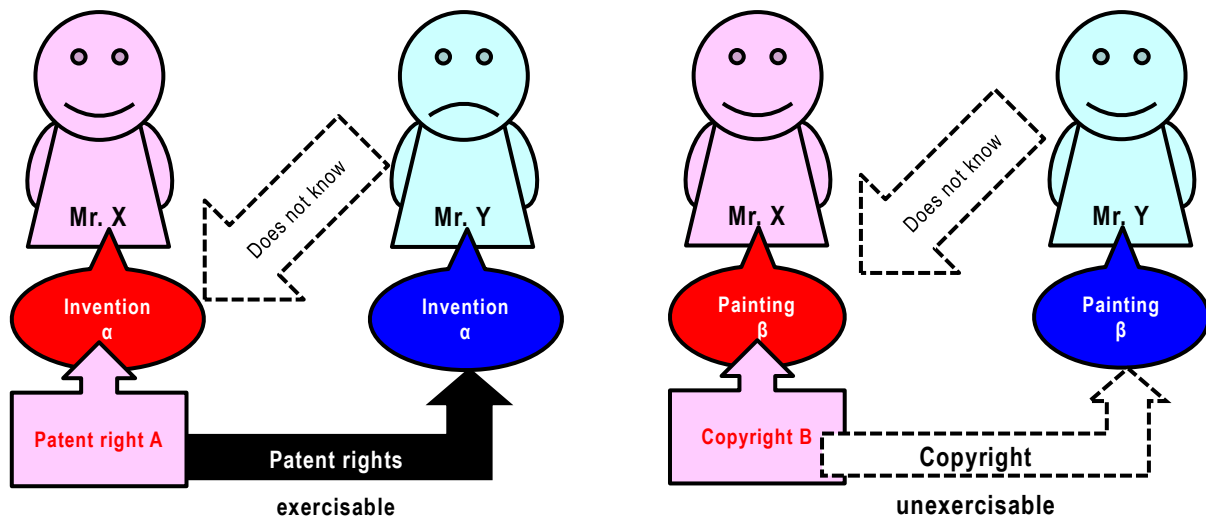
In parallel, this characteristic results in the fact that intellectual property can be utilized at the same time and in the same form by more than one person. For example, two persons can listen to a piece of music together, while a dress cannot be worn by two persons at the same time. In contrast to intellectual property that is an intangible object, an object having a substance—such as a dress—is called a **tangible object**.

(2) Exclusivity

The second characteristic of intellectual property rights is that of **exclusivity**. This means that only the right holder can utilize the intellectual property concerned, and that the right holder is entitled to exclude others who utilize said intellectual property without obtaining the right holder's permission. Intellectual property rights and **ownership** defined by the Civil Code have the common characteristic that the right holder can hold absolute control over his/her own property thanks to its exclusivity. As shown in Figure 5, however, there is a significant difference between industrial property rights and copyright among intellectual property rights in terms of exclusivity.

Industrial property rights, including patent rights, have the effect of **absolute exclusive rights**. For example, Mr. X and Mr. Y respectively completed the same invention α , and Mr. X then obtained patent right A for this invention. In this case, even if Mr. Y had completed invention α by himself, he would be infringing the patent right A of Mr. X when working on invention α .

On the other hand, a copyright has the effect of **relative exclusive rights**. For example, Mr. X and Mr. Y have respectively drawn the same painting β . In this case, both Mr. X and Mr. Y obtained a copyright on painting β . Therefore, even if Mr. Y published painting β , which was drawn by himself, he would not infringe the copyright B of Mr. X.



(Figure 5) Difference between industrial property rights and copyrights

(3) Time Limitations The third characteristic is that intellectual property has **time limitations**. For example, the term of patent rights is 20 years from the filing date of the patent application, while the term of trademark rights is 10 years from the registration date of their establishment. Although both intellectual property rights and ownership have exclusivity as mentioned above, intellectual property rights have time limitations contrary to ownership.

(4) Principle of Territoriality

The fourth characteristic is that intellectual property is based on the **principle of territoriality**. This principle includes two points. First, the effect of Japanese intellectual property rights is limited to Japan. Therefore, such rights are effective only in the territory of Japan, and do not have any effect in other countries. This is why Japanese patentees may exclusively work their patented inventions in Japan, but not in other countries. Second, the content of Japanese intellectual property rights are defined by the Intellectual Property Acts of Japan, and it is therefore Japan's Patent Act, not foreign laws, that specifies issues such as which sorts of inventions may be patented in Japan and which effects may be granted to patent rights.

I. Requirements for Inventions and Invention Types

The purpose of Japan's **Patent Act** is to encourage inventions through promoting the protection and utilization of inventions, and to eventually contribute to industrial development (Article 1). To realize this aim, the Patent Act defines the requirements for inventions and invention types as follows.

1. Requirements for Inventions

Inventions must meet all four of the following requirements (Article 2, Paragraph 1). If you make a patent application for those that do not fulfill the requirements for an invention, you cannot obtain a patent right (body of Article 29, Paragraph 1, and Article 49, Paragraph 2).

(1) Utilize the Laws of Nature

First, inventions must **utilize the laws of nature**. "Laws of nature" means rules that are found in the natural world through experience. Laws of nature include, for example, the law of conservation of energy, and rules of thumb such as the fact that logs float in water. Meanwhile, mathematical formulas or rules, such as the calculation method of the area of a circle, artificial arrangement such as the rules of sports and games, or psychological rules including hypnosis, are not included in the laws of nature.

An invention must utilize such laws of nature. Therefore, those that do not utilize the laws of nature are not deemed an invention, for example: a law of nature itself such as finding that logs float in water, those that are against the laws of nature such as a perpetual motion machine (a machine deemed to be able to operate indefinitely) that is against the law of conservation of energy, and those that utilize rules other than the laws of nature, such as subliminal advertising that utilizes psychological rules.

(2) Technical Ideas

Second, inventions must be **technical ideas**. "Technical" means specific measures to achieve an objective. For example, the following are not considered technical ideas, and are therefore not deemed to be inventions: skill, expertise, know-how, and secret techniques. These can include as the pitching method of a forkball, the simple presentation of information such as a photograph of the landscape of Kyoto, simple aesthetic creations such as paintings and sculptures, and incomplete inventions that lack concreteness and are deemed to be a simple wish, such as a time machine.

(3) Creations

Third, inventions must be **creations**. "Creations" means those created by human beings. For example, if you have discovered glutamic acid-producing bacteria that produce monosodium glutamate (chemical seasoning [product name: Ajinomoto]), this may not be deemed an invention since you have not created such bacteria. Conversely,

if you invented a process of purifying monosodium glutamate by using glutamic acid-producing bacteria, this may be deemed an invention because you have not simply discovered a kind of bacteria, but have created a process of purifying a compound.

(4) Advanced

And fourth, inventions need to be **advanced**. However, utility models protected by the Utility Model Act are not required to be advanced. In other words, this requirement serves to differentiate the Patent Act—which is a system to protect relatively advanced technology—from the Utility Model Act in order to protect relatively simple technology.

2. Invention Types

There are three types of inventions as shown in Figure 6. Inventions can be classified into two major categories: the invention of a product and the invention of a process. The invention of a process can be further classified into two groups: the invention of a non-production process and the invention of a production process.

(1) Invention of a Product

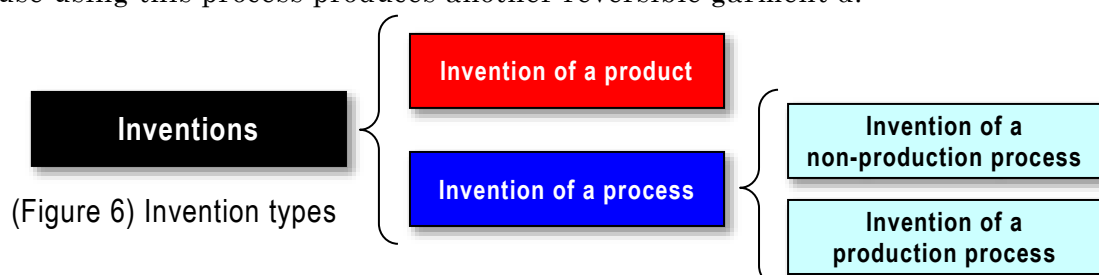
First, an “**invention of a product**” is an invention that can be produced, and does not contain a time element in the elements constituting the invention. For example, a reversible garment having a kimono pattern on the front and a dress pattern on the reverse is deemed an invention of product.

(2) Invention of a Process

Next, an “**invention of a process**” is an invention that contains a time element (the sequential nature of a process) in the elements constituting the invention. The invention of a process includes the invention of a non-production process and the invention of a production process.

An “**Invention of a non-production process**” is an invention of a process that does not produce any products. For example, an invention of process β for inspecting the sewing of reversible garment α is deemed an invention of a non-production process because using this process does not produce another reversible garment α .

An “**Invention of a production process**,” on the other hand, is an invention having three elements, namely starting material, process, and product; and producing a product (resulted object) by using such process. For example, an invention of process γ for producing reversible garment α is deemed an invention of a production process because using this process produces another reversible garment α .



II. Requirements for Patentability

To obtain patent rights in Japan, inventions must meet all six of the following major requirements for patentability, in addition to the requirement that they must correspond to the definition of invention defined by the Patent Act as mentioned above.

1. Industrial Applicability

As the first requirement for obtaining patent rights, an invention should have “**industrial applicability**” (Article 29, Paragraph 1). “Industrial applicability” means that such invention can be applied in the business of companies in the industrial sector in a broad sense, including not only the manufacturing industry but also mining, agriculture, fisheries, transportation, financial business, telecommunications, and other industries.

First, it is sufficient for an invention to be deemed to have industrial applicability if there is simply a possibility that said invention can be applicable to the industry in the near future, and it is not required to be actually utilized in the industry at the moment. Thus, an invention that has not yet been commercialized may be recognized to have industrial applicability.

Next, industrial applicability does not signify that economic benefits can be obtained. For example, the industrial applicability of an invention may be recognized even if such invention concerns a generator utilizing next-generation energy that has an enormous cost for its development, manufacturing, maintenance, etc.

Industrial applicability may be acknowledged even if there are faults in the invention. For example, even for an anticancer drug that has the side effect of hair loss, the industrial applicability may be recognized. On the other hand, if the invention does not have any technical value, the industrial applicability cannot in general be acknowledged. For example, if you simply mount a rocket engine on a passenger automobile to make it run faster, the industrial applicability will not be recognized because you simply combined conventional technologies.

According to the practice at the Japan Patent Office, the patent rights of the following three types of inventions are considered to be unobtainable due to lack of industrial applicability.

The first type is inventions that are related to methods for surgery, treatment, or diagnosis of human beings. More specifically, the patent rights of the following methods cannot be obtained: methods for surgery of human beings such as surgical operation, blood sampling, and anesthesia; methods for treatment of human beings such as medication, how to wear prosthetic limbs, cold prevention, disinfection when making an injection; and methods for diagnosis of human beings such as measuring the degree of damage to skin due to burns. On the contrary, the patent rights of

medical devices, pharmaceuticals, operating methods of medical devices, and surgery methods for animals other than human beings may be obtained.

The second type is inventions that cannot be utilized as a business. For example, patent rights of inventions used only for personal purposes, such as a process of quickly brushing one's own frizzy hair, and inventions used only for academic or experimental purposes cannot be obtained.

The third type is inventions that obviously cannot be worked in practice. For example, patent rights of a process of preventing damage caused due to typhoons by covering the Japanese archipelago with a dome cannot be obtained.

2. Novelty

As the second requirement for obtaining patent rights, an invention should have “**novelty**” (Article 29, each item of Paragraph 1). “Novelty” means that an invention must objectively be something new based on the date and time on which the applicant has filed the patent application with the Japan Patent Office.

Whether or not an invention has novelty is determined based on the “**filing time**” of its patent application, taking into account not only the date but also the time when the application documents are submitted to the Japan Patent Office. To cite an example, Mr. X and Mr. Y have respectively completed the same invention, α. In this case, if Mr. X files invention α at 15:00 and Mr. Y makes a presentation of invention α at an academic society at 9:00 on the same day, Mr. X cannot obtain patent rights because invention α has already lost its novelty by 15:00 on that day.

Whether or not an invention has novelty is also determined based on the facts which occur “**in Japan and abroad.**” This concept is called the “**principle of publicly known anywhere in the world.**” For example, if invention α has already appeared in magazine A published in Japan, invention α does not have novelty as a matter of course; and/or if invention α has already appeared in magazine B published in the U.S., invention α does not have novelty either.

The Patent Act stipulates that patent right of the following four types of inventions cannot be obtained due to lack of novelty. In other words, inventions that do not correspond to the following four types possess novelty.

The first type is inventions that are publicly known (**publicly known inventions**) (Article 29, Paragraph 1, Item 1). “Publicly” here means that such inventions are known to unspecified persons as inventions that are not secret. For example, if invention α of Mr. X becomes known to Mr. Y who is not bound by confidentiality obligations to Mr. X, invention α loses its novelty.

The second type is “inventions that are publicly worked (**publicly used inventions**) (Article 29, Paragraph 1, Item 2). For example, if invention α of Mr. X has already been

made commercially available by Mr. Y who is not bound by confidentiality obligations to Mr. X, invention α has lost its novelty.

The third type is inventions that have appeared in distributed publications (**inventions publicly known in publications**) (Article 29, Paragraph 1, Item 3). “Publications” mean various types of transmitted media, such as newspapers, magazines, books, microfilm, and patent gazettes, and “distributed” means that such publications are placed in a state in which unspecified persons can read them. For example, if magazine A in which invention α of Mr. X appears has been placed in a library in a state in which anyone can read it, invention α loses its novelty even though no one has actually read magazine A yet.

The fourth type is inventions that have been made available to the public through telecommunications (**inventions publicly known through the Internet**) (Article 29, Paragraph 1, Item 3). “Telecommunications” means a connection through which interactive communication is possible, such as the internet, and “available to the public” means that an invention is placed in a state in which the public can access its disclosed information. For example, if invention α of Mr. X is posted on a website, invention α loses its novelty even though no one has actually accessed said website yet.

3. Inventive Step

As the third requirement for obtaining patent rights, an invention should have an “**inventive step**” (Article 29, Paragraph 2). “Inventive step” means difficulty due to which even an engineer in the field to which the invention pertains cannot easily complete such invention, considering the technology level at the time of filing the patent application.

As with novelty mentioned above, whether or not the invention claimed in a patent application has an inventive step is determined based on the filing time of its patent application as well as the facts which occurred previously in Japan and abroad.

Whether or not an invention has an inventive step is determined with reference to a person having ordinary skill in the technical field to which the invention pertains (**those in the art**); i.e. it is determined based on whether or not those in the art could easily have arrived at the invention claimed in the patent application based on the above-mentioned inventions without novelty and by performing at their usual creative ability.

For example, if an engineer of clothing can easily conceive of reversible garment α based on garment β that has been supplied conventionally, reversible garment α does not have an inventive step. On the contrary, if even an engineer of clothing cannot easily conceive of reversible garment α based on conventional garment β, reversible garment α is deemed to have an inventive step.

4. Exception to Loss of Novelty

“**Exception to loss of novelty**” means a system in which an invention is considered not to have lost the above-mentioned novelty under certain conditions, even if the said invention has lost its novelty (Article 30). As will be described later, the Utility Model Act and the Design Act have the similar system of exception to loss of novelty as well.

As for the first condition, an invention that has lost its novelty against the will of the person having the right to obtain a patent is deemed not to have lost its novelty (Article 30, Paragraph 1). For example: a case in which an invention has been stolen and disclosed by an industrial spy.

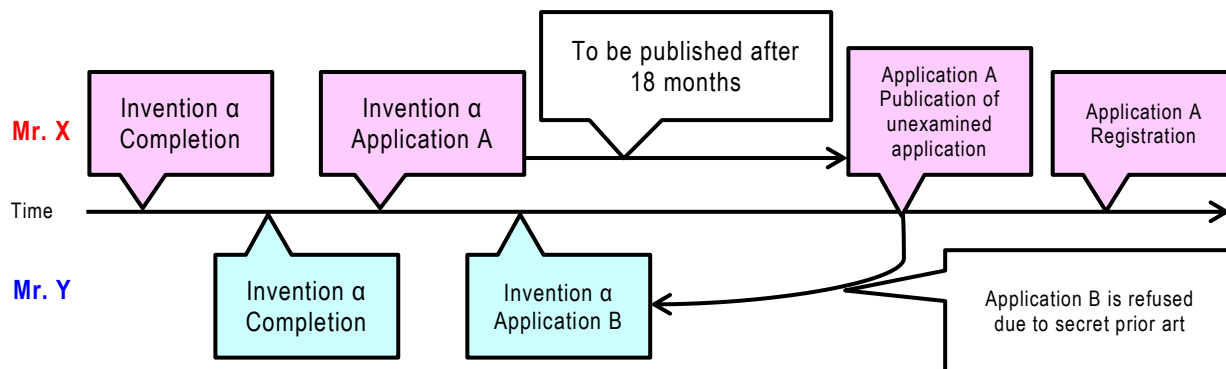
Next, an invention that has lost its novelty by an act of the person having the right to obtain a patent him/herself is deemed not to have lost its novelty either (Article 30, Paragraph 2). For example: a case in which the inventor him/herself has made a presentation of his/her own invention at an academic society or in publications.

A person who wants to utilize this system must file a patent application to the Japan Patent Office within six months from the date on which novelty was lost. In the case of an invention that has lost its novelty by an act of the person having the right to obtain a patent him/herself, specific procedures such as submission of a certificate to the Japan Patent Office are required (Article 30, Paragraph 3).

5. Secret Prior Art

As the fourth requirement for obtaining patent rights, an invention must not be “**secret prior art**” (Article 29-2). “Secret prior art” means that a patent on an invention described in the application documents of a prior application whose unexamined application is published after the filing of a late application cannot be obtained.

To cite an example as shown in Figure 7, if Mr. X completes the invention of reversible garment α and files patent application A, unexamined application A will be published in Japan after one year and six months from the filing date of application A. In this case, if Mr. Y also completes the same invention of reversible garment α and files patent application B after application A and prior to the publication of unexamined application A, application B does not meet this requirement for secret prior art and patent rights cannot be obtained.



(Figure 7) Application example of secret prior art

6. Prior Application

As the fifth requirement for obtaining patent rights, patent rights of the earliest application may be obtained if there are two or more applications for patent or utility model with regard to the same technology (Article 39). This concept is called the **“first-to-file system.”**

Contrary to the above-mentioned novelty and inventive step, whether or not an application is the earliest is determined based on the filing date. Therefore, even if Mr. X files application A for invention α at 9:00 and Mr. Y files application B for the same invention α at 15:00 on the same day, application A is not considered earlier than application B.

When two or more patent applications or utility model registration applications for the same technology are filed on different days, the earliest applicant can obtain patent rights (Article 39, Paragraphs 1 and 3). For example, if Mr. X files application A for invention α and then Mr. Y files application B for the same invention α on the following day, Mr. X can obtain patent rights.

Furthermore, when two or more patent applications or utility model registration applications for the same technology are filed on the same day, the applicant designated by consultation between the parties can obtain a patent (Article 39, Paragraphs 2 and 4). For example, if Mr. X files application A for invention α and Mr. Y files application B for the same invention α on the same day, Mr. X and Mr. Y should determine after consultation which of them obtains patent rights.

If no agreement is reached by consultation or consultation cannot be held between the parties, neither applicant can obtain patent rights of the invention concerned (Article 39, Paragraphs 1 and 3). In this case, no third parties can obtain patent rights of the invention concerned either (Article 39, Paragraphs 1 and 5). Taking the above example, if no agreement has been reached between Mr. X and Mr. Y after consultation, neither of them can obtain patent rights of invention α. Additionally, even if Mr. Z makes application C for invention α later, Mr. Z cannot obtain patent rights either.

7. Grounds for Unpatentability

As the sixth requirement for obtaining patent rights, an invention must not have “**grounds for unpatentability**” (Article 32). Specifically, any invention that may harm public order, morality, or public health shall not be patented according to the Patent Act. “**Public order**” means social order; “**morality**” means social morality; and “**public health**” means health of citizens.

According to the practice at the Japan Patent Office, if an invention may obviously harm the above public order etc., such invention is dealt with as one having the grounds for unpatentability. For example, patent rights of a human being created by manipulating genes (cloned human) are considered to be unobtainable.

III. Subject of Patent Rights

To obtain a patent in Japan, a patent applicant must have the right to obtain a patent on his/her invention. "Right to obtain a patent" means a right that the inventor of an invention can receive automatically upon completion of such invention.

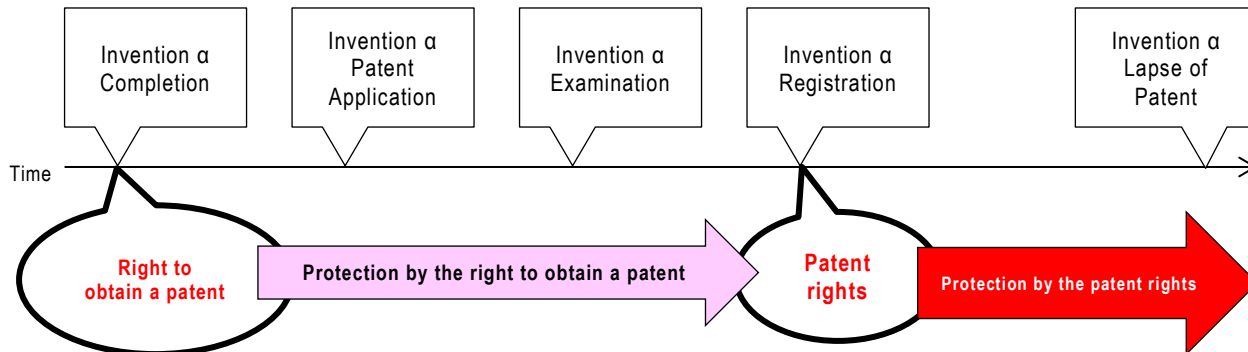
1. Inventor

An "**inventor**" is a natural person who has actually made an invention (a real human being) and who has actually participated in the acts of creating an invention.

Therefore, none of the following may be deemed an inventor: any types of groups (corporations) such as companies, research institutes, and government agencies; a person who has only helped conduct experiments to complete the invention (assistant); a person who has only given simple advice on the invention (advisor); a person who has only funded the invention (funder); a superior who has only ordered a subordinate to make the invention (instructor), etc.

2. Right to Obtain a Patent

The "**right to obtain a patent**" means a right to provisionally protect an invention before obtaining a patent on such invention after its completion as shown in Figure 8.



(Figure 8) Significance of the right to obtain a patent

The inventor acquires the right to obtain a patent upon completion of an invention without undergoing any procedures (body of Article 29, Paragraph 1). For example, if Mr. X completes invention α, he acquires the right to obtain a patent on invention α, and thus, he is entitled to obtain patent rights of invention α.

The right to obtain a patent can be transferred (Article 33, Paragraph 1). Therefore, the right to obtain a patent can be dealt with as a subject of sale, inheritance, etc. Taking the above example, if Company Y takes over the right to obtain a patent on invention α from Mr. X, it is entitled to obtain the patent. On the contrary, a pledge cannot be established on the right to obtain a patent (Article 33, Paragraph 2). This is because the right to obtain a patent is an unstable right, as not all inventions can necessarily obtain patent rights.

If a person who does not have the right to obtain a patent files a patent application, such application is considered as a “**usurped application**” and he/she cannot obtain patent rights. Taking the above example, Company Y cannot obtain patent rights to invention α unless it takes over the right to obtain a patent on invention α from Mr. X.

Finally, the right to obtain a patent mainly lapses in the following three cases: when a patent is obtained, when a patent cannot be ultimately obtained, and when this right is abandoned.

3. Employee Invention

Actually, the majority of inventions are completed by inventors who belong to an organization, such as companies and research institutes. The problem is that employers such as companies claim that all inventions should belong to the company as a result of labor; however, if such claim is acknowledged in excess, employees will become less motivated to create inventions. On the other hand, employees claim that all inventions should belong to themselves because such inventions have been created through their creative activities; however, if such claim is acknowledged in excess, employers will become less motivated to invest. An “**employee invention**” system is thus provided in the Patent Act to reconcile the interests of both parties.

(1) Requirements of Employee Invention

To acknowledge an invention as an employee invention, all three of the following requirements need to be fulfilled. First, the invention must be made by an “**employee**.” For example, Mr. Y, an employee of Company X, has completed invention α. Second, the invention must be within the “**scope of business**” of the employer. For example, invention α is an invention relating to clothes and Company X is a clothing manufacturer. And third, the invention must be part of current or past “**duties**” of the employee. For example, Mr. Y is a researcher belonging to Development Department of Company X.

(2) Principle-based Treatment of Employee Invention

In principle, as an employee originally acquires the right to obtain a patent on an employee invention, said employee can obtain a patent on said employee invention (body of Article 29, Paragraph 1). Taking the above example, Mr. Y is entitled to obtain a patent on invention α.

Meanwhile, if an employee obtains patent rights, the employer can use such employee invention without obtaining a license from said employee because the employer holds a non-exclusive license mentioned below for employee inventions (Article 35, Paragraph 1). Taking the above example, even if Mr. Y obtains patent rights to invention α, Company X can manufacture and sell clothes relating to invention α.

(3) Exceptional Treatment of Employee Invention

As an exception, the employer may conclude an agreement with an employee to succeed in advancing the right to obtain a patent on employee inventions from said employee (**reserved succession**) and other similar agreements (Article 35, Paragraph 2). If an agreement on reserved succession is concluded, the right to obtain a patent is deemed to belong to the employer from the time when such right comes into effect (Article 35, Paragraph 3). Taking the above example, in the event that Mr. Y and Company X conclude an agreement stipulating that if Mr. Y makes an employee invention, the right to obtain a patent on such invention shall be succeeded to Company X, the right to obtain a patent belongs to Company X upon completion of invention α by Mr. Y. In this case, Company X is entitled to obtain patent rights to invention α.

On the other hand, if an employee gives the right to obtain a patent to the employer, he/she has the right to receive a reasonable payment of money and other economic benefits (**reasonable remuneration**) (Article 35, Paragraph 4). Taking the above example, Mr. Y can receive a reward payment, an opportunity to study abroad, or the right to purchase shares in Company X on favorable conditions (stock options) from Company X.

Basically, the employer provides the employee with reasonable remuneration pursuant to the provisions in the agreement, etc. Still, the provision of reasonable remuneration in accordance with the agreement, etc. must not be irrational, taking into consideration the circumstances of consultation between the employer and the employee (Article 35, Paragraph 5).

If there are no provisions of reasonable remuneration as described above or if the provision of reasonable remuneration in accordance with the agreement etc. is irrational, e.g. the conditions of agreement are significantly disadvantageous to the employee, the contents of reasonable remuneration must ultimately be determined in court, considering the amount of profit to be gained by the employer thanks to the employee invention concerned (Article 35, Paragraph 7).

IV. Procedures for Obtaining a Patent

To obtain patent rights and other industrial property rights in Japan, it is necessary to conduct specific procedures at the “**Japan Patent Office**” (hereinafter referred to as the “JPO”). This concept is called the “**principle of formalities**.” In principle, these procedures for obtaining industrial property rights should be made in writing. This concept is called the “**principle of documentary proceedings**.”

1. Application Documents

To file a patent application in Japan, the applicant must submit an application consisting of the following five documents, i.e. (i) application request, (ii) description, (iii) scope of claims, (iv) necessary drawings, and (v) abstract, to the JPO (Article 36).

The “**application request**” must mainly describe the following two matters: the name and address of the “**applicant**” and the name and address of the “**inventor**” (Article 36, Paragraph 1).

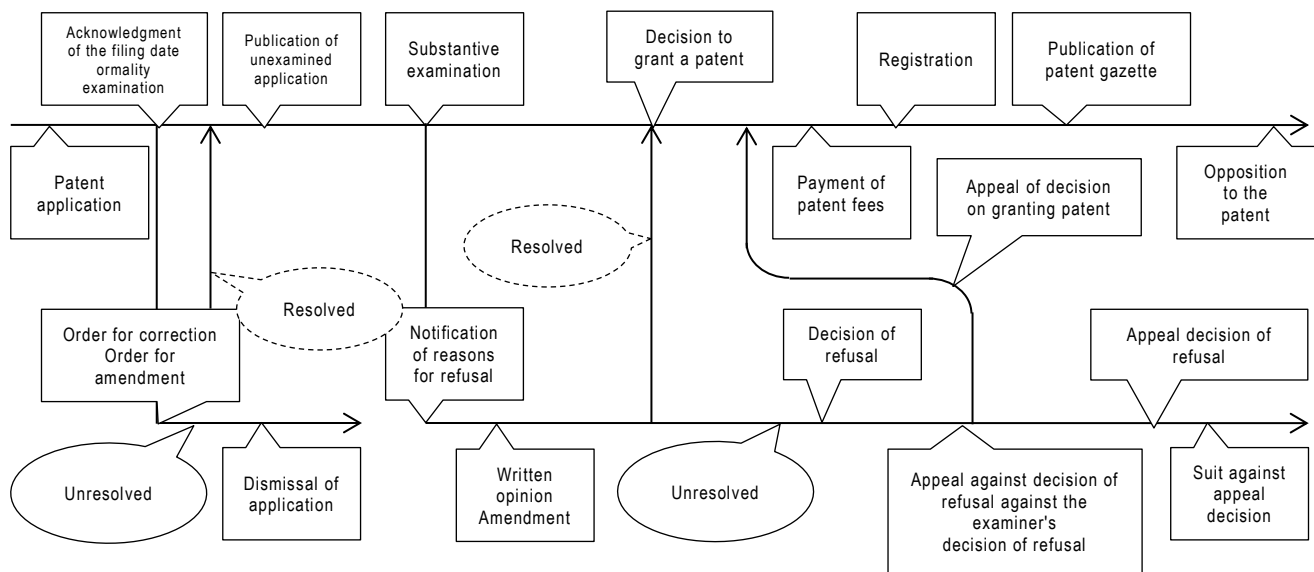
The “**description**” has the role of a technical document disclosing the contents of the invention to the public. The description must mainly describe the following three matters (Article 36, Paragraph 3). First, the “**title of invention**”: e.g. “REVERSIBLE GARMENT” for an invention relating to a reversible garment. Next, the “**brief description of drawings**”: e.g. “Figure 1 is a front view” if Figure 1 shows the front of the invented reversible garment. Finally, the “**detailed description of the invention**”: it is generally described in the sequence as follows; “Conventionally, the wearer needs to prepare both a kimono and a dress to wear a kimono and a dress respectively (**problem**). However, the reversible garment pertaining to this invention has a kimono pattern on the front and a dress pattern on the reverse (**means for solving the problem**). Thus, by using the reversible garment pertaining to this invention, the wearer no longer needs to prepare both clothes (**effect**).”

The “**scope of claims**” has the role of a document of title defining the scope of the effect of patent rights once the patent is granted. The scope of claims must describe all matters necessary to identify the invention to be granted a patent (Article 36, Paragraph 5). In the case of this example: e.g. “a reversible garment having a kimono pattern on the surface and a dress pattern on the reverse.”

“**Drawings**” need to be submitted only if necessary upon filing a patent application. For a patent application, drawings are not necessarily required; while for a utility model registration application, drawings are always required.

An “**abstract**” is a document of a summary of the invention claimed in the patent application. The summary of the invention should be described in no more than 400 characters, and the number of drawings that represent most the features of the invention should be mentioned (Article 36, Paragraph 7).

2. Flow of the Procedures for Obtaining a Patent



(Figure 9) Flow of procedures for obtaining patent rights

Now, let's look at the flow of the procedures for obtaining a patent in Japan based on Figure 9.

First, the applicant files a “**patent application**” by submitting the application documents and paying the application fee (14,000 yen, as stipulated in Article 36). Then, the Commissioner of the JPO makes an “**acknowledgment of the filing date**” after checking whether or not the application meets the minimum requirements as a patent application (Article 38-2). The Commissioner of the JPO also conducts the “**formality examination**” to examine the formality requirements such as the formal consistency of the application documents (Article 17). If the contents of the application do not comply with these requirements, an order for correction or an order for amendment to procedures is given by the Commissioner of the JPO. If the applicant does not deal with such order appropriately by correcting or amending the application, the patent application concerned is rejected by the Commissioner of the JPO.

After one year and six months have passed from the date of patent application, the contents of the patent application are disclosed by the Commissioner of the JPO regardless of the progress of the examination at the JPO. This system is called the “**publication of unexamined application**” (Article 64). The applicant may make a claim for compensation from a third party that uses the invention claimed in the patent application published under this system. This right is called the “**right to demand compensation**” (Article 65).

Anyone may request the Commissioner of the JPO to proceed to the substantive examination by paying the examination fee (118,000 yen + 4,000 yen per claim) within

three years from the filing date of the patent application in principle. This procedure is called the “**request for examination.**” If no request for examination is made within the given period of time, the patent application is deemed withdrawn (Article 48-3).

A JPO examiner examines the invention claimed in the patent application as to the requirements for patentability such as novelty (substantive requirements). This examination is called a “**substantive examination.**” If the examiner finds no reasons for refusal, such as a reason that there is no novelty in the invention, a “**decision to grant a patent**” is given to the applicant (Article 51). If the examiner finds any reasons for refusal, a “**notification of reasons for refusal**” is made to the applicant (Article 50).

If a decision to grant a patent is made, the applicant needs to pay the patent fees for three years (6,300 yen + 600 yen per claim) within 30 days from such decision (Article 107). The patent rights become effective when the JPO registers the establishment of such rights. The JPO then publishes the results in the patent gazette and discloses the contents of the patent rights (Article 66). Anyone may file an opposition to the Commissioner of the JPO to cancel a patent within six months from the issuance of the patent gazette. This system is called “**filing an opposition to a patent**” (Article 113).

When the examiner makes a notification of reasons for refusal, the applicant has a chance to seek to address the notified reasons for refusal by submitting a written opinion to state his/her own points of view or an amendment to modify the application documents. If the reasons for refusal are still not resolved after such attempt, the examiner makes the “**decision of refusal**” (Article 49).

If the applicant is dissatisfied with the decision of refusal, he/she may file an “**appeal against the examiner's decision of refusal**” within three months from the decision of refusal in order to request a re-examination by the appeal examiners of the JPO (Article 121). If the appeal examiners judge that the patent rights should be granted, an appeal decision to grant a patent is made, and then the above-illustrated flow after the decision to grant a patent applies. If the appeal examiners also judge that the patent rights should not be granted, an appeal decision of refusal is made.

Furthermore, if the applicant is dissatisfied with the appeal decision of refusal, he/she may file a “**suit against appeal decision**” to the Tokyo High Court within 30 days from the appeal decision of refusal (Article 178). If the appeal decision of refusal is revoked in that suit, the appeal at the JPO restarts (Article 181). If the appeal decision of refusal is maintained in that suit, the applicant must give up obtaining the patent rights.

V. Effect of Patent Rights

Regarding the effect of the patent rights arising from the above procedures, Article 68 of the Patent Act stipulates that the patentee shall have the exclusive right to “**work**” the patented invention “**as a business**.”

1. Contents of the Effect of Patent Rights

(1) Two Types of Effect

“**Patent rights**” have the following two types of effect. First, as an “**active effect**,” a patentee has the exclusive right to work the invention whose patent rights are owned by the patentee him/herself (**patented invention**) as a business. Therefore, if Company X obtains patent right P to the invention relating to reversible garment α, Company X can produce it exclusively. Also, as a “**passive effect**,” a patentee has the right to exclude any third parties that work the patented invention as a business without his/her permission. Therefore, if Company Y produces reversible garment α without permission, Company X is entitled to prevent Company Y from continuing to produce it.

(2) What does “as a business” mean?

The meaning of the above-mentioned term “as a business” in Article 68 of the Patent Act is considered “**to widely work as a business**.” Thus, even if you work personally or at home an invention whose patent rights are owned by others, this does not infringe on the patent rights. Taking the above example, if you wear reversible garment α in your private life, this does not infringe on patent right P.

Meanwhile, the profitability does not matter. So, if you distribute some reversible garments α even for free, this infringes on patent right P. The repetitive continuity does not matter either. So, even if you produce reversible garment α only once, this infringes on patent right P.

(3) What does “working” mean?

The acts of “working” an invention are defined in the Patent Act according to the three types of inventions respectively (Article 2, Paragraph 3), and thus the acts to which the patent rights apply depend on the types of inventions.

Let’s start with the “**invention of a product**.” Working an invention of this type means the producing, using, assigning etc., exporting, importing, or offering for assignment, etc. of such products (Article 2, Paragraph 3, Item 1). First, “**producing**” here means making products. Taking the above example of the patent right P, Company X can exclusively produce reversible garment α. Second, “**using**” means using the products by achieving the purpose of the invention or by realizing the advantageous effects of the invention. For example, wearing reversible garment α is considered “using” the invention, while using reversible garment α as an interior

accessory is not considered “using” the invention. Third, “**assigning etc.**” means assigning and leasing the products. Company X can thus exclusively sell and lease reversible garment α . Fourth, “**exporting**” means transporting the products abroad from Japan. Company X can thus exclusively export reversible garment α from Japan to overseas countries. Fifth, “**importing**” means receiving goods arriving in Japan from abroad or goods with permission for export. Company X can thus exclusively import reversible garment α from overseas into Japan. Lastly, “**offering for assignment, etc.**” means promoting and advertising the assignment or lease of the products. Company X can thus exclusively distribute reversible garment α brochures.

Next, let’s look at the “**invention of a non-production process.**” Working an invention of this type means the acts of “**using**” the invented process (Article 2, Paragraph 3, Item 2). For example, Company X owns patent right Q to the invention of process β for inspecting sewing of reversible garment α . In this case, Company X exclusively can inspect the sewing of reversible garment α using inspection process β .

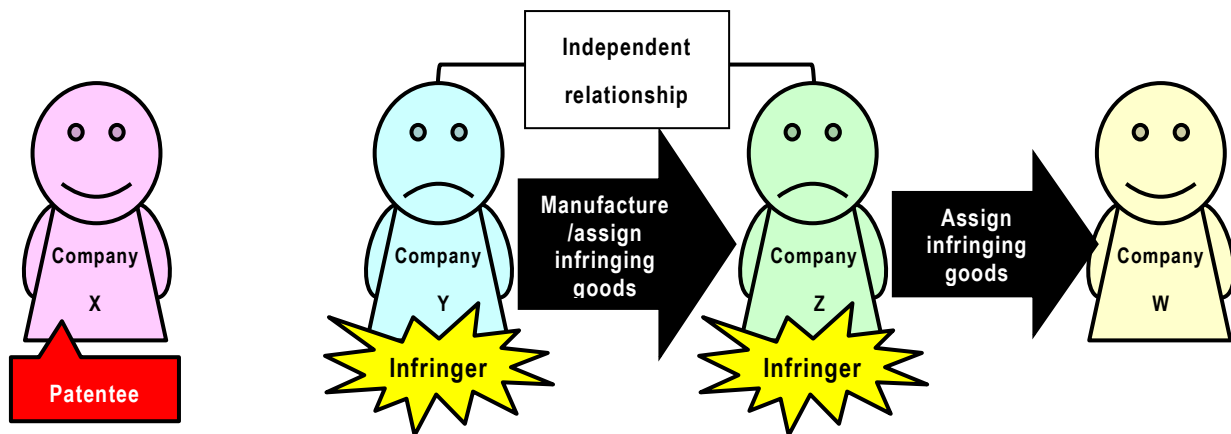
Finally, let’s see the “**invention of production process.**” Working an invention of this type means, besides the acts of using the invented process, the acts of also using etc. the products produced by the invented process (Article 2, Paragraph 3, Item 3). For example, Company X owns patent right R to the invention of process γ for producing reversible garment α . In this case, Company X can exclusively produce reversible garment α using manufacturing process γ . In other words, the effect of the patent rights to the manufacturing process does not apply to the products that are produced by a process other than the patented process. For example, the above patent right R does not apply to reversible garment α that is produced by a different manufacturing process δ , even if the produced products are the same.

2. Issues Regarding the Effect of Patent Rights

(1) Principle of Independent Working Acts

Acts of working an invention that has been granted a patent (patented invention) are considered to be based on an independent relationship with each other as shown in Figure 10. This concept is called a “**principle of independent working acts.**”

For example, Company X owns patent right P to an invention relating to reversible garment α ; if Company Y manufactures reversible garment α without permission of Company X, Company Y infringes on patent right P. As manufacturing and assignment are independent acts of working this invention, if Company Z purchases reversible garment α manufactured by Company Y without permission of Company X and assigns it to a third party, Company W, Company Z infringes patent right P.

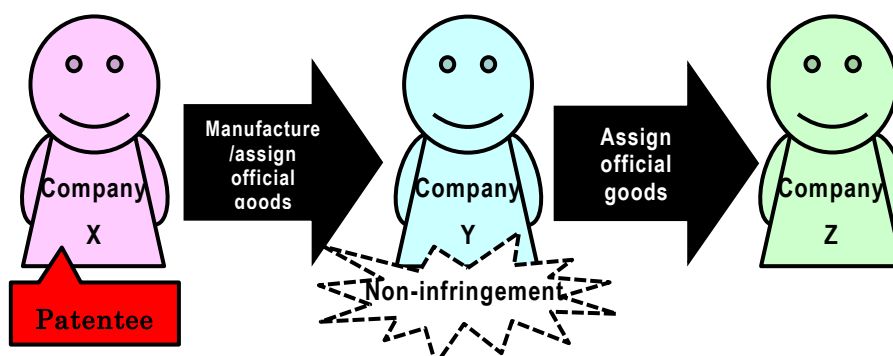


(Figure 10) Image of the principle of independent working acts

(2) Exhaustion

Yet, as shown in Figure 11, if a patentee assigns a patented product in Japan, patent rights pertaining to the said patented product are exhausted (**exhaustion**) and thus the effect of patent rights in Japan are deemed not to become inapplicable to the act of assignment and use of the said patented product afterwards [Supreme Court ruling on July 1, 1997 - BBS case -].

Taking the above example, if Company Y purchases reversible garment α manufactured by Company X and then assigns it to Company Z, Company Y does not infringe on patent right P.

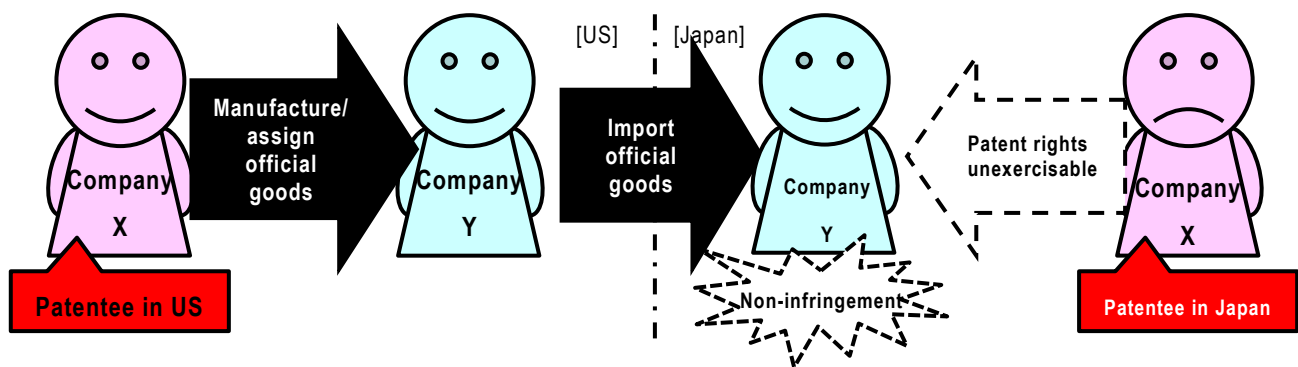


(Figure 11) Image of the exhaustion of patent rights

(3) Parallel Import

In addition, as shown in Figure 12, if a patentee in Japan assigns a patented product outside Japan, said patentee cannot exercise his/her patent rights in Japan in principle in the case that the assignee of said patented product outside Japan imports it into Japan (**parallel import**) [Supreme Court ruling on July 1, 1997 - BBS case -].

For example, Company X owns the patent rights to reversible garment α both in Japan and the U.S. If Company Y purchases, in the U.S., reversible garment α manufactured by Company X in the U.S. and then imports it into Japan, Company Y does not infringe on the Japanese patent rights owned by Company X.



(Figure 12) Image of parallel import of genuine products

(4) All Elements Rule

Finally, working a patented invention under the effect of patent rights means working all of the elements constituting the patented invention. This concept is called the “all elements rule.”

For example, reversible garment *a* whose patent right *P* is owned by Company *X* consists of two elements: elements *a* and *b*. In this case, if you produce a reversible garment equipped with the elements both *a* and *b*, you will infringe on patent right *P*; however, if you produce a reversible garment equipped with the either element *a* or *b*, you will not infringe on patent right *P*.

VI. Limitation of the Effect of Patent Rights

As described previously, the effect of patent rights is so strong that applying the effect of patent rights could sometimes impede the purpose of the Patent Act, which is industrial development. For this reason the Japan's Patent Act limits the effect of patent rights principally in the following five cases.

(1) Experiments and Research

First, the effect of patent rights is limited when working the patented invention for the purpose of “**experiments or research**” (Article 69, Paragraph 1). For example, an invention relating to reversible garment α has obtained patent rights; if you conduct an experiment or research as to whether or not a wearer can actually wear it inside out, you do not infringe on the patent rights. However, test marketing etc. is considered to be under the effect of patent rights even if it is for the purpose of experiments or research. For example, conducting test marketing to investigate the sales trends of reversible garment α infringes the patent rights.

(2) Transportation Facilities

Second, the effect of patent rights is limited for “**transportation facilities**” that are only passing through Japan (Article 69, Paragraph 2, Item 1). For example, patent rights have been established in Japan for an invention relating to marine engine β . In this case, even if a ship equipped with engine β passes through Japan's territorial waters while using engine β , this does not infringe on the patent rights to engine β .

(3) Act of Preparation of a Medicine or the Medicine Prepared

Third, the effect of patent rights is limited for the “**act of preparation of a medicine or the medicine prepared**” as is written in a prescription from a physician etc. (Article 69, Paragraph 3). For example, patent rights have been established for an invention relating to pharmaceutical process D to prepare drug C by mixing drug A and drug B. In this case, if a pharmacist prepares drug C using pharmaceutical process D based on a physician's prescription, this does not infringe on the patent rights to pharmaceutical process D.

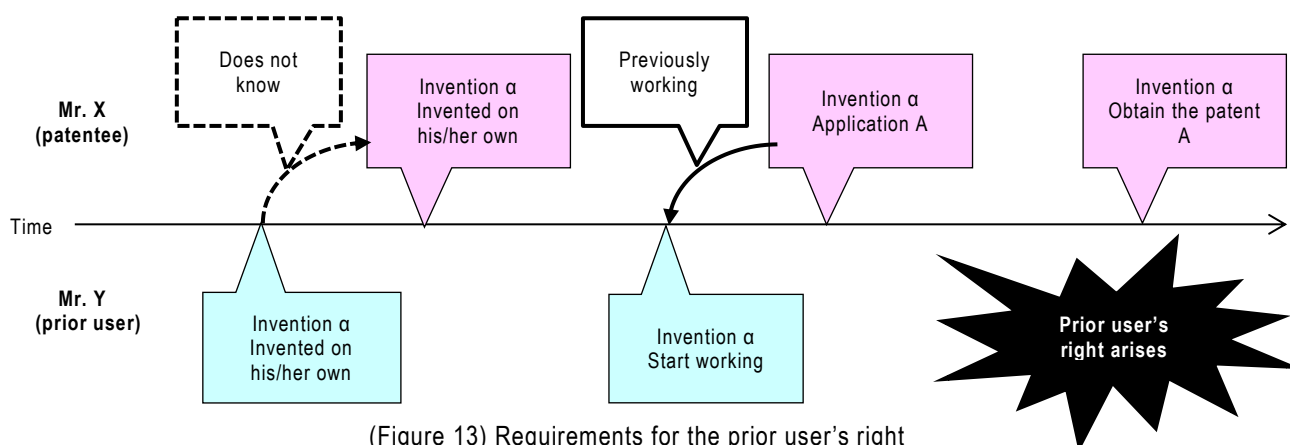
(4) Prior User's Right

Fourth, as shown in Figure 13, Japan's Patent Act stipulates that a person who has used the patented invention prior to the patentee has the right to continuously work his/her own invention even if the patentee obtains a patent on such invention. This right is called the “**prior user's right**” (Article 79).

The prior user's rights arise when the following two requirements are met. First, a person is entitled to have the prior user's right if he/she completes the invention concerned by him/herself without knowing the contents of said invention claimed in the patent application. For example, Mr. Y has completed invention α without knowing that invention α has been claimed in application A of Mr. X who is a patentee. In this

case, Mr. Y is recognized as a prior user. Second, it is required that the person has been working the invention or preparing for the working of the invention in Japan at the time of the filing of the patent application. For example, when Mr. X filed application A, Mr. Y has been working or preparing the working of his own invention α.

The prior user having the prior user's right holds a non-exclusive license for the other's patent rights, and thus has the right to continuously work his/her own invention. In addition, the prior user does not need to pay money etc. to the patentee. Taking the above example, Mr. Y can continue to work invention α completed by himself without paying money etc.



(Figure 13) Requirements for the prior user's right

(5) Compulsory Non-Exclusive License

Fifth, the following three schemes of the “**compulsory non-exclusive license**” are provided for in Japan's Patent Act, which compulsorily grants a license to work a patented invention by an arbitration decision of the Commissioner of the JPO or the Minister of Economy, Trade and Industry.

The first scheme is “**granting a compulsory non-exclusive license when the invention is not worked**” (Article 83). For example, Company X owns the patent rights to reversible garment α; however, Company X has not manufactured or sold reversible garment α for three years or longer in Japan, and four years have passed from the patent application. In this case, if Company Y wants to manufacture and sell reversible garment α and consultation with Company X regarding a license has not been successful, Company Y may request that the Commissioner of the JPO make an arbitration decision.

The second scheme is “**granting a compulsory non-exclusive license to work the patentee's own patented invention**” (Article 92). For example, Company X owns patent right A to automobile engine α, and Company Y owns patent right B to the invention relating to automobile β using engine α as a component. In this case, Company Y cannot work automobile β without obtaining a license for engine α from Company X even if Company Y owns patent right B (Article 72). If Company Y has held

consultation with Company X to obtain a license for engine α from Company X to work automobile β and its result has not been successful, Company Y may request the Commissioner of the JPO to make an arbitration decision.

The third scheme is “**granting a compulsory non-exclusive license for public interest**” (Article 93). For example, Company X owns the patent rights to an invention relating to effective drug β for virulent infection α , and it becomes necessary to provide effective drug β in large quantities because infection α has spread throughout Japan. In this case, if Company Y wants to obtain a license for effective drug β from Company X and consultation with Company X has not been successful, Company Y may request that the Minister of Economy, Trade and Industry make an arbitration decision.

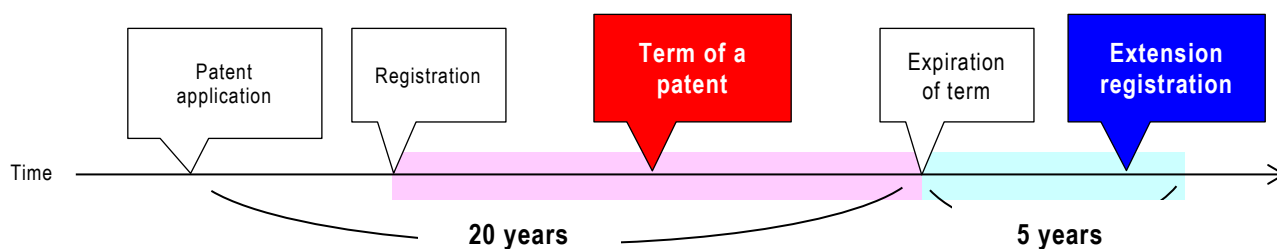
VII. Lapse of Patent Rights

In Japan, when patent rights lapse, it is usually due to one of the four major circumstances below. After patent rights lapse, anyone becomes able to work the invention concerned.

(1) Expiration of Term of Patent Right

First, as shown in Figure 14, the “**term**” of a patent terminates after 20 years from the filing date of the patent application (Article 67, Paragraph 1). The length of this term is pursuant to the provisions of Article 33 of the TRIPS Agreement.

However, for a patented invention relating to agricultural chemicals and pharmaceuticals, the term of patent rights can be extended up to an additional five years (Article 67, Paragraph 4). This scheme is called the “**registration of an extension of the term.**” This is because the inventions relating to agricultural chemicals and pharmaceuticals cannot be manufactured or sold until the approval of the Ministry of Health, Labor and Welfare is obtained even if such inventions have been granted patent rights, and as a result, the term of protection shortens.



(Figure 14) The term of patent rights

(2) Failure to Pay Patent Fees

Second, a patentee needs to pay the “**patent fees**” to the JPO every year to maintain his/her patent rights (Article 107). Thus, if a patentee considers that his/her patent rights are unnecessary, he/she can allow such patent rights to expire by not paying the patent fees to the JPO.

(3) Abandonment of Patent Right

Third, if a patentee considers that his/her patent rights are unnecessary, he/she can alternatively freely “**waive**” his/her own patent rights in principle. To waive patent rights, a registration with the JPO is required (Article 98, Paragraph 1, Item 1). If there are any interested parties such as the exclusive licensee, the patentee must obtain their consent to waive his/her own patent rights (Article 97, Paragraph 1).

(4) Trial for Patent Invalidation

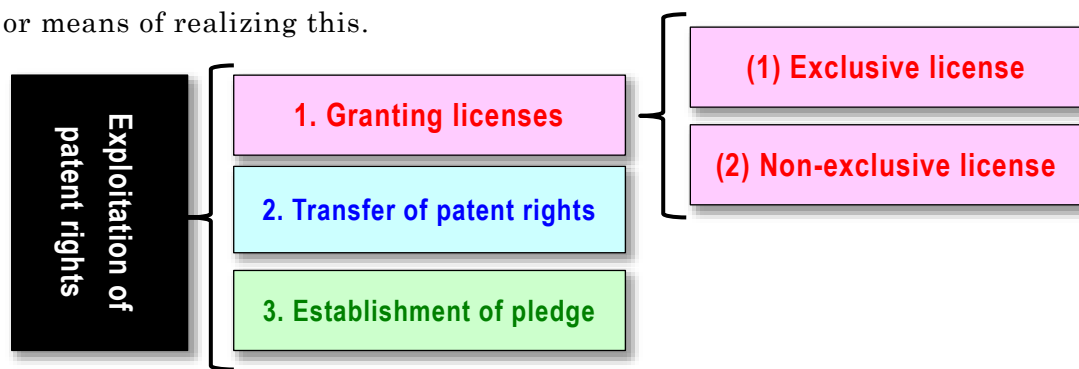
And fourth, the Patent Act provides for a scheme of the “**trial for patent invalidation**” (Article 123). If interested parties consider that a patent has any grounds for invalidation, they can file a request for a trial for patent invalidation to the JPO to

invalidate such patent. For example, Company Y has received a warning against infringement of patent right P from the patentee, Company X. In this case, if Company Y considers that patent right P has no novelty, Company Y may file a request for a trial for patent invalidation with the JPO to invalidate patent right P.

In the event that the trial for patent invalidation decides to invalidate the patent rights, such patent rights are deemed never to have existed, in contrast with other circumstances in which patent rights lapse (Article 125). Taking the above example, if a trial decision on patent right P becomes final and binding, patent right P does not lapse when it becomes invalid but it is dealt with as if it has never existed.

VIII. Economic Exploitation of Patent Rights

A patentee can take further economic advantage of his/her patented invention not only by working his/her own patented invention but also by making others work such invention. As shown in Figure 15, Japan's Patent Act stipulates the following four major means of realizing this.



(Figure 15) Means of economic exploitation of patent rights

1. Exclusive License (Article 77)

An “**exclusive license**” means a scheme in which an exclusive licensee has a right to exclusively work the patented invention within the scope stipulated in an agreement etc. concluded between the patentee and the exclusive licensee (Article 77, Paragraph 2). To make an exclusive license effective, registration with the JPO is required (Article 98, Paragraph 1, Item 2). For example, Company X is a patentee of patent right P to patented invention α. If Company X concludes an agreement with Company Y to establish an exclusive license for patent right P and then registers such license with the JPO, Company Y becomes able to exclusively work patented invention α.

Thus, a patentee cannot establish multiple exclusive licenses within the overlapped scope. Taking the above example, if Company X establishes the exclusive license for Company Y within the whole scope of patent right P, Company X cannot grant another exclusive license for patent right P to Company Z.

An exclusive licensee may claim the infringement of his/her own exclusive license if any third parties work the patented invention without permission within the scope in which he/she owns the exclusive license (Article 100). Taking the above example, if Company Z works patented invention α without permission, Company Y can exercise its exclusive license to stop Company Z from infringing such license even if Company X does not exercise patent right P against Company Z.

Meanwhile, the patentee becomes unable to work his/her own patented invention within the scope in which an exclusive license is established (proviso to Article 68). Taking the above example, although Company X remains the patentee even after having granted an exclusive license to Company Y, it can no longer work its patented invention α.

2. Non-Exclusive License (Article 78)

A “**non-exclusive license**” means a scheme in which a non-exclusive licensee has a right to work the patented invention within the scope stipulated in an agreement etc. concluded between the patentee and the non-exclusive licensee (Article 78, Paragraph 2). In contrast to the above-mentioned exclusive license, a non-exclusive license does not need to be registered with the JPO. For example, Company X is a patentee of patent right Q to patented invention 8. If Company X concludes an agreement with Company Y to grant a non-exclusive license for patent right Q, Company Y becomes able to legally work patented invention 8. Unlike the above-mentioned exclusive license, however, a non-exclusive license does not have a right to exclusively work the patented invention.

Thus, a patentee may grant multiple non-exclusive licenses within the overlapped scope. Taking the above example, even if Company X grants a non-exclusive license to Company Y for the whole scope of patent right Q, Company X can grant another non-exclusive license for patent right Q to Company Z.

However, a non-exclusive licensee cannot claim the infringement of his/her own non-exclusive license if any third parties work the patented invention without permission within the scope in which he/she owns the non-exclusive license. Taking the above example, if Company Z uses patented invention 8 without permission, Company Y cannot exercise its non-exclusive license to stop Company Z from infringing such license.

Meanwhile, the patentee may continuously work his/her own patented invention even within the scope in which a non-exclusive license is granted. Taking the above example, Company X can continuously work its own patented invention 8 even after having granted a non-exclusive license to Company Y.

3. Transfer of Patent Rights

Patent rights are a kind of rights having proprietary value (property right). They can thus be “**transferred**” to others in any of the following methods.

The first method is the “**general succession** (comprehensive succession)” to succeed others' rights and obligations comprehensively. For example, if Company A having patent right S is taken over by Company B, patent right S of Company A will be succeeded to Company B. Yet, such succession must be notified to the Commissioner of the JPO.

The next method is the “**specified succession**” to succeed others' rights and obligations in an individual manner. To transfer patent rights by the specified succession, a registration to the JPO is required (Article 98, Paragraph 1, Item 1). For example, if Company C having patent right T concludes an agreement to assign patent

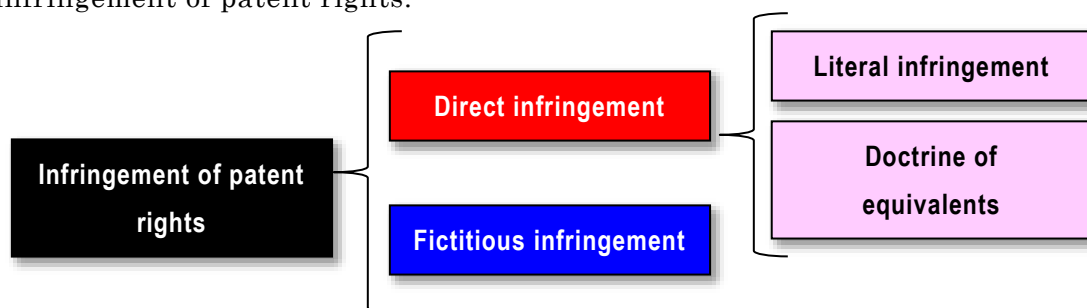
right T to Company D, patent right T will be succeeded to Company D after the registration to the JPO.

4. Establishment of Pledge

A patentee may establish a “**pledge**” on his/her own patent rights as collateral. To establish a pledge, a registration to the JPO is also required (Article 98, Paragraph 1, Item 3). For example, the patentee X can put his/her own patent right P up as collateral to borrow funds from bank Y.

IX. Infringement of Patent Rights and its Remedies

If any third parties work a patented invention as a business without license or permission from the patentee, this constitutes an “**infringement of patent rights.**” Since inventions that are the subject of protection are intangible objects, the Patent Act establishes particular provisions to clarify what kinds of acts constitute the infringement of patent rights. Japan’s Patent Act defines the acts shown in Figure 16 as infringement of patent rights.



(Figure 16) Aspect of infringement of patent rights

1. Direct Infringement

(1) What is a direct infringement?

“**Direct infringement**” needs to meet all of the following four conditions. First, the patent rights concerned must be valid and effective: e.g. Company X owns patent right P to the invention relating to reversible garment α. Second, a third party must work the patented invention as a business: e.g. Company Y is manufacturing and selling reversible garments. Third, it is necessary that such third party has not obtained a license etc.: e.g. Company Y is manufacturing and selling reversible garments without permission of Company X. And fourth, the subject matter of the third party’s operation is within the scope of the effect of patent rights: i.e. reversible garments that are manufactured and sold by Company Y should be the products using the same invention as that used for reversible garment α whose patent right P is owned by Company X.

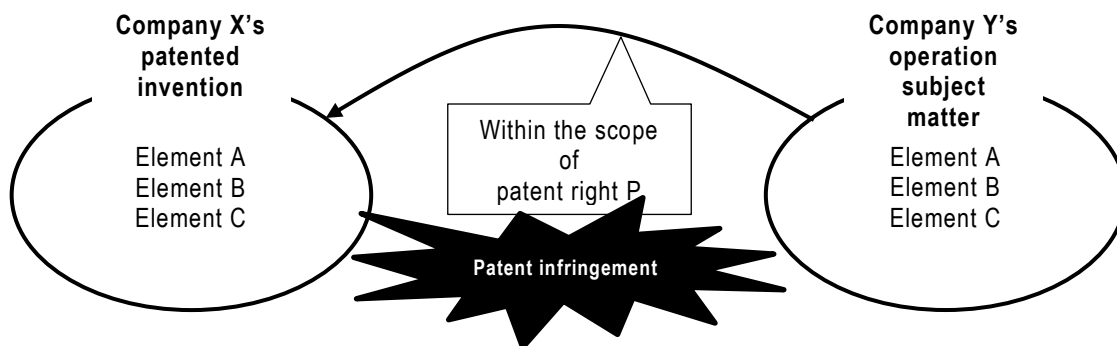
(2) Elements for determining the scope of a right

The above scope of the effect of patent rights (**technical scope of the patented invention**) is first determined based on the “**scope of claims**” (Article 70, Paragraph 1). Taking the above example, if the scope of claims is described as “reversible garment α having a kimono pattern on the surface and a dress pattern on the reverse,” this represents the subject matter of Company X’s patent right P. Then, the meaning of the terms used in the scope of claims is interpreted considering “**description**” and “**drawings**” (Article 70, Paragraph 2). For example, the specific structure of reversible garment α in the above example will be judged taking the description and drawings into consideration. On the contrary, the contents of the “**abstract**” cannot be taken into account when determining the scope of the effect of patent rights (Article 70, Paragraph 3).

(3) Literal Infringement

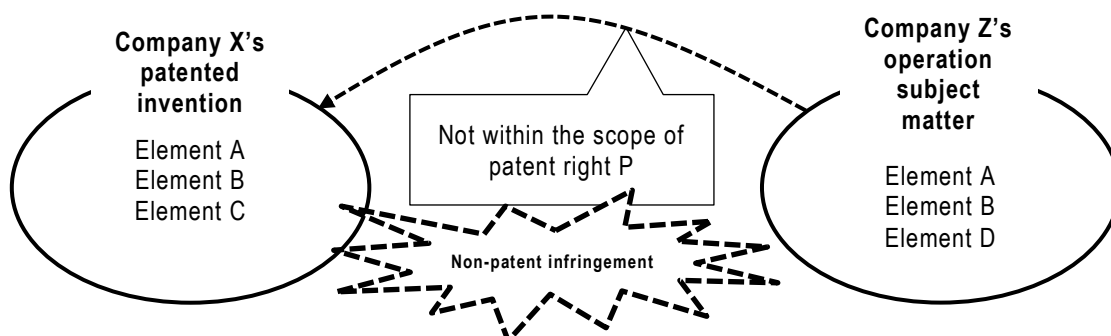
“**Literal infringement**” means the case in which the subject matter of a third party’s usage (hereinafter referred to as the “subject matter of operation”) is within the scope of the effect of patent rights by interpreting the words described in the claims. Therefore, if the configuration of the subject matter of operation corresponds to that described in the claims, the subject matter of operation is deemed within the scope of the effect of patent rights.

As shown in Figure 17, reversible garment a claimed in patent right P consists of elements A, B and C. If a reversible garment worked by Company Y also consists of elements A, B and C, it infringes patent right P as it is deemed within the scope of the effect of patent right P.



(Figure 17) Image of the case of literal infringement

On the other hand, if any elements other than those of the subject matter of operation are comprised in the configuration described in the claims, such subject matter of operation is in principle not within the scope of the effect of patent rights. For example, as shown in Figure 18, if a reversible garment worked by Company Z consists of elements A, B and D, it does not infringe patent right P because it is not within the scope of the effect of patent right P.

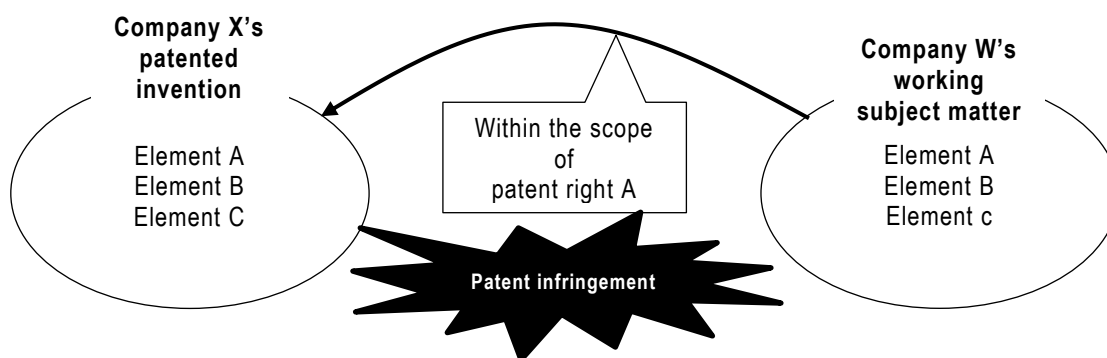


(Figure 18) Image of the case in which literal infringement is not established

(4) Doctrine of Equivalents

However, even if any elements other than those of the subject matter of working are comprised in the configuration described in the claims, when the patented invention

and the subject matter of working are acknowledged to substantially be the same, the subject matter of working is deemed to be within the scope of the effect of patent rights since it is deemed “**equivalent**” to the configuration described in the claims [Supreme Court ruling on February 24, 1998 - Ball spline case -]. For example, as shown in Figure 19, if a reversible garment worked by Company W consists of elements A, B and c, and the difference between C and c is insignificant, the reversible garment α of Company X and the reversible garment of Company W are practically the same. In this case, Company W infringes patent right P because its reversible garment is deemed within the scope of the effect of patent right P.



(Figure 19) Image of the case of the doctrine of equivalents

2. Fictitious Infringement

Some acts do not directly infringe patent rights, but could lead to patent infringement. To prevent this, certain acts deemed to infringe patent rights under the Patent Act are called “**fictitious infringement**” (Article 101). Japan’s Patent Act deals with the following three types of acts as fictitious infringement.

The first type is the act of supplying “**exclusive goods**.” For example, Company X owns patent right P to the invention relating to reversible garment α. In this case, if Company Z sells sewing equipment β that is exclusively used for the production of reversible garment α to Company Y, Company Z is considered to infringe patent right P of Company X.

The second type is the act of supplying “**indispensable materials**” to solve the problem of the patented invention. Taking the above example, Company W supplies fabric γ that is an important material of reversible garment α to Company Y, knowing that Company Y manufactures reversible garment α pertaining to the patented invention using fabric γ. In this case, Company W is considered to infringe patent right P.

And the third type is the act of “**possessing**” the patented product for the purpose of assigning, etc. or exporting it. Taking the above example, if Company V stores in its warehouse reversible garment α manufactured by Company Y in infringing patent right P for the purpose of selling it to consumers, Company V is considered to infringe

patent right P.

3. Remedies Against Infringement

Infringement of patent rights that are a kind of property right may be subject not only to various civil remedies but also criminal sanctions, as is the case with infringement of other property rights such as ownership. Since inventions, which are the subject of protection of patent rights, have the characteristic of being intangible objects, the Patent Act establishes particular provisions to fully protect right holders from infringement of patent rights.

(1) Civil Remedies

First, patentees and exclusive licensees can receive the following three types of remedies as principle “**civil remedies**” if their own patent rights or exclusive licenses are infringed. As the first type of remedy, they may make a “**demand for injunction**” (Article 100). For example, Company X that owns patent right P to reversible garment α may require Company Y, which manufactures and sells reversible garment α without permission, to stop its manufacturing or dispose of its plant facilities.

As the second type of remedy, they have the right to “**demand compensation for damage**” (Article 709 of the Civil Code). Taking the above example, Company X may request that Company Y compensate for damage caused to Company X due to manufacturing of reversible garment α by Company Y without permission. As the third type of remedy, they may take “**measures for recovery of reputation**” (Article 106). Taking the above example, Company X’s reputation is damaged because the quality of reversible garment α manufactured and sold by Company Y is inferior, which resulted in consumers believing that the quality of reversible garment α manufactured and sold by Company X will also be inferior. In this case, Company X may require Company Y to publish an apology in newspapers regarding such act of infringement.

(2) Criminal Sanctions

In addition, if patent rights or exclusive licenses are deliberately infringed, such acts may be subject to “**criminal sanctions**.” Taking the above example, if Mr. Z, an employee of Company Y, manufactures and sells reversible garment α without permission from Company X, knowing that his act infringes patent right P, Mr. Z is subject to criminal sanctions. In this case, Mr. Z may be sentenced to up to 10 years in prison or a fine of up to 10 million yen, or both imprisonment of up to 10 years and a fine of up to 10 million yen (Article 196).

Further, if an employee of a company infringes patent rights in the course of performing his/her duties for the company, the company may also be subject to criminal sanctions since the amount of damage caused by such infringement may increase. This scheme is called “**dual liability**.” For example, if employee Z in the above

example infringes the patent rights of Company X in relation to Company Y's business, criminal sanctions may be imposed not only on Mr. Z, but also on his employer, Company Y. In this case, along with the punishment such as up to 10 years in prison for Mr. Z, Company Y may also be sentenced to a fine of up to 300 million yen (Article 201).

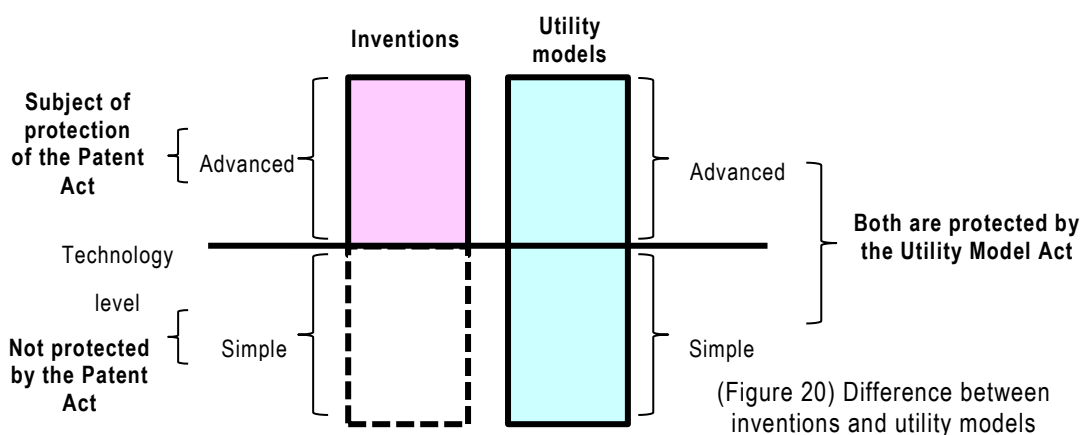
I. Requirements for Utility Model Right Registration

The purpose of Japan's "Utility Model Act" is to encourage utility models through promoting protection and utilization of utility models and to eventually contribute to industrial development (Article 1). To realize this aim, the Utility Model Act sets forth the requirements for utility models and for the registration of utility models as follows.

1. Requirements for Utility Models

"Utility models" need to meet all of the following three requirements (Article 2, Paragraph 1): utility models must be (1) those that utilize the laws of nature, (2) those that are technical ideas, and (3) those that are created. These three requirements are the same as three out of the four requirements for inventions protected by the Patent Act as described above.

In contrast to inventions that are required to be advanced technology (Article 2, Paragraph 1 of the Patent Act), utility models do not need to be advanced technology (Article 2, Paragraph 1). Therefore, as shown in Figure 20, even technologies that are not necessarily deemed advanced may be included in utility models on the condition that they are created through technical ideas. The particular significance of Japan's Utility Model Act can be found in the protection of such technical ideas that are not necessarily deemed advanced (small inventions).



2. Requirements for Being an Article

The subject of protection of the Utility Model Act is limited to utility models relating to the shape or structure of an "article" or a combination of articles (Article 1 and the body of Article 3, Paragraph 1). An article means an object that can at least be equipped with a specific configuration (shape, structure, and combination as described below). This requirement is called a "requirement for being an article." For example, a utility model relating to a bicycle having a streamlined shape in order to reduce air resistance while cycling is entitled to obtain utility model rights because it is deemed a

utility model relating to an article.

On the contrary, those belonging to completely different categories from an article do not meet the requirement for being an article. For example, a utility model relating to a process for checking whether or not the above streamlined bicycle is assembled correctly (non-production process), or a process for assembling a streamlined bicycle (production process) cannot obtain utility model rights. In addition, those that are not equipped with a specific configuration do not meet the requirement for being an article either, even if they are a sort of object. For example, the chemical structure of chemical substances and the like cannot obtain utility model rights. Therefore, technology that does not meet the requirements for being an article, such as the above processes and the chemical structure, is to be protected solely by the Patent Act and not by the Utility Model Act.

In addition to movable property like a streamlined bicycle, immovable property such as a building meets the requirement for being an article. For example, a house having a special structure to reinforce earthquake resistance is entitled to obtain utility model rights. Also, not only an entire article but also part of an article meets the requirement for being an article. For example, the spout of a liquid seasoning bottle having a special shape to make it easier to pour its contents is entitled to obtain utility model rights. Further, not just single articles but also assembled articles meet the requirement for being an article. For example, a set of a bolt and nut having a special shape to strengthen the tightening force is entitled to obtain utility model rights.

3. Shape, Structure and Combination

The subject of protection of the Utility Model Act is limited to utility models relating to the shape or structure of an article or a combination of articles as described above (Article 1 and the body of Article 3, Paragraph 1). Now, let's look at each element in detail.

(1) Shape of an Article

First, the “**shape**” of an article means the exterior form of an article that can be observed from outside said article. Since whether or not an article is three-dimensional does not matter, both a three-dimensional shape and a two-dimensional shape are deemed to be the shape of an article. For example, a hexagonal pencil that is devised not to fall from the desk corresponds to a utility model regarding a three-dimensional shape, while a curved ruler that is devised to help draw various curves corresponds to a utility model regarding a two-dimensional shape.

(2) Structure of an Article

Next, the “**structure**” of an article means that the components constituting a utility model, such as parts and materials, are connected or bound and closely relating to each

other. As with the above-mentioned shape, both a three-dimensional structure and a two-dimensional structure are deemed to be the structure of an article. For example, index tabs in a phone directory that are devised to help the user find a phone number correspond to a utility model regarding a two-dimensional structure.

It should be noted that the structural characteristics of the article do not need to be shown in the external appearance of the article. This means that the Utility Model Act indirectly protects utility models relating to materials as well, through the configuration of the article; provided, however, that the configuration and materials of the article should be united indivisibly. For example, in the case of a liquid soap tank filled with liquid soap B containing lubricant A, liquid soap tank C having a special shape to easily pour liquid soap B is entitled to obtain utility model rights, while liquid soap tank D simply filled with liquid soap B is not entitled to obtain utility model rights.

In addition, it is not required that all parts of the article should have a specific configuration; i.e. even if part of the article is liquid, gas, or powder, such article is entitled to obtain utility model rights on the condition that such part is closely related to the rest of the article and demonstrates a specific effect. For example, liquid, gas, or powder itself, such as mercury or sand, is not equipped with a specific configuration, and thus, is not entitled to obtain utility model rights; however, a thermometer using mercury or an hourglass using sand can be equipped with a specific configuration, and thus, is entitled to obtain utility model rights.

(3) Combination of Articles

Lastly, the “**combination**” of articles is classified into two patterns as follows. The first pattern is a combination of articles like chess pieces and a chess board, which are two or more different types of articles, enabling the user to achieve an objective in a close, indivisible state when he/she uses it. The second pattern is a combination of articles like playing cards, which are two or more of the same type of articles, enabling the user to achieve an objective as a unit when he/she uses it.

4. Other Requirements for Utility Model Registration

To obtain utility model rights, utility models need to meet all of the six major registration requirements as follows, as is the case with obtaining patent rights, in addition to the requirement for being a utility model.

That is, a utility model should be able to be utilized in the industrial sector (industrial applicability) (Article 3, Paragraph 1); a utility model must be something new from an objective perspective (novelty) (Article 3, each item of Paragraph 1); a utility model must not be a later application pertaining to inventions or utility models described in the application documents of a prior application whose unexamined

application is published after the filing of such later application (secret prior art) (Article 3-2); a utility model to be registered should be the earliest application if there are multiple applications for the same technology (first-to-file system) (Article 7); and a utility model must not be one that may harm social order, social morality, or public health, such as a machine for making counterfeit bills (grounds for non-registration) (Article 4).

As for inventive step, the fact that an engineer in the field to which the utility model pertains cannot extremely easily complete such utility model, considering the technology level at the time of filing the application is defined as the requirement for inventive step in the Utility Model Act (Article 3, Paragraph 2). In other words, in light of inventive step as one of the requirements for patentability, the level of inventive step in the Utility Model Act (**easy inventive step**) may be lower than that in the Patent Act. This is because the Utility Model Act is a system to protect utility models that are lower-level technologies compared to inventions.

II. Procedures for Utility Model Registration

Like the above Patent Act, the Utility Model Act has adopted the “**principle of formalities**,” which means that it is necessary to make specific procedures at the JPO to obtain rights to a utility model. On the other hand, contrary to the Patent Act, the Utility Model Act has adopted the “**non-substantive examination system**” in which utility models are registered without examination pertaining to substantive requirements such as novelty. Because utility models are low-level technologies, their life cycles are usually short. The Utility Model Act has therefore adopted the non-substantive examination system to protect utility models in the early stages.

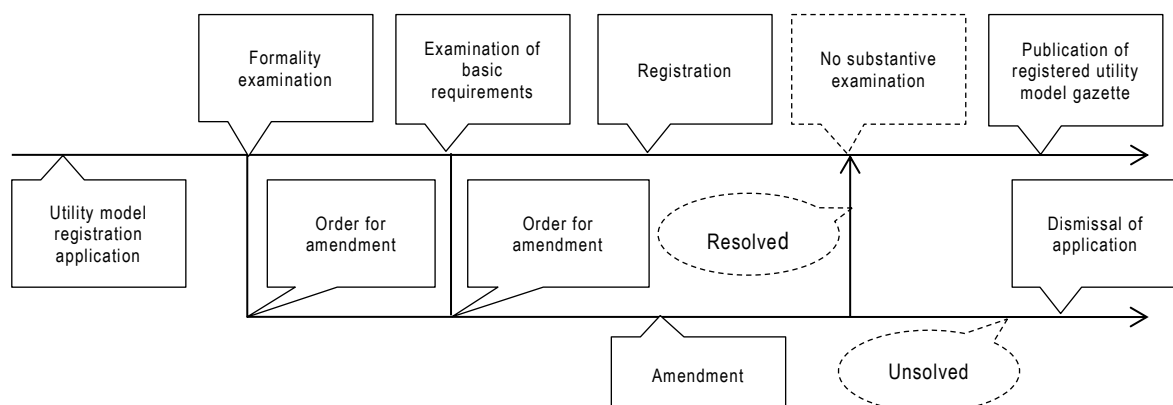
1. Creator’s Rights

As with the “**right to obtain a patent**” under the above Patent Act, a “**creator**” acquires the “**right to register a utility model**” upon completion of a utility model under the Utility Model Act. It is required to own this right in order to obtain utility model rights. Therefore, if a person other than the creator files a utility model registration application with the JPO, such person must be assigned the right to register the utility model concerned by the creator.

2. Application Documents

To file a utility model registration application, the applicant must submit an application consisting of the following five types of documents to the JPO (Article 5), as is the case with the filing of a patent application: (i) application request, (ii) description, (iii) scope of claims, (iv) drawings, and (v) abstract. In contrast to a patent application for which drawings are not necessarily required to be submitted, a utility model registration application always requires the submission of drawings. As mentioned above, the subject of a utility model registration is the configuration of an article, and thus it must originally be described in drawings.

3. Flow of Utility Model Registration



(Figure 21) Flow of procedures for obtaining utility model rights

Now, let's look at the flow of the procedures for obtaining utility model rights in Japan based on Figure 21. First, the applicant files a **"utility model registration application"** by submitting the above application documents and paying the application fee (14,000 yen) and the registration fees for three years (6,300 yen + 300 yen per claim) (Article 5). As the non-substantive examination system is adopted for the utility model registration application, the registration fees also need to be paid in addition to the application fee, contrary to a patent application, upon filing the application. The JPO then conducts the **"formality examination"** to examine the formality requirements, such as the formal consistency of the application documents.

Next, the JPO conducts an examination pertaining to the basic requirements, such as whether or not the applied utility model is concerning the configuration of an article, even though it does not conduct an examination pertaining to substantive requirements. This examination is called the **"examination of basic requirements"** (Article 6-2). If the contents of the application do not meet the formality requirements or basic requirements, the Commissioner of the JPO gives an order for amendment. In this case, if the applicant does not deal with such order appropriately by amending the application, the application concerned is rejected by the Commissioner of the JPO (Article 2-3).

After the formality examination and the examination of basic requirements, the applied utility model is registered with the JPO and utility model rights are granted. The JPO then publishes the utility model gazette and discloses the contents of the utility model rights (Article 14). In contrast to the Patent Act, the Utility Model Act provides neither the system of the publication of the unexamined application nor the system of filing an opposition to a registered utility model.

III. Contents of Utility Model Rights

In Japan, utility model rights have the same effect as patent rights, and thus, the same limitation, lapse, economic exploitation, infringement, and remedies as patent rights are stipulated for utility model rights.

1. Effect of Utility Model Rights

Regarding the effect of “**utility model rights**,” the Utility Model Act stipulates that the utility model right holder has the exclusive right to work the registered utility model as a business (Article 16). Like the Patent Act, “**as a business**” means widely working as a business, and “**working**” means almost the same as working on the invention of a product. For example, if Company X obtains the utility model right U to the utility model relating to the streamlined bicycle α, Company X can exclusively manufacture it. Also, if Company Y manufactures the streamlined bicycle α without permission, Company X is entitled to prevent Company Y from manufacturing it.

2. Limitation of Utility Model Rights

Utility model rights are also limited in the following six cases (Articles 69 and 79 of the Patent Act shall apply). The first case is working utility models for the purpose of experiments or research. Taking the above example, if you carry out a running test of the streamlined bicycle α, you would not infringe the utility model right U of Company X. The second case is working utility models relating to transportation facilities that are only passing through Japan. For example, supposing utility model rights to the shape β of a ship have been established in Japan; even if a ship identical to the shape β passes through Japan’s territorial waters, this would not infringe the utility model rights to the shape β.

The third case is a lapse of utility model rights. For example, if Company Y purchases the streamlined bicycle α sold by Company X and then resells it to Company Z, Company Y would not infringe the utility model right U of Company X. The fourth case is parallel import of products pertaining to utility model rights. For example, assuming that Company X has obtained utility model rights to the streamlined bicycle α in Japan and China; even if Company Y purchases the streamlined bicycle α sold by Company X in China and then imports it into Japan, Company Y would not infringe the utility model right U of Company X.

The fifth case is the prior user’s right. For example, if Company Y has uniquely developed and produced the same streamlined bicycle α prior to the filing of a utility model application for the streamlined bicycle α by Company X, Company X cannot exercise the utility model right U against Company Y.

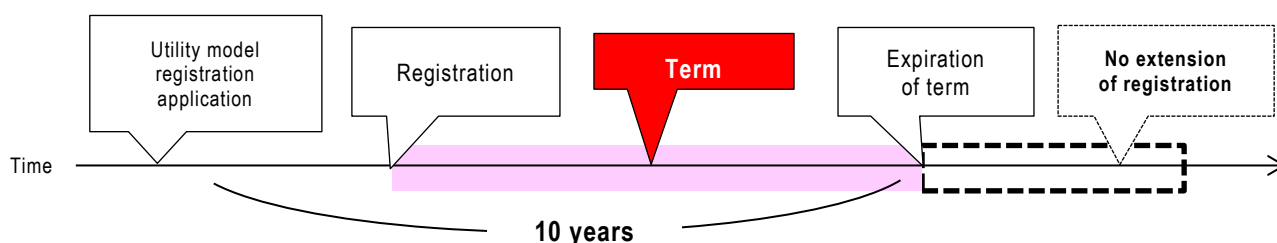
The last case is the compulsory non-exclusive license. As with the Patent Act, the

Utility Model Act provides for the following three schemes of the compulsory non-exclusive license: (1) granting a compulsory non-exclusive license when the invention is not worked (Article 21), (2) granting a compulsory non-exclusive license to work the right holder's registered utility model (Article 22), and (3) granting a compulsory non-exclusive license for the public interest (Article 23).

3. Lapse of Utility Model Rights

In Japan, utility model rights usually lapse in the following four cases as with patent rights: (1) if the term expires, (2) if the registration fees are not paid, (3) if utility model rights are waived, and (4) if utility model rights have been invalidated. After utility model rights lapse under such circumstances, anyone becomes able to work the utility model concerned.

The term of utility model rights is different from that of patent rights. While the term of patent rights basically terminates after 20 years from the filing date of the application, the term of utility model rights terminates after 10 years from the filing date of the application as shown in Figure 22 (Article 15). This is because utility model rights are a kind of right to protect utility models that are technologies with short life cycles. In addition, while the Patent Act provides for a scheme to register an extension of the term of patent rights, the Utility Model Act does not provide for such a scheme in the case of utility model rights.



(Figure 22) The term of utility model rights

4. Economic Exploitation of Utility Model Rights

Utility model rights can economically be exploited, like patent rights, by the following four means. The first means is that of granting an “**exclusive license**” (Article 18), wherein Company X may establish an exclusive license for the utility model right U to Company Y. The second means is granting a “**non-exclusive license**” (Article 19). For example, Company X may grant a non-exclusive license for the utility model right U to Company Y. The third means is the “**transfer**” of utility model rights. For example, Company X may transfer the utility model right U to Company Y due to a corporate merger, assignment agreement, etc. And the fourth means is establishing a “**pledge**,” whereby Company X may put the utility model right U up as collateral to borrow funds from the bank Z.

It should be noted that registration at the JPO is required to grant an exclusive license, to transfer utility model rights due to assignments, or to establish a pledge, etc. On the contrary, a non-exclusive license does not need to be registered at the JPO.

5. Infringement of Utility Model Rights and Measures Taken in Response

(1) Aspect of Infringement of Utility Model Rights

Infringement of utility model rights can be sub-classified into direct or fictitious infringement. For example, suppose Company X owns the utility model right U to the streamlined bicycle α . If Company Y manufactures and sells the streamlined bicycle α without the permission of Company X, this corresponds to “**direct infringement**.” Meanwhile, each of the following cases corresponds to “**fictitious infringement**” (Article 28): If Company Z supplies Company Y with the bicycle assembly equipment β that is exclusively used to manufacture the streamlined bicycle α (**supplying exclusive goods**); if Company W supplies Company Y with the bicycle body γ that is an important material of the streamlined bicycle α , knowing that Company Y manufactures the streamlined bicycle α using the bicycle body γ (**supplying indispensable materials**); and if Company V stores in its warehouse the streamlined bicycle α manufactured by Company Y in infringing the utility model right U for the purpose of selling it to consumers (**holding infringing goods**).

(2) Remedies Against Infringement

If utility model rights are infringed as described above, “**utility model right holders**” and “**exclusive licensees**” may receive the following three types of remedies as principle civil remedies, as in the case with infringement of patent rights: (1) making a “**demand for injunction**” to stop acts such as infringement (Article 27), (2) “**demanding compensation for damage**” arising from infringement of utility model rights, etc. that has been committed intentionally or by negligence (Article 709 of the Civil Code), and (3) taking “**measures for recovery of reputation**” if the business reputation is infringed (Article 106 of the Patent Act shall apply).

If utility model rights or exclusive licenses are infringed “**deliberately**,” such acts may be subject to “**criminal sanctions**” and thus punishable with up to five years in prison or a fine of up to five million yen, or both imprisonment of up to five years and a fine of up to five million yen (Article 56). Sanctions against infringement of utility model rights are less than those against infringement of patent rights, which include up to 10 years in prison. Further, if an employee of a company infringes utility model rights in relation to his/her duties for the company, the company may also be subject to criminal sanctions. In this case, the company may also be sentenced to a fine of up to 300 million yen (Article 61).

IV. Systems Specific to the Utility Model Act

As explained above, Japan's Utility Model Act has adopted the non-substantive examination system, wherein utility model rights are given without examination pertaining to substantive requirements such as novelty. However, this non-substantive examination system has disadvantages as well, and the Utility Model Act therefore provides for the following two systems to compensate for such drawbacks.

1. Utility Model Technical Opinion System

(1) Purpose of the System

Since the Utility Model Act has adopted the non-substantive examination system, whether or not a utility model fulfills the requirements for utility model registration is left to the discretion of the parties concerned. In some cases, however, it may be difficult for the parties concerned to make a judgment, because this requires technical skill and expertise. This is why the Utility Model Act has established the “**utility model technical opinion system**,” wherein the JPO gives a sort of expert opinion in order to offer the concerned parties objective materials for the judgment about the validity of utility model rights. Notably, the parties concerned cannot exercise their rights against the third parties unless a warning has been given by presenting the report of utility model technical opinion. In order for utility model right holders to exercise their rights appropriately and carefully, the abuse of utility model rights that do not meet the registration requirements and thus have the grounds for invalidation may be prevented.

(2) Outline of the System

If utility model right holders or exclusive licensees exercise their rights against a person infringing their utility model rights, exclusive license, etc., they need to first give a warning by presenting the “**report of utility model technical opinion**” on the registered utility model to such infringer etc. (Article 29-2). For example, Company X owns the utility model right U to the streamlined bicycle α. Even if Company Y manufactures and sells it without permission, Company X cannot exercise its rights against Company Y immediately, such as making a demand for injunction. Company X first needs to give a warning to Company Y by presenting a utility model technical opinion report on the utility model right U after having obtained it at the JPO.

On the contrary, patent rights are granted after the substantive examination by the JPO, and the patentee can therefore exercise his/her patent rights immediately if others work a patented invention without permission.

2. Responsibility of Utility Model Right Holders etc. upon Exercising Their Rights

(1) Purpose of the System

Since the Utility Model Act has adopted the non-substantive examination system, utility model right holders should exercise their rights after having carefully made a judgment in order not to abuse their rights. In other words, right holders such as utility model right holders and exclusive licensees are liable to pay greater attention upon exercising utility model rights than when exercising patent rights that are granted after the substantive examination. This is why the Utility Model Act stipulates that if utility model rights that have been exercised against those including infringers are invalidated, the holder of the said rights is deemed not to have observed the above due care, and shall have “**liability for damage**” so that the party against which the said rights have been exercised should not suffer undue damage.

(2) Outline of the System

In other words, in the event that the trial for invalidation at the JPO decides to invalidate a utility model registration, and such a decision becomes final and binding after the holder or exclusive licensee of the said utility model rights has exercised such rights against any third party, the utility model right holder or other individual shall, in principle, be liable for damage caused to such party by having exercised such rights (Article 29-3). For example, Company X owns the utility model right U to the streamlined bicycle α and exercises the utility model right U against Company Y that manufactures and sells the streamlined bicycle α without permission. In this case, if Company Y stops operations of the plant, and then the trial for invalidation of utility model registration at the JPO decides to invalidate the utility model right U, Company X must compensate Company Y for damage caused to Company Y due to having stopped operations of the plant.

However, if the utility model right holder or other such individual has exercised the utility model rights based on the report of utility model technical opinion acknowledging the validity of the said rights, that person would not be liable for damage caused to others by having exercised the said rights (Article 29-3). Taking the above example, if Company X exercises its rights against Company Y after having obtained a report of utility model technical opinion stating that the utility model right U is valid, Company X would have no liability for damage caused to Company Y even though the utility model right U is invalidated afterwards.

On the contrary, since patent rights are granted after the substantive examination by the JPO, even if the trial for patent invalidation decides to invalidate the patent rights after such rights have been exercised against any third party, the patentee would have no liability for damage caused to such party in relation to the exercise of such rights (Article 104-4 of the Patent Act).

I. Requirements for Designs

The purpose of Japan's "**Design Act**" is to encourage creation of designs through promoting protection and utilization of designs, and to eventually contribute to industrial development (Article 1). To realize this aim, the Design Act sets forth the requirements for designs as follows:

"**Designs**" must meet all of the following four requirements (Article 2, Paragraph 1). If you make a design registration application for those that do not fulfill the requirements for a design, you cannot obtain design rights (body of Article 3, Paragraph 1, and Article 17, Paragraph 1).

(1) Requirement for Being an Article

The first requirement for a design is to involve an "**article**" (**requirement for being an article**). An article means a tangible object and movable property distributed in the market.

"**Tangible objects**" here means objects occupying part of space physically, and existing as material. Therefore, an intangible object, such as electricity, light, or the heat of launched fireworks, does not meet the requirement for being an article, and thus is not deemed a design. Next, a design needs to have a "**definite shape**"; i.e., a design must be able to keep its shape during a specific period of time. Therefore, fluids such as liquid detergent, assembled powder, or granules such as powder soap, etc., do not meet the requirement for being an article, and thus are not deemed to be a design. Lastly, "**movable property**" means those except for land and immovable property that is fixed to land. Therefore, immovable property such as gardens and buildings does not meet the requirement for being an article, and thus is not deemed a design.

(2) Requirement for Having a Form

The second requirement for a design is to be equipped with a shape, pattern, color, or a combination thereof, i.e. a "**form**" (**requirement for having a form**). "**Shape**" here means the form of an article observed from outside of the said article, "**pattern**" means the decoration on the surface of the shape, and "**color**" means coloring with a single color on the shape. If coloring is made with two or more colors, this represents color-coding and thus is deemed to be a pattern. An article cannot exist without shape, and thus the shape is an indispensable element consisting of a design among the three elements of shape, structure, and combination. Meanwhile, an article can exist even though it has no pattern or color, and thus the pattern and color are optional elements consisting of a design.

Additionally, the form must be that of the article itself, i.e., a form arising from the characteristics and nature inherent in the article itself. For example, a flower-patterned tie corresponds to a design because the flower pattern is deemed a

form of an object (i.e. a tie) itself; while a tie knotted in the shape of a flower does not correspond to a design, as the form of an object (i.e. a tie) itself is not formed in the shape of a flower.

(3) Requirement for Visibility

The third requirement for a design is to appeal to “**sight**” (**requirement for visibility**). A design that appeals to sight means that the overall form of the application can be recognized by the naked eye. Therefore, the form of powder or granules such as a grain of powdered sugar, or the internal form of an article such as machinery structure, do not meet the requirement for visibility—and are thus not deemed as designs.

(4) Requirement for Aesthetic Impression

The fourth requirement for a design is to give an “**aesthetic impression**” (i.e., the **requirement for aesthetic impression**). This does not require the lofty beauty of art works such as paintings and sculptures, but is, rather, sufficient to give some sort of impression to those who see it.

There are two types that do not fulfill the requirement for aesthetic impression, however, and thus are not deemed as designs. The first type is those like the form of a parabolic antenna sending and receiving radio waves by concentrating them in a specific direction, which gives almost no aesthetic impression because it is mainly designed to demonstrate features and effects. The second type includes electronic circuits, which give almost no aesthetic impression because they lack unity as a design and merely look complicated to those who see them.

II. Judgment on the Similarity of Designs

Making a judgment on whether a design is identical, similar, or dissimilar to another (**judgment on the similarity of designs**) is an important issue throughout the Design Act, from the requirements for design registration to infringement of design rights as described later. The following explains the basic methods for the judgment on the similarity of designs.

1. Elements of the Judgment on the Similarity of Designs

The judgment on the similarity of designs is made based on two elements: “**article**” and “**form**.” From this standpoint, “**same design**” means a design having the identical article and form as another design. “**Similar design**” means one of the following three types of designs: (1) a design having an identical article and similar form, (2) a design having a similar article and identical form, and (3) a design having a similar article and form. “**Dissimilar design**” means a design of which either the article or form is dissimilar from another design. The table shown in Figure 23 summarizes the relation between same, similar, and dissimilar designs.

Article/Form	Same	Similar	Dissimilar
Same	Same design	Similar design	Dissimilar design
Similar	Similar design	Similar design	Dissimilar design
Dissimilar	Dissimilar design	Dissimilar design	Dissimilar design

(Figure 23) Relational table of same, similar, and dissimilar designs

It is stipulated that whether a design registered at the JPO (registered design) and another design are similar should be determined based on the aesthetic impression created through the view of “**consumers**” such as the traders of articles pertaining to these designs (Article 24, Paragraph 2). For example, the judgment on the similarity of sock designs should be made with reference to the clothing traders etc.

2. Judgment on the Similarity of Articles

The judgment on the similarity of articles is made based on the two elements of “**usage**” and “**function**.” “Usage” means the purpose of use of the article, and “function” means the functionality of the article.

From this viewpoint, the “**same article**” means an article having the same usage and functions as other articles. Taking socks as an example, both crew socks and knee-high socks are kinds of socks, and are thus deemed to be the same articles.

“**Similar article**” means an article having the same usage, but different functions

from other articles. Taking the relation between socks and sock covers as an example, their usage is the same because both socks and sock covers are a sort of clothing to be put on the feet. Their functions are different, however, as socks are directly put on bare feet to warm and protect them, while sock covers are put on over socks for reasons including warming the feet.

“**Dissimilar article**” means articles with different functions. Usually, when the usage is different, the function becomes different as well. Taking the relation between socks and hats as an example, their usage is different because socks are a sort of clothing to be put on the feet, while a hat is a sort of clothing to be put on the head. Naturally, their functions are also different, as socks are designed for reasons including warming the feet, while a hat is designed for reasons such as protecting the head. The table shown in Figure 24 summarizes the relationship between same, similar, and dissimilar articles.

Type/Element	Usage	Function
Same article	Common	Common
Similar article	Common	Different
Dissimilar article	Different	Different

(Figure 24: Relation of the similarity of articles)

3. Judgment on the Similarity of Forms

First, “**identical form**” means a form that is considered to be identical to another form based on a judgment under conventional wisdom or common sense. It is not required that both forms should be completely identical physically.

Next, “**similar form**” means a form of which the part that has the creative value is common with another form. The “part that has creative value” here means a distinctive part that cannot be found in other designs in the field to which the design concerned pertains (the **essential part**). For example, when comparing designs α and β relating to socks, if both designs have the common distinctive part δ that cannot be found in conventional socks, they are deemed to be similar designs.

Lastly, “**dissimilar form**” means a form of which the essential part is not common with another form. For example, when comparing designs α and γ relating to socks, if the essential part δ of each design is not common, they are deemed to be dissimilar designs. The table shown in Figure 25 summarizes the relationship between same, similar, and dissimilar forms.

Type/Commonality	Perfect match	Main part match
Same form	○	○
Similar form	×	○
Dissimilar form	×	×

(Figure 25: Relation of the similarity of form)

III. Design Registration Requirements

To obtain design rights in Japan, designs must meet all of the following six major requirements for design registration, in addition to the requirement that they correspond to the design defined by the Design Act as mentioned above.

1. Industrial Applicability

As the first requirement for obtaining design rights, a design should have “**industrial applicability**” (body of Article 3, Paragraph 1). Industrial applicability means that an article of the identical form can be produced repeatedly in a large quantity by utilizing industrial technology; i.e. to obtain design rights, a design must be able to be produced on a large scale through industrial processes.

“Industrial technology” here means that products made by agricultural means or natural phenomena have no industrial applicability. Therefore, new varieties of plants and animals, as well as samples of shells and birds, etc. have no industrial applicability, and thus cannot obtain a design registration.

The fact that “an article of the identical form can be produced repeatedly in a large quantity” means that an article of individual production has no industrial applicability. Therefore, items including pots and cups of individual production have no industrial applicability, and thus cannot obtain design registration.

However, as is the case with industrial applicability under the Patent Act, it is sufficient for a design to be deemed to have industrial applicability if there is simply a possibility that the said design can be applicable to the industry in the near future, and it is not required to actually be utilized in the industry at present. Thus, a design of an article that has not yet been actually completed as a specific product may be recognized to have industrial applicability.

According to the practice at the JPO, there are three types of designs that are considered to be unable to obtain design rights due to a lack of industrial applicability. The first is that of designs using natural objects as their primary elements that cannot be produced on a large scale: e.g., new varieties of animals and plants. The second includes designs of immovable property such as land and buildings, e.g. workpieces or construction, etc., including gardens and buildings. And the third type refers to designs of works pertaining to the field of pure art: e.g., artworks such as paintings and sculptures.

2. Novelty

As the second requirement for obtaining design rights, a design should have “**novelty**” as with the Patent Act and Utility Model Act (Article 3, each item of Paragraph 1). Novelty means that a design must objectively be something new at the time of the

filing of the design registration application to the JPO.

Whether or not a design has novelty is determined based on the “**filing time**” of its design registration application, taking into account not only the date, but also the time at which the application documents are submitted to the JPO, as is the case with novelty under the Patent Act, etc. Whether or not a design has novelty is also determined based on the facts occurring “**in Japan and abroad.**”

The Design Act stipulates that the following four types of designs cannot obtain design rights due to a lack of novelty. In other words, designs that do not correspond to the following four types possess novelty.

The first type is that of “designs that are publicly known (**publicly known designs**) (Article 3, Paragraph 1, Item 1),” as with publicly-known inventions. The second type refers to “designs that have appeared in distributed publications (**designs publicly known in publications**) (Article 3, Paragraph 1, Item 2),” such as the inventions publicly known in publications. The third type includes “designs that have been made available to the public through telecommunications (**designs publicly known through the Internet**) (Article 3, Paragraph 1, Item 2),” as with inventions publicly known through the Internet under the Patent Act.

In contrast to the Patent Act and Utility Model Act, the Design Act has no provisions stipulating that the designs that are publicly worked (publicly-used designs), such as a design of products that have already been distributed, lose their novelty. This is because the designs, which are the aesthetic external appearance of an article, become publicly known immediately upon being worked publicly—and it is therefore not necessary to specify the publicly-used designs separately from the publicly-known designs.

The fourth type is that of designs similar to those from publicly-known designs to designs publicly-known through the Internet (Article 3, Paragraph 1, Item 3). Unlike the Patent Act and Utility Model Act, the Design Act stipulates that a design similar to publicly-known designs etc. has no novelty either, because not only the identical design as publicly-known designs etc. but also a design similar to publicly-known designs etc. has no value to be protected as a creation, and thus should not be given design rights.

3. Difficulty of Creation

As the third requirement for obtaining design rights, a design should have the “**difficulty of creation**” (Article 3, Paragraph 2). This requirement is equivalent to that for the inventive step under the Patent Act and Utility Model Act. The difficulty of creation means difficulty due to which even an expert in the field to which the design pertains cannot easily create such design based on various forms publicly known at the

time of filing the design registration application.

Like novelty mentioned above, whether or not a design pertaining to a design registration application has the difficulty of creation is determined based on the filing time of its application, as well as facts occurring in Japan and abroad.

Whether or not a design has the difficulty of creation is determined with reference to a person having ordinary skill in the field to which the design pertains (**those in the art**). For example, whether or not a design of socks has the difficulty of creation is determined with reference to the clothing designers.

According to the practice at the JPO, the following six types of designs are considered to be unable to be registered due to lack of the difficulty of creation.

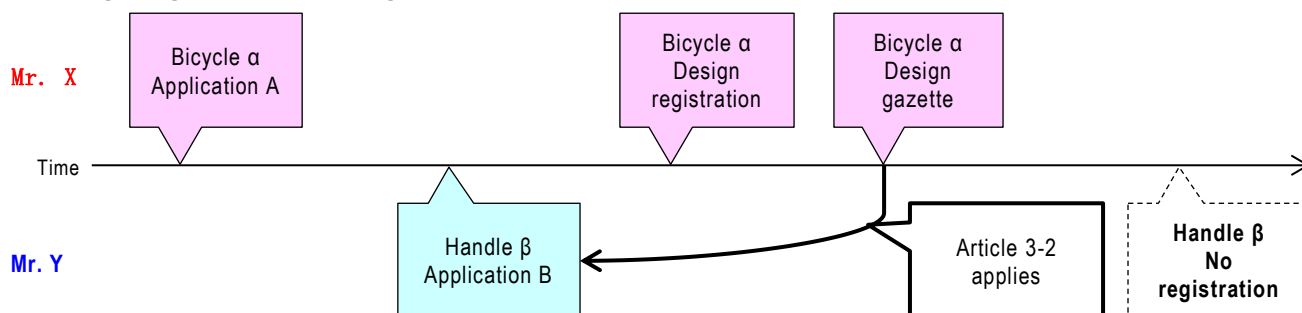
The first type is “**replaced designs**”: e.g. a design of a road fence B that is made by simply replacing the publicly-known fence decoration plate a attached to the publicly known road fence A with another publicly-known fence decoration plate b. The second type is “**combined designs**”: e.g. a design of an electronic computer B that is made by just combining the publicly-known electronic computer A and the publicly-known flower pattern b. The third type is “**designs made by changing the layout**”: e.g. a design of an audio device B that is made by just interchanging the position of the operation monitor a and the operation button b of the publicly-known audio device A. The fourth type is that of “**designs made by changing the component ratio or increasing/decreasing the number of consecutive units**”: e.g. a design of a revolving warning light B that is made by reducing the number of stacked warning lights of the publicly-known revolving warning light A from six to two. The fifth type refers to “**designs made by just representing a publicly known form**”: e.g. a design of a paperweight that is made by simply imitating the Arc de Triomphe in Paris. And the sixth type includes “**designs made by a diversion through business practices**”: e.g. a design of a train toy that is made by just diversifying the publicly-known form of a train, in the case of the toy industry wherein the business practices of diversifying the form of a train into a toy are conducted, although trains and train toys are dissimilar articles.

4. Exclusion of Later Application for a Design Identical or Similar to Part of the Design in Prior Applications

As the fourth requirement for obtaining design rights, a design must not be identical or similar to “**part of the design described in a prior application**” (Article 3-2). More specifically, a later application for a design that is identical or similar to part of the design described in a prior application that appears in the design gazette published after the filing of the later application cannot obtain a design registration. However, if the same person files another application before the publication date of the design gazette of the design described in his/her prior application, such later application may

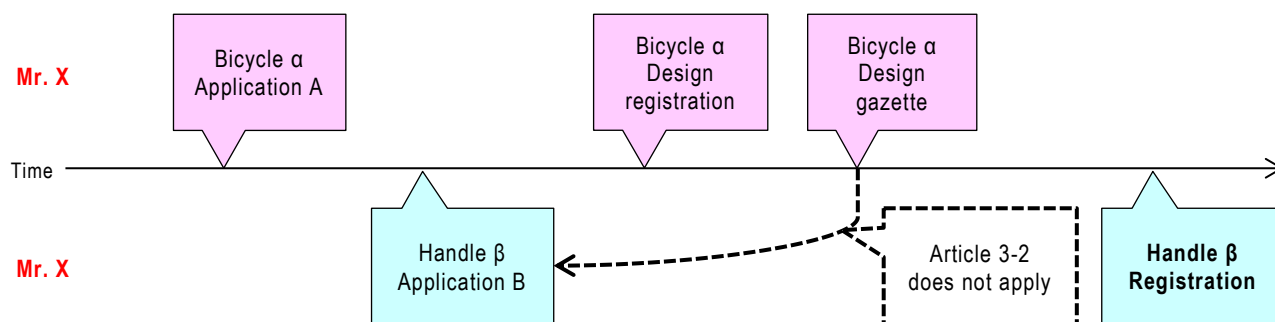
exceptionally obtain a design registration.

As shown in Figure 26, for example, supposing that Mr. X files a design registration application A for a design of a bicycle α that is a completed article, after a design registration is granted, the design of the bicycle α will be published in the design gazette. In this case, if Mr. Y files a design registration application B for a design of a handle β that is a part of the bicycle α after the filing of the application A of Mr. X and before the publication of the design gazette of the application A, Mr. Y cannot obtain design rights to the design of the handle β .



(Figure 26) Example of the case to which Article 3-2 applies

However, as shown in Figure 27, if it is Mr. X instead of Mr. Y who files an application B before the publication date of the design gazette of the application A, Mr. X may obtain design rights to the design of the handle β because Article 3-2 does not apply to the design of the handle β pertaining to the application B of Mr. X.



(Figure 27) Example of the case to which Article 3-2 does not apply

5. Prior Application

As with the Patent Act and Utility Model Act, the Design Act has also adopted the “**first-to-file system**.” Thus, as the fifth requirement for obtaining design rights, the earliest application may obtain design rights if there are two or more applications for design registration of an identical or similar design (Article 9).

Whether or not an application is the earliest is determined based on the filing date, as is the case with the Patent Act and Utility Model Act. In contrast to the Patent Act and Utility Model Act under which only the applications for identical technology as a prior application are subject to the first-to-file system, the Design Act is characterized

by the fact that the applications are subject to this system not only for the same design as a prior application, but also for a design similar to a prior application.

First, when two or more applications for design registration of an identical or similar design are filed on different days, the earliest applicant can obtain design rights (Article 9, Paragraph 1). For example, suppose that designs α and β are similar designs. If Mr. X files an application A for the design α and then Mr. Y files an application B for the design β on the following day, Mr. X may obtain design rights.

Next, when two or more applications for design registration of an identical or similar design are filed on the same day, the applicant designated by consultation between the parties can obtain design rights (Article 9, Paragraph 2). For example, if Mr. X files an application A for the design α and Mr. Y files an application B for the design β on the same day, Mr. X and Mr. Y should determine after consultation which of them obtains design rights.

If no agreement is reached by consultation or consultation cannot be held between the parties, neither applicant can obtain design rights to the design concerned (Article 9, Paragraph 2). In this case, third parties cannot obtain design rights to the design concerned either (Article 9, Paragraph 3). Taking the above example, if no agreement has been reached between Mr. X and Mr. Y after consultation, neither of them can obtain design rights to the design α or β. Additionally, even if Mr. Z makes an application C for the design α or β later, Mr. Z cannot obtain design rights either.

6. Grounds for Non-Registration

As the sixth requirement for obtaining design rights, a design must not have “**grounds for non-registration**” (Article 5). The grounds for non-registration means the reasons for which design rights shall not be granted to the design concerned from the perspective of the public interest, even though the said design fulfills all of the requirements from industrial applicability to prior application.

The Design Act specifies the following three types of designs to which design rights shall not be granted.

The first type is that of “**designs that may harm public order and morality**” (Article 5, Item 1). As with the Patent Act and Utility Model Act, any design that may harm social order or morality cannot obtain design rights. Specifically, designs using the national flag of Japan or other countries, as well as those depicting obscene images, cannot obtain design rights. Unlike the Patent Act and Utility Model Act, there are no provisions stipulating that any design that may harm “public health” cannot obtain design rights, since contrary to inventions and utility models, it cannot be considered that a design—as the aesthetic form of an article—could harm population health.

The second type refers to “**designs that may cause confusion with an article**

pertaining to others' business" (Article 5, Item 2). "**Confusion**" mainly means misleading others about the source of products or services (confusion over the source). For example, a design including a famous brand of other companies cannot obtain design rights.

The third type includes "**designs solely consisting of a shape that is indispensable for securing functions of the article**" (Article 5, Item 3). For example, a design consisting of forms that are inevitably determined in order to secure the technical effects the article should demonstrate, like the form of a parabolic antenna sending and receiving the radio waves by concentrating them in a specific direction, cannot obtain design rights. This is called an "**inevitable shape.**"

In addition, a design consisting of forms that are determined by the standards that have been established to ensure the compatibility of articles, like the doughnut-shaped form of a magnetic core based on the Japanese Industrial Standards, cannot obtain design rights either. This is called a "**quasi-inevitable shape.**"

IV. Design Registration Procedures

Like the Patent Act and Utility Model Act mentioned above, the Design Act has adopted the “**principle of formalities**,” which means that it is necessary to undertake specific procedures at the JPO in order to obtain rights to a design. Also, the Design Act has adopted the “**substantive examination system**,” like the Patent Act, wherein designs are registered after an examination pertaining to substantive requirements such as novelty.

1. Creator’s Rights

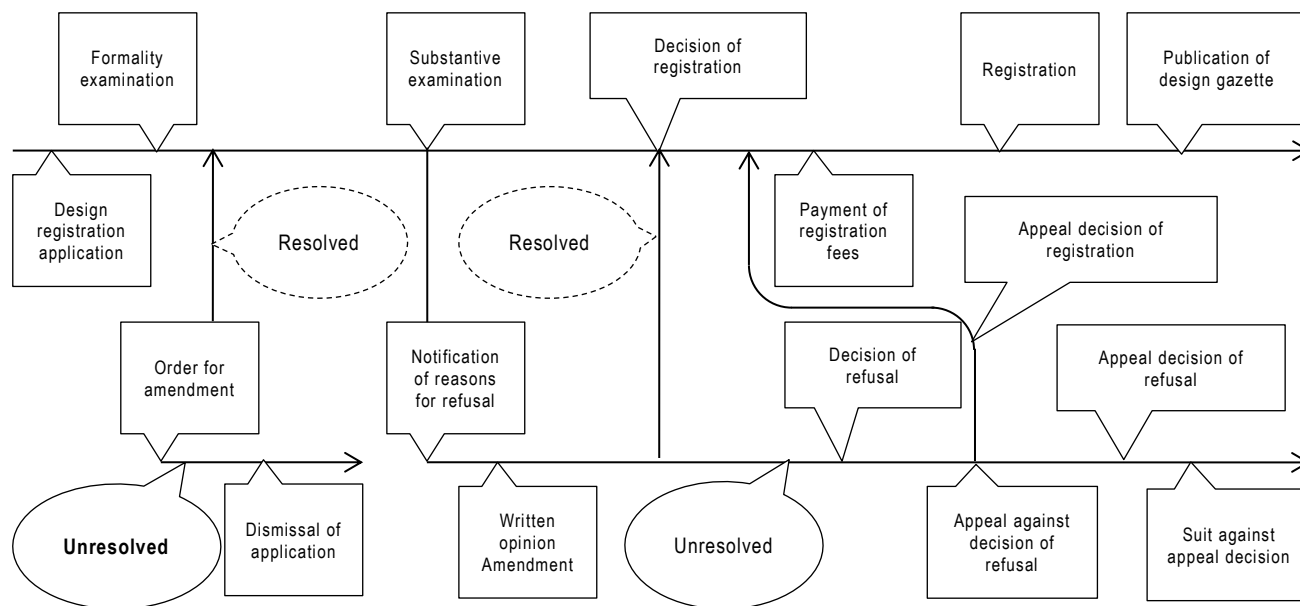
As with the “right to obtain a patent” under the Patent Act, a “**creator** (designer)” acquires the “**right to register a design**” upon completion of a design under the Design Act. It is required to own this right to obtain design rights, so if a person other than the creator files a design registration application to the JPO, such person must be assigned the right to register the design concerned by the creator.

2. Application Documents

To file a design registration application, the applicant must submit an application including two types of documents to the JPO (Article 6), namely, an application request and drawings. Under certain conditions, however, photographs, models, or samples can be submitted instead of drawings (Article 6, Paragraph 2)..

The “**application request**” must mainly describe the following three matters: the name and address of the “**applicant**,” the name and address of the “**creator**,” and the “**article pertaining to the design**.” For example, if the design claimed in the design registration application pertains to socks, you must enter “Socks” in the field of the article pertaining to the design (Article 6, Paragraph 1.).

3. Flow of Design Registration Procedures



(Figure 28) Flow of procedures for obtaining design rights

Now, let's look at the flow of the procedures for obtaining design rights in Japan based on Figure 28.

First, the applicant files a “**design registration application**” by submitting the application documents and paying the application fee (16,000 yen) (Article 6). The JPO then conducts the “**formality examination**” to examine formality requirements such as the formal consistency of the application documents. If the contents of the application do not meet the formality requirements, an order for amendment procedures is given by the JPO Commissioner. If the applicant does not deal with such order appropriately by amending the application, the JPO Commissioner then rejects the application in question (Articles 17 and 18 of the Patent Act shall apply). In contrast to the Patent Act, the Design Act does not provide for the system of the publication of an unexamined application.

The JPO examiner next examines the applied design as to the requirements for design registration, including novelty (substantive requirements). This examination is called the “**substantive examination**.” It should be noted that unlike the Patent Act, the Design Act does not provide for the system of examination requests, and thus the examination of the design registration application is to be automatically carried out in due course. If the examiner finds no reasons for refusal, such as no novelty in the design, for example, a “**decision to register a design**” is given to the applicant (Article 18). If the examiner finds any reasons for refusal, a “**notification of reasons for refusal**” is then given to the applicant (Article 50 of the Patent Act shall apply).

If a decision to register a design is made, the applicant must pay the registration

fees for one year (8,500 yen) within 30 days from such decision (Article 42). The design rights become effective when the JPO registers the establishment of such rights. The JPO then publishes the design gazette to disclose the contents of the design rights (Article 20). In contrast to the Patent Act, the Design Act does not provide for the system of filing an opposition to a registered design.

When the examiner makes a notification of reasons for refusal, the applicant has a chance to seek to resolve the notified reasons for refusal by submitting a written opinion to state his/her own points of view or an amendment to modify the application documents. If the reasons for refusal are not resolved after such attempt, the examiner makes the “**decision of refusal**” (Article 17).

If the applicant is dissatisfied with the decision of refusal, he/she may file an “**appeal against the examiner's decision of refusal**” within three months from the decision of refusal in order to request a re-examination by the appeal examiners of the JPO (Article 46). When the appeal examiners judge that the design rights should be granted, an appeal decision to register a design is made, and the above flow after the decision to register a design then applies. When the appeal examiners also judge that the design rights should not be granted, an appeal to the decision of refusal is made.

Furthermore, if the applicant is dissatisfied with the appeal decision of refusal, he/she may file a “**suit against appeal decision**” to the Tokyo High Court within 30 days from the appeal decision of refusal (Article 59). If the appeal decision of refusal is revoked in this suit, the appeal at the JPO restarts (Article 181 of the Patent Act shall apply). If the appeal decision of refusal is maintained in this suit, the applicant must give up obtaining the design rights.

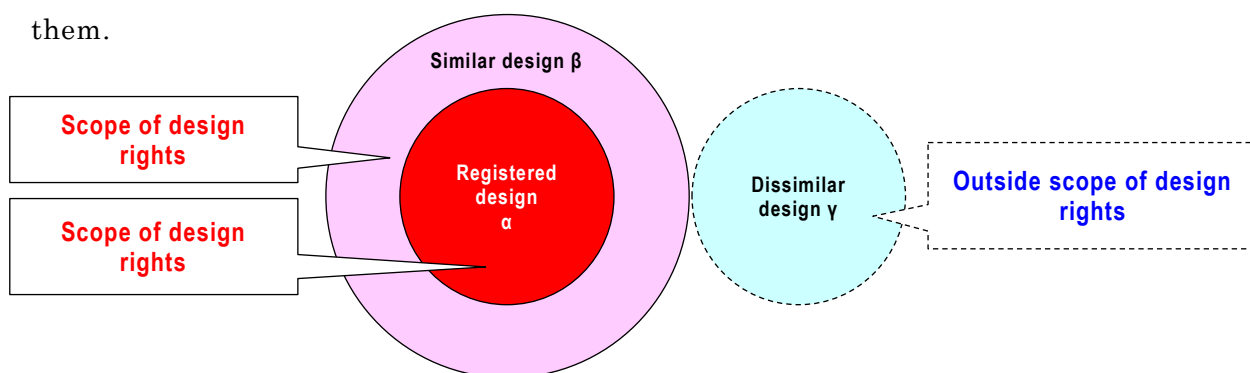
IV. Content of Design Rights

In Japan, design rights have the same effect as patent rights, and the same limitation, lapse, economic exploitation, infringement, and remedies as patent rights are therefore also stipulated in the case of design rights. The subject of protection under the Design Act is designs, however, while that under the Patent Act is inventions. Therefore, some design right content is slightly different from that of patent rights due to such differences in the subject of protection.

1. Effect of Design Rights

Regarding the effect of “**design rights**,” the Design Act stipulates that the design right holder has the exclusive right to work the registered design—along with other similar designs—as a business (Article 23). Like the Patent Act and Utility Model Act, “**as a business**” means widely working as a business, while “**working**” basically refers to the same acts as working an invention of product, or working a utility model (Article 2, Paragraph 3).

The major characteristic of design right effects is found in the fact that unlike the Patent Act and Utility Model Act, not only the design registered at the JPO (**registered design**)—but also other designs similar to the said registered design (**similar designs**)—fall within the scope of the design right effects. This is because the part of the registered design with creative value (the **essential part**), along with similar designs, are common among them—and it is therefore considered appropriate that the design right holder should exclusively own the right to both designs. In other words, designs that are not similar to the registered design (**dissimilar designs**) are not within the scope of the effect of design rights since the essential part is not common among them.



(Figure 29) Scope of the effect of design rights

As shown in Figure 29, for example, given that socks α and β are similar designs and socks α and γ are dissimilar designs, if Company X obtains the design right D to the design of the socks α, Company X may exclusively manufacture not only the socks α, but also the socks β. Also, if Company Y manufactures the socks β in addition to the socks α without permission, Company X is entitled to prevent Company Y from

manufacturing them. On the other hand, even if Company Y manufactures the socks γ , Company X cannot prevent Company Y from manufacturing them because the socks γ do not fall within the scope of the effect of the design right D.

2. Limitation of Design Rights

Design rights are also limited in the following six cases (Article 69 of the Patent Act shall apply). The first case involves working designs for the purpose of experiments or research. Taking the above example, if you carry out a comfort-level test of the socks α , you would not infringe the design right D of Company X. The second case involves working designs relating to transportation facilities that are only passing through Japan. For example, supposing that design rights to the design β of aircraft have been established in Japan, even if a plane of the form pertaining to design β passes through Japan's territorial airspace, this would not infringe the design rights to the design β of aircraft.

The third case is a lapse of design rights. For example, if Company Y purchases the socks α sold by Company X and then resells them to Company Z, Company Y would not infringe the design right D of Company X. The fourth case involves the parallel import of products pertaining to design rights. For example, assuming that Company X has obtained design rights to the design α in Japan and South Korea, even if Company Y purchases the design α sold by Company X in South Korea and then imports it into Japan, Company Y would not infringe the design right D of Company X in Japan.

The fifth case involves the prior user's right (Article 29). For example, if Company Y has uniquely created and manufactured the socks α or their similar socks β prior to the filing of a design registration application for the socks α by Company X, Company X cannot exercise the design right D against Company Y.

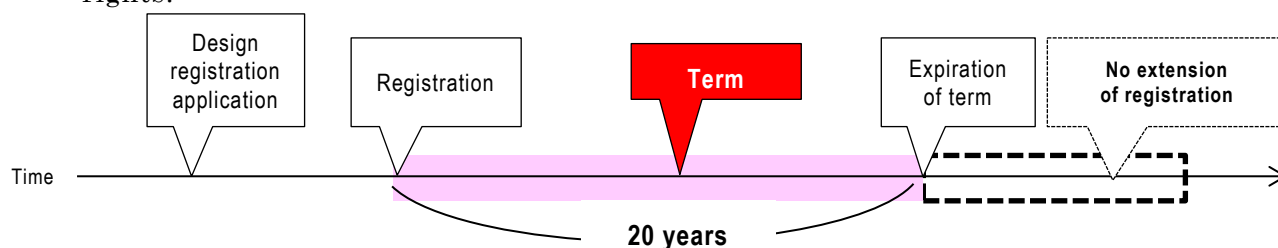
The last case involves compulsory non-exclusive licenses. The Design Act only provides for the scheme of granting a compulsory non-exclusive license to work the right holder's registered design, along with similar designs (Article 33). For example, supposing that Company X owns the design right A to a design of the button α for clothes, and Company Y owns the design right B to a design of the dress β using the button α ; Company Y may not work the dress β without obtaining a license for the button α from Company X even if Company Y owns the design right B (Article 26). If Company Y has held consultation with Company X to obtain a license for the button α from Company X to work the dress β and its result has not been successful, Company Y may request the Commissioner of the JPO to make an arbitration decision.

3. Lapse of Design Rights

In Japan, design rights usually lapse in the following four circumstances, as with

patent rights and utility model rights: (1) if the term expires, (2) if the registration fees are not paid, (3) if design rights are waived, and (4) if design rights have been invalidated. After design rights lapse under such circumstances, anyone becomes able to freely work the design concerned.

The term of design rights is different from that of patent rights etc. as shown in Figure 30. The term of design rights terminates after 20 years from the registration date of the establishment of design rights (Article 21). While the term of patent rights etc. is calculated from the filing date of the application, the term of design rights is calculated from the registration date. In addition, as with the Utility Model Act, the Design Act does not provide for a scheme to register an extension of the term of design rights.



(Figure 30) The term of design rights

4. Economic Exploitation of Design Rights

Design rights can be economically exploited, like patent rights and utility model rights, through four means. The first is granting an “**exclusive license**” (Article 27), whereby Company X may establish an exclusive license for the design right D to Company Y. The second is granting a “**non-exclusive license**” (Article 28). For example, Company X may grant a non-exclusive license for the design right D to Company Y. The third is the “**transfer**” of design rights. For example, Company X may transfer the design right D to Company Y due to a merger, assignment agreement, etc. And the fourth means is establishing a “**pledge**.” For example, Company X may put the design right D up as collateral to borrow funds from the bank Z.

It should be noted that registration to the JPO is required to grant an exclusive license, to transfer design rights due to assignment etc., to establish a pledge, etc. On the contrary, a non-exclusive license does not need to be registered at the JPO.

5. Infringement of Design Rights and its Remedies

(1) Aspects of Infringement of Design Rights

Infringement of design rights can also be classified into direct and fictitious infringement. For example, suppose that Company X owns the design right D to the socks α. If Company Y manufactures and sells the socks α without the permission of Company X, this corresponds to “**direct infringement**.” Also, as explained above, a design similar to the registered design is within the scope of the effect of design rights,

and if Company Y manufactures and sells the socks B that are similar to the socks A without the permission of Company X, this therefore also corresponds to direct infringement.

Meanwhile, both of the following cases corresponds to “**fictitious infringement**” (Article 38): if Company Z supplies Company Y with the socks manufacturing equipment that is exclusively used to manufacture the socks A (**supplying exclusive goods**), and if Company W stores in its warehouse the socks A manufactured by Company Y in infringing the design right D for the purpose of selling them to consumers (**holding infringing goods**). Unlike the Patent Act and Utility Model Act, the Design Act does not define the acts of supplying indispensable materials as fictitious infringement, because there is little need to regulate such acts.

(2) Remedies Against Infringement

If design rights are infringed as described above, “**design right holders**” and “**exclusive licensees**” may receive the following three types of remedies as principle civil remedies, as is the case with infringement of patent rights and utility model rights: (1) making a “**demand for injunction**” to stop the acts of infringement, etc. (Article 37), (2) “**demanding compensation for damage**” arising from infringement of design rights, etc. that has been committed intentionally or by negligence (Article 709 of the Civil Code), and (3) taking “**measures for recovery of reputation**” if the business reputation is infringed (Article 106 of the Patent Act shall apply).

If design rights or exclusive licenses are infringed “**deliberately**,” such acts may be subject to “**criminal sanctions**,” and a sentence to up to 10 years in prison or a fine of up to 10 million yen, or both imprisonment of up to 10 years and a fine of up to 10 million yen, may therefore be imposed (Article 69). Further, if an employee of a company infringes design rights in relation to his/her duties for the company, the company may also be subject to criminal sanctions. In this case, the company may also be sentenced to a fine of up to 300 million yen (Article 74). The contents of criminal sanctions are the same as the case of patent right infringement.

V. Particular Designs Systems

Japan's Design Act provides for the following four systems to protect particular designs: (1) partial designs, (2) designs for a set of articles, (3) related designs, and (4) secret designs.

1. Partial Designs

(1) Purpose of the System

The system of “**partial designs**” means a scheme for protecting a form pertaining to part of an article as a design as well (Article 2, in parentheses in Paragraph 1). For example, a design relating to the heel parts of socks is deemed a partial design.

In the past, the subject of protection under Japan's Design Act had been only designs pertaining to the entire article (**whole designs**), and designs pertaining to part of an article, e.g. a design relating to the heel parts of socks, had therefore not been protected by the Design Act. If the heel parts of socks have an original and distinctive form, however, and if there is only a system of whole designs, a design that imitates these heel parts of socks—but remains dissimilar to the design concerned as a whole article, i.e. the entirety of the socks—would not be within the scope of the effect of design rights, and thus the design pertaining to part of an article would be unable to be fully protected. To prevent such tricky imitation of design, Japan's Design Act has established this system of partial designs through the amendment in 1998.

(2) Requirements of Partial Designs

A design needs to meet all of the following three requirements in order to be recognized as a partial design. First, an article pertaining to a partial design must be able to be acknowledged as an article under the Design Act (**requirement for being an article**). For example, socks can be recognized as an article under the Design Act. Second, a partial design must cover a certain range of the entire form of such article (**requirement for the range**). For example, it can be recognized that the heel parts of socks cover a certain range (area) of the socks. And third, a partial design must pertain to the part that can be dealt with as the subject of comparison in such article when comparing it with other designs (**requirement for comparison**). For example, the heel parts of socks can be recognized as parts that can be compared to other socks.

(3) Requirements of Image Designs

Further, “**image designs** (screen designs)” are considered as a kind of partial design (Article 2, Paragraph 2). For example, an image displayed on the remote control of an air conditioner when setting the room temperature is deemed to be an image design. A design needs to meet all of the following three requirements in order to be recognized as an image design.

First, an article pertaining to an image design must be one that can be acknowledged

as an “article” under the Design Act (**requirement for being an article**). For example, an air conditioner remote control can be recognized as an article under the Design Act. Second, an image design must pertain to an image to be used for “operation” to demonstrate functions of the article (**requirement for operation**). For example, an image displayed on the remote control of an air conditioner when setting the room temperature can be recognized as an image to be used for operation of an article. And third, an image design must pertain to an image that is displayed on the article concerned, or another article used with the article concerned as a unit (**requirement for unity**). For example, an image displayed on the display of the article in question, such as a remote control of an air conditioner, is deemed to meet this requirement. Also, like an image to select a video to be played on the DVD recorder, which is displayed on the TV monitor used with the DVD recorder as a unit, an image displayed on an article used with the article concerned as a unit is deemed to meet this requirement.

2. Designs for a Set of Articles

(1) Purpose of the System

The system of “**designs for a set of articles**” means a scheme in which registration as one design may be granted to a design that pertains to articles constituting a certain set of articles and deemed to be coordinated as a whole (Article 8).

In principle, a design pertains to one article, such as the design of a necklace. There are also cases, however, wherein two or more articles are actually sold and used as a set and hold value in an integrated manner, such as a set of personal ornaments consisting of a necklace and earrings. Japan’s Design Act has therefore established this system of designs for a set of articles for the convenience of applicants when carrying out transactions.

(2) Requirements of Designs for a Set of Articles

A design needs to meet all of the following three requirements in order to be recognized as a design for a set of articles. First, the design must pertain to “**a set of articles**.” To be more precise, the articles pertaining to the design should be among the 56 articles listed in Appended Table 2 (related to Article 8) of the Ordinance for Enforcement of the Design Act, like the above set of personal ornaments. Second, “**component articles**” of the design must be appropriate. More specifically, component articles are defined for each set of articles in the above-mentioned component article table, such as a set of personal ornaments consisting of a necklace and earrings. And third, the whole set of articles must be “**integrated**.” A set of personal ornaments consisting of a necklace and earrings with the same flower pattern, for example, meets this requirement.

(3) A Feature of Designs for a Set of Articles

In the case of a design for a set of articles, design rights are granted to one design as

a whole set of articles, and the right holder of a design for a set of articles therefore has a right to exclusively work designs that are identical or similar to the registered design for a set of articles as a business (Article 23). Therefore, even if any third parties work one of the component articles as a business, it would not generally be deemed infringement of rights to the design for a set of articles.

For example, if you have obtained design rights to the design of the above set of personal ornaments as a design for a set of articles, such rights may not be effective against the acts of manufacturing and selling one of its component articles, i.e. either a necklace or earrings. This is because the article and form of a set of articles are generally dissimilar to those of its component articles, and the design of a set of articles and that of its component articles are therefore considered to be dissimilar designs.

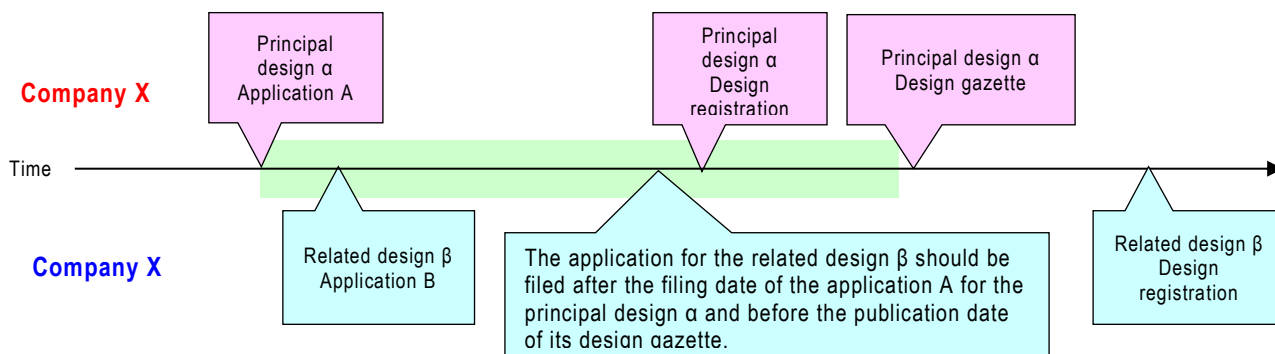
3. Related Designs

(1) Purpose of the System

The system of “**related designs**” means a scheme in which, under certain conditions, an applicant may obtain registration of a design similar to a principal design selected from the applicant’s own designs for which applications have already been filed (Article 10). Japan’s Design Act has introduced this system of related designs through an amendment in 1998 in order to also protect the variations created from a single design concept in an appropriate manner.

(2) Requirements of Related Designs

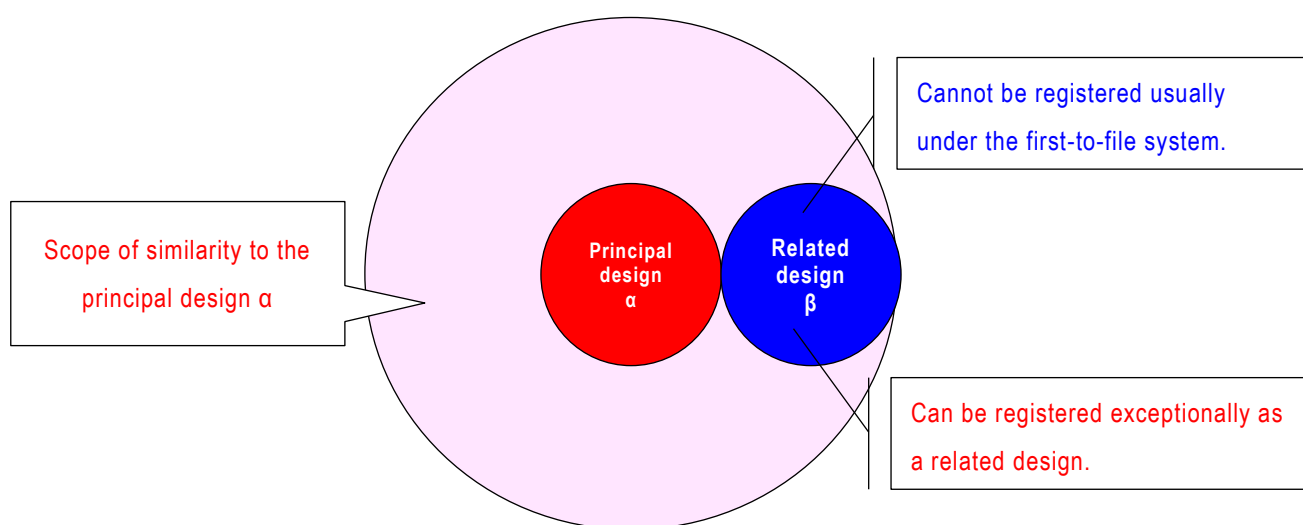
A design must meet each of the following three requirements in order to be recognized as a related design. First, the application for a related design should be filed by the same applicant as that for the principal design. Second, a related design should be a design similar to the principal design. And third, as shown in Figure 31, the application for a related design should be filed on or after the filing date of the application for the principal design and before the publication date of the design gazette of the principal design.



(Figure 31) Timing requirements for related designs

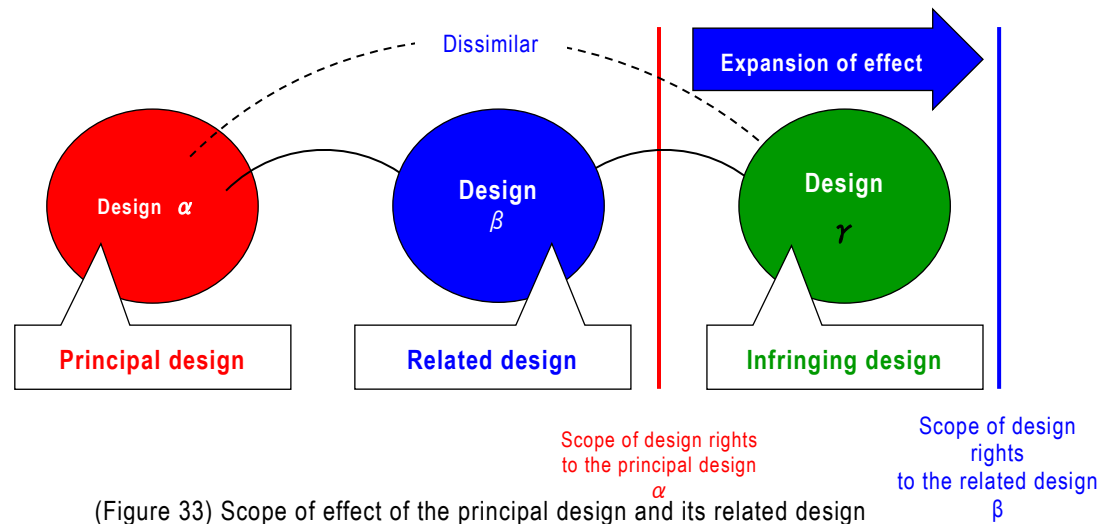
(3) Significance of Related Design System

The significance of utilizing the related design system can be found in the following two points. First, as shown in Figure 32, the above-mentioned provisions of the first-to-file system (Article 9) do not apply to the relation between the principal design and its related design; nor between a related design and another related design (Article 10, Paragraph 2). For example, if you file an application for a design β similar to the principal design α , you may not obtain a design registration normally due to the provisions of the first-to-file system. On the contrary, if you utilize the related design system, the provisions of the first-to-file system do not apply, and thus, both the principal design α and its related design β , which is usually to be rejected pursuant to the provisions of the first-to-file system, may be registered.



(Figure 32) Relation between the principal design and its related design

Next, as shown in Figure 33, design rights to the related design have their own effect, and thus, infringement of design rights to the related design can apply separately from design rights to the principal design. For example, if the design γ is dissimilar to the principal design α , it is deemed that the design γ does not infringe design rights to the principal design α . If the design γ is similar to the related design β , however, it is deemed that the design γ infringes design rights to the related design β . In other words, by obtaining design rights to a related design, you may extend the scope of the effect of design rights compared to cases wherein you obtain design rights only to the principal design.



4. Secret Designs

(1) Purpose of the System

The system of “**secret designs**” refers to a scheme wherein a registered design may be kept secret for a certain period of no more than three years from the design registration date upon request of its applicant (Article 14).

Like patent rights and utility model rights, design rights are, in principle, the kind of rights that are granted as compensation to persons who have disclosed designs that they have created. There is also a risk, however, that if registered designs are published in the design gazette, others could find the trend of the applicant’s designs and could create another design that is handily diverted from the applicant’s designs. This is why Japan’s Design Act has established this system of secret designs to properly protect designs that will not be worked by the design right holder for the moment (stock designs) as well.

(2) Outline of the System

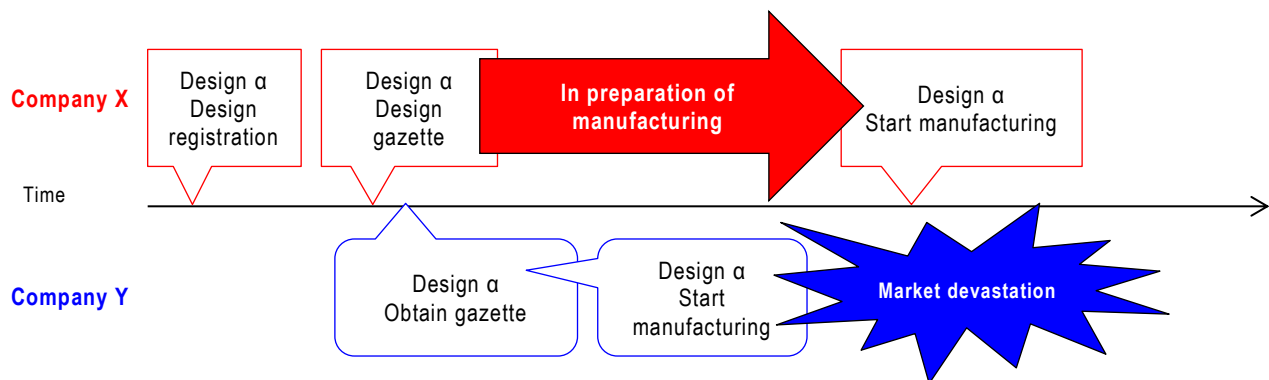
An applicant may request that his/her registered design be kept secret for a certain period of time designated by the applicant, and no more than three years from the registration date of the establishment of design rights (“secret period”) (Article 14, Paragraph 1). The applicant or design right holder may also request to extend or shorten the requested period (Article 14, Paragraph 3). To request a secret design, it is necessary to request it upon filing the design registration application or paying the registration fees for the first year (Article 14, Paragraph 2).

If an applicant requests a secret design, the specific contents of the design in question—such as certain matters including articles pertaining to the design, as well as drawings, etc. described in the application request—will not be published in the design gazette during the secret period (Article 20, Paragraph 4). The significance of utilizing the secret design system can therefore be found in the following point.

(3) Significance of Secret Design System

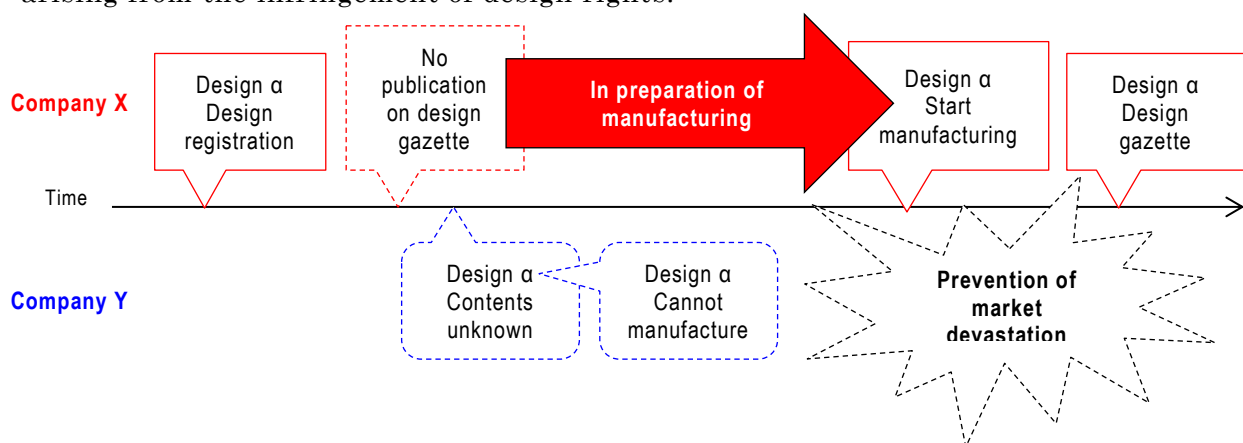
For example, as shown in Figure 34, supposing Company X is the design right holder of the registered design α, the design gazette describing the contents of the design α

will be published by the JPO if the design α is not a secret design, even though Company X is still preparing to manufacture and sell the design α . In this case, there is a risk that Company Y will obtain such a design gazette and start manufacturing and selling products pertaining to the design α before Company X is able to do so, which could result in market devastation, and a consequent increase in damage done to Company X arising from the infringement of design rights.



(Figure 34) Issues of the case in which a secret design is not requested

On the contrary, as shown in Figure 35, if Company X requests a secret design for the design α , the design gazette describing the contents of the design α will not be published by the JPO during the secret period. In this case, Company X can avoid the risk that Company Y obtains such a design gazette and starts manufacturing and selling products pertaining to the design α before Company X is able to do so, which can prevent market devastation and the increase in damage done to Company X arising from the infringement of design rights.

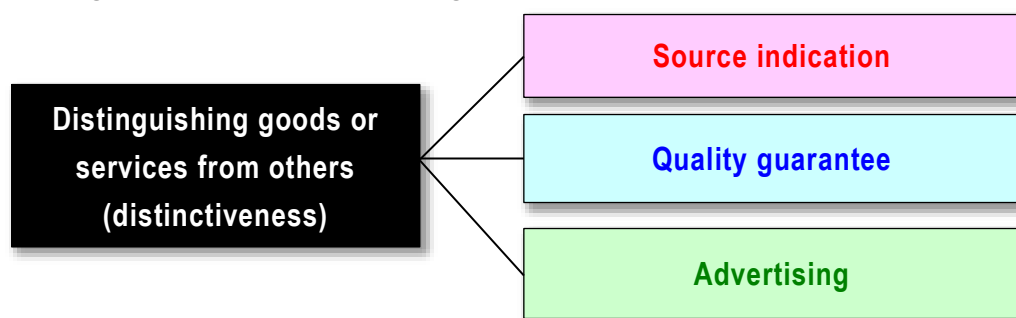


(Figure 35) Advantages of the case in which a secret design is requested

It should be noted that limitations are imposed when exercising rights to a design for which a secret design is requested, as the contents of such design are not disclosed. For example, to make a demand for injunction, you must first give a warning to the other party by presenting a document describing the contents of design rights that is certified by the Commissioner of the JPO (Article 37, Paragraph 3).

I. Functions of Trademarks

We see numerous “**trademarks**” or brands when going shopping or receiving various services, but we rarely think about the functions provided by trademarks. To understand the Trademark Act, it is first necessary for us to comprehend the functions that trademarks are providing. As shown in Figure 36, trademarks possess the following four functions in total, and the function of distinguishing goods or services from others gives rise to the remaining three functions:



(Figure 36) **Four functions of trademarks**

(1) Distinctiveness

The first and most fundamental function of trademarks is that of “**distinguishing goods or services from others (distinctiveness)**.” The function of distinguishing goods or services from others refers to a function that allows a group of goods or services individualized under a trademark to be distinguished from other goods or services of the same type.

Thanks to this function, goods or services with a trademark become “**distinct**” from other goods or services of the same type. For example, a bottle of “sake” bearing the trademark “Geisha” becomes distinguishable from other sake under other trademarks provided by other companies.

(2) Source Indication Function

The second function of trademarks is the “**source indication function**.” Thanks to this function, goods or services with a trademark can indicate that they are provided by a “**specific source**.” For example, a bottle of “sake” bearing the trademark “Geisha” can indicate that it is a bottle of sake manufactured and sold by a specific company, and not by other companies irrelevant to the said company.

(3) Quality Guarantee Function

The third function of trademarks is the “**quality guarantee function**.” Thanks to this function, goods or services with a trademark are deemed to be equipped with the “**same quality**.” For example, a bottle of sake with the trademark “Geisha” can be expected to have a specific taste and aroma, and usually, there is no bottle of sake with the same trademark “Geisha” that has a different taste and aroma.

(4) Advertising Function

Finally, the fourth function of trademarks is the “**advertising function**.” Thanks to

this function, goods etc. using a trademark can be advertised through the “**symbolic character**” of such trademarks. For example, you may increase consumer demand for sake under the trademark “Geisha” by broadcasting a large number of commercials about sake under the trademark “Geisha” on TV and the Internet.

II. Requirements for Trademarks

The purpose of Japan's "**Trademark Act**" is to ensure the maintenance of trademark right holders' business reputations by promoting the protection of trademarks, and to eventually contribute to the industrial development and protection of consumers' interests (Article 1). To realize this aim, the Trademark Act sets forth the requirements for trademarks as follows.

To be acknowledged as a "**trademark**" as stipulated in the Trademark Act, a trademark must meet all of the following three requirements (Article 2, Paragraph 1). If you make a trademark registration application for those that do not fulfill the requirements for a trademark, you cannot obtain trademark rights (body of Article 3, Paragraph 1, and Article 15, Paragraph 1).

(1) Mark

First, a trademark must be a "**mark**." "Marks" here mean any characters, figures, symbols, three-dimensional shapes or colors, or a combination of the above, along with sound and other elements set forth by the Order for Enforcement of the Trademark Act that are able to be recognized by human perception.

According to the above definition of marks, trademarks under the Trademark Act can be classified into 10 forms as follows: (i) word marks (e.g. TOYOTA), (ii) figure trademarks (e.g. the black cat symbol of Yamato Transport), (iii) symbol trademarks (e.g. three diamonds of the Mitsubishi Group), (iv) three-dimensional trademarks (e.g. Coca-Cola bottles), (v) color trademarks (e.g. DHL's color coding in red and yellow), (vi) composite trademarks (e.g. NTT logo composed of a figure and letters), (vii) sound trademarks (e.g. the Hisamitsu Pharmaceutical jingle [a jingle means a short song used in advertising on TV etc.]), (viii) moving trademarks (e.g. the characteristic movement of opening and closing the doors of Lamborghini cars), (ix) hologram trademarks (e.g. holograms on gift cards to prevent unauthorized copying), and (x) position trademarks (e.g. tags attached to the back pocket of EDWIN jeans).

(2) Used as a Business

Second, a trademark must be used "**as a business**." This refers to an act conducted repeatedly and continuously for a specific business purpose. Thus, a mark that is used for a very short period of time, such as a shop name used during a school cultural festival, may not be deemed a trademark.

The profitability does not matter, however, when determining whether an act is conducted "as a business." Therefore, not only a mark that is used by a commercial enterprise, but also a mark that is used by a non-commercial organization, such as schools, hospitals, and non-profit organizations, is deemed to be a trademark.

(3) Trademark of Goods or Trademark of Services

And third, a trademark must either be a mark for goods used by the producer etc. of

such goods (**trademark of goods**), or a mark for services used by the provider etc. of such services (**trademark of services**). For example, a trademark used by Company X for sake that is manufactured by Company X itself is deemed to be a trademark of goods, and a trademark used to provide food and drink by Company Y that is running a restaurant is deemed to be a trademark of services.

III. Judgment on the Similarity of Trademarks

Like the judgment on the similarity of designs under the Design Act, making a judgment on whether a trademark is identical, similar, or dissimilar to another (**judgment on the similarity of trademarks**) is an important issue throughout the Trademark Act, from the requirements for trademark registration to infringement of trademark rights. The principle methods for the judgment on the similarity of trademarks are as follows.

1. Elements of the Judgment on the Similarity of Trademarks

The judgment on the similarity of trademarks is made based on the two elements: “**goods or services**” and “**trademark composition**.” From this standpoint, “**identical trademarks**” means trademarks whose goods or services, as well as composition, are identical to each other. “**Similar trademarks**” means the following three types of trademarks: (1) trademarks used for identical goods or services that have a similar composition, (2) trademarks used for similar goods or services that have identical composition, and (3) trademarks used for similar goods or services that have a similar composition. “**Dissimilar trademarks**” means trademarks of which either goods, services or composition are dissimilar from each other. The table shown in Figure 37 summarizes the relation between identical, similar, and dissimilar trademarks:

Goods or services/Composition	Identical	Similar	Dissimilar
Identical	Identical trademark	Similar trademark	Dissimilar trademark
Similar	Similar trademark	Similar trademark	Dissimilar trademark
Dissimilar	Dissimilar trademark	Dissimilar trademark	Dissimilar trademark

(Figure 37) Relational table of identical, similar, and dissimilar trademarks

2. Judgment on the Similarity of Trademark Composition

“**Identical trademarks**” means trademarks with identical composition to each other. For example, the trademarks “Geisha” and “Geisha” are deemed to be identical trademarks because their compositions are the same even though the size of the characters is different.

“**Similar trademarks**” means trademarks that may cause confusion about the source of goods or services (**confusion over the source**) if a trademark to be compared is used for identical or similar goods or services, taking into consideration the overall impression, memory, association, etc. given to traders by the said trademark’s

appearance, concept, appellation, etc., and making a judgment based on the concrete situation of transactions in the case that the actual circumstances regarding the dealing the relevant goods or services can be confirmed [Supreme Court ruling on February 27, 1968 - Iceberg mark case -]. For example, given that there are Company X's trademark "Geisha" and Company Y's trademark "芸者" (read as 'geisha') for the same kind of product "sake", Company X's trademark "Geisha" and Company Y's trademark "芸者" are deemed to be similar trademarks if traders of sake and consumers mistake sake manufactured by Company Y for that of sake manufactured by Company X. Considering the above case, similar trademarks can be classified into three patterns.

The first pattern is that of **"similarity in appearance."** The similarity in appearance refers to trademarks that may cause visual confusion over the source because their appearances and compositions are confusingly similar to each other: i.e. trademarks confusingly similar to each other in terms of their "looks" (e.g. "AJAX" and "ATAX"). The second pattern is that of **"similarity in appellation."** This refers to trademarks that may cause auditory confusion over the source because their names and pronunciations are confusingly similar to each other; i.e. with respect to their "names" (e.g. "NHK" and "MHK"). And the third pattern is that of **"similarity in concept."** This refers to trademarks that may cause perceptual confusion over the source because the contents of their meanings to be recalled by consumers and traders are confusingly similar to each other; i.e., with respect to their "meanings" (e.g. "King" and "王様" (which means 'king'))).

3. Judgment on the Similarity of Goods or Services

"Identical goods or services" refers to goods or services that are considered to be the same as each other based on a judgment under conventional wisdom. In other words, this means goods or services of the same type, and does not mean that all the elements constituting the goods or services are identical. For example, "sake" in a volume of 1000 ml or 2000 ml is deemed to be the same kind of product, regardless of its volume.

"Similar goods or services" means goods or services that may be mistaken for the goods or services manufactured and provided by the same business owner if the trademark to be compared is used for identical or similar goods or services [Supreme Court ruling on June 27, 1961 - Tachibana Masamune case -]. For example, suppose the same trademark "Geisha" is used by Company X for "sake" and by Company Y for "shochu" (Japanese white liquor), "sake" and "shochu" are deemed to be similar goods if consumers mistake shochu manufactured by Company Y for a product manufactured by Company X. In addition, goods and services may be considered to be similar to each other (Article 2, Paragraph 6). For example, "electronic publication" goods and the

“provision of electronic publication” service are considered to be similar goods and services.

IV. Trademark Registration Requirements

To obtain trademark rights in Japan, trademarks need to meet all of the following five major requirements for trademark registration in addition to the requirement that they must correspond to the trademark defined by the Trademark Act as mentioned above.

1. Intention of Using the Trademark

As the first requirement for obtaining trademark rights, a trademark should be used for products or services relating to the applicant's own business (**intention of using the trademark**) (body of Article 3, Paragraph 1). More specifically, an applicant must meet the following two conditions in order to be recognized as having the intention of using the trademark.

The first condition is that an applicant should have the “**intention of using the trademark**.” To meet this condition, one of the following must be applicable. First, the trademark should currently be used for products or services relating to the applicant's own business. For example, if Company X is using the trademark “Geisha” for the business of sake in which Company X currently engages, Company X may be recognized as having the intention of using the trademark. Next, the trademark may also be used in the future for products or services relating to the applicant's own business. For example, even in the case that Company X is planning to use the trademark “Geisha” to engage in the business of shochu in the future, Company X may be recognized as having the intention of using the trademark.

And the second condition is that a trademark registration should be made for the purpose of using the said trademark for goods or services pertaining to the “**applicant's own business**.” Therefore, a trademark to be exclusively sold to others or used by others cannot obtain a trademark registration. Taking the above example, Company Y cannot register the trademark “Geisha” for shochu instead of Company X for the purpose of selling such trademark to Company X.

2. General Registration Requirement

As the second requirement for obtaining trademark rights, a trademark should have the fundamental function of trademarks, i.e. the function of “**distinguishing goods or services from others** (distinctiveness)” (Article 3). This requirement is called the “**general registration requirement**.”

A trademark lacking distinctiveness cannot accumulate business reputation, and thus, has no value to be protected by the Trademark Act. For example, even if you attach a label printed with “sake” to a bottle of sake, such bottle cannot be distinguished from other sake provided by other companies. Also, anyone may want to

use part of trademarks lacking distinctiveness, and thus, such trademarks should not be monopolized by trademark rights. For example, sake brewing companies would like to attach a label printed with “sake” to a bottle of sake.

This is why Japan’s Trademark Act stipulates that the following six types of trademarks cannot demonstrate distinctiveness, and thus, cannot obtain a trademark registration.

(1) Common Names

The first type of trademarks lacking distinctiveness is “**common names**” (Article 3, Paragraph 1, Item 1). A common name means the name recognized by the traders as a generic name of the goods or services concerned. Proper names of products, etc. such as “Smartphone” for “smartphones,” abbreviated names of products, etc. such as “Choco” for “chocolate,” and popular names of products, etc. such as “Wave Flowers” for “salt” can be cited as examples of common names.

(2) Commonly Used Trademarks

The second type of trademarks lacking distinctiveness is “**commonly used trademarks**” (Article 3, Paragraph 1, Item 2). A commonly used trademark means a trademark that has become used commonly among people in the same business, and thus, the goods or services using such trademark have become indistinguishable from others. “Masamune” for “sake” and a “figure of a Dutch ship” for “castella” can be mentioned as examples of commonly used trademarks.

(3) Descriptive Trademarks

The third type of trademarks lacking distinctiveness is “**descriptive trademarks**” (Article 3, Paragraph 1, Item 3). A descriptive trademark means a trademark consisting solely of marks indicating the place of origin of the goods or the location in which the services are provided in a common manner. “Kyoto” indicating the place of origin of a “Japanese-style confection,” and “Safety” indicating the quality of “transportation by taxi” can be cited as examples of descriptive trademarks.

(4) Commonplace Surname or Name of Legal Entities

The fourth type of trademarks lacking distinctiveness is “**commonplace surname or name of legal entities**” (Article 3, Paragraph 1, Item 4). “Commonplace” here means something that exists in a large number. A “surname” means a family name, and Suzuki, Sato, or Tanaka can be cited as examples of commonplace surnames. A “name of a legal entity” means a name of corporation including a company, and Suzuki Co., Ltd. can be cited as an example of a commonplace name of legal entities.

(5) Very Simple and Common Trademarks

The fifth type of trademarks lacking distinctiveness is “**very simple and common trademarks**” (Article 3, Paragraph 1, Item 5). “Very simple” here means a trademark whose composition is very simple, and “common” means that a trademark is used

commonly. Numbers, single kana characters such as “あ” and “ア”, trademarks consisting of one or two letters such as “A” and “AB,” simple figures such as “○” and “×”, simple three-dimensional shapes such as a cylinder, etc. can be mentioned as examples of “very simple and common trademarks.”

(6) Other Trademarks Lacking Distinctiveness

The last type of trademarks that cannot obtain a trademark registration is “**other trademarks lacking distinctiveness**,” although it does not correspond to the above types such as common names (Article 3, Paragraph 1, Item 6).. For example, a slogan (e.g. advertising phrases of goods) and a unit (e.g. meter, gram, net, and gross) are also deemed lacking distinctiveness.

(7) Distinctiveness Through Use

It should be noted that even a trademark that is originally lacking distinctiveness may develop distinctiveness by being actually used. Such trademark may accumulate a business reputation, and thus, it should be protected by the Trademark Act and may be monopolized by a specific person. This is why the Trademark Act provides for an exceptional system in which a trademark registration may be granted to a trademark that has acquired distinctiveness through actual use (Article 3, Paragraph 2).

For example, the trademark “HONDA” pertaining to motorcycles had originally been lacking distinctiveness, since “HONDA” is a family name that exists in a large number in Japan. Yet, consumers throughout Japan have recognized so far that this trademark indicates motorcycles provided by Honda Motor Co., Ltd., and thus, “HONDA” is deemed to have obtained distinctiveness and has been registered as a trademark (Registered Trademark No. 656586).

3. Public Grounds for Non-Registration

As the third requirement for obtaining trademark rights, a trademark must not have “**public grounds for non-registration**.” The Trademark Act specifies the following five major types of trademarks that shall not be registered as a trademark from the perspective of the public interest to protect the benefit of society as a whole, even though the said trademark has distinctiveness as mentioned above. **(1) Marks of Public Institutions**

The first type is the “**marks of public institutions**” (Article 4, Paragraph 1, from Item 1 to Item 4). The national flag of Japan and other countries, coats of arms such as Japan’s orders and the British royal coats of arms, marks indicating international organizations such as the United Nations, marks of the Red Cross, and marks of other public institutions such as the International Olympic Committee and its abbreviation, IOC, cannot obtain a trademark registration. This is to protect the authority of the above public institutions.

(2) Official Seals for Control or Warranty

The second type is the “**official seals for control or warranty**” (Article 4, Paragraph 1, Item 5). Official seals that are used for control or warranty of goods or services by authorities in Japan and other countries cannot obtain a trademark registration. For example, a seal used by the Austrian government to guarantee the quality of Austrian wine corresponds to this type. This is due to the fact that if any official seals for control or warranty are used for goods or services that are not certified in reality, consumers may mistake such goods or services for those certified.

(3) Trademarks that May Harm Public Order and Morality

The third type is the “**trademarks that may harm public order and morality**” (Article 4, Paragraph 1, Item 7). Any trademark that may harm social order and social morality cannot obtain a trademark registration. For example, discriminatory words, such as “bitch” that insults women, correspond to this type. This is to maintain social and moral order.

(4) Awards of Exhibitions

The fourth type is the “**awards of exhibitions**” (Article 4, Paragraph 1, Item 9). Awards of exhibitions held in Japan and abroad cannot obtain a trademark registration. For example, a trademark such as “X International Exposition Gold Award Winner” corresponds to this type. This is to protect the authority of awards of exhibitions, and this is also due to the fact that if any awards of exhibitions are used for goods that are not awarded, consumers may mistake such goods for those awarded.

(5) Trademarks Misleading Others about the Quality

The last type is “**trademarks misleading others about the quality**” (Article 4, Paragraph 1, Item 16). Any trademark that may mislead others about the quality of goods or services cannot obtain a trademark registration. For example, the trademark “Geisha Wine” for “sake” corresponds to this type. This is so that consumers are not misled about the quality, etc. of goods.

4. Private Grounds for Non-Registration

As the fourth requirement for obtaining trademark rights, a trademark must not have “**private grounds for non-registration**.” The Trademark Act specifies the following nine major types of trademarks that shall not be registered as a trademark from the perspective of the private interest to protect the benefit of a specific person, even though the said trademark has distinctiveness as mentioned above.

(1) Portrait, Name, etc. of Others

The first type is the “**portrait, name, etc. of others**” (Article 4, Paragraph 1, Item 8). For example, Company X cannot obtain a trademark registration for the name of Mr. A. This is to protect personal rights. Personal rights means the right to prevent others

from using one's own portrait and name without permission. Therefore, if the applicant has obtained the other's consent, a trademark registration may be granted as an exception. Taking the above example, if Company X has obtained Mr. A's consent prior to filing an application, Company X would be entitled to obtain a trademark registration for the name of Mr. A.

(2) Others' Well-Known Trademarks

The second type is **"others' well-known trademarks"** (Article 4, Paragraph 1, Item 10). Others' trademarks that are well known in one of the regions in Japan and their similar trademarks cannot obtain a trademark registration. For example, supposing the trademark "Geisha" for sake of Company X has become famous in the Kanto region; even if Company X has not yet registered its trademark, Company Y may not register the trademark "Geisha" for sake. This is because trademarks from "others' well-known trademarks" to "trademarks that may cause confusion" mentioned below may cause confusion over the source.

(3) Others' Trademarks that are Applied and Registered Earlier

The third type is **"others' trademarks that are applied and registered earlier"** (Article 4, Paragraph 1, Item 11). A trademark for which others have already filed an application with the JPO and obtained the trademark registration and its similar trademarks cannot obtain a trademark registration. For example, if Company X has already filed an application for the trademark "Geisha" for sake with the JPO and obtained the trademark registration, Company Y cannot register the trademark "Geisha" for sake.

(4) Others' Registered Defensive Marks

The fourth type is **"others' registered defensive marks"** (Article 4, Paragraph 1, Item 12). For example, if Company X has registered with the JPO the trademark "Geisha" for milk as a defensive mark because it may cause confusion over the source between sake and milk, Company Y may not register the trademark "Geisha" for milk.

(5) Trademarks that May Cause Confusion

The fifth type is **"trademarks that may cause confusion"** (Article 4, Paragraph 1, Item 15). Any trademark that may cause confusion about goods or services provided by others cannot obtain a trademark registration. For example, given that the trademark "Geisha" for sake of Company X has become famous across Japan; even if Company Y uses "Geisha" for soft drinks that are dissimilar from sake, consumers may mistake such drinks for those provided by Company X, since the trademark "Geisha" of Company X for sake is famous. In this case, Company Y cannot obtain a trademark registration of "Geisha" for soft drinks.

(6) Registered Names under the Plant Variety Protection and Seed Act

The sixth type is **"registered names under the Plant Variety Protection and Seed Act"**

(Article 4, Paragraph 1, Item 14). The name of the plants that are registered as a variety by the Ministry of Agriculture, Forestry and Fisheries of Japan in accordance with the Plant Variety Protection and Seed Act (e.g. the name of a variety of strawberry, “Tochihime” [Registered Variety No. 9512]) is deemed unable to obtain a trademark registration to avoid a monopoly by trademark rights.

(7) Indication of the Place of Origin of Wine

The seventh type is “**indication of the place of origin of wine**” (Article 4, Paragraph 1, Item 17). A mark indicating a place of origin of wine in Japan and other countries that are members of the World Trade Organization (WTO) cannot obtain a trademark registration for wine produced in regions other than such place of origin. For example, the trademark “Morning in Bordeaux” that contains “Bordeaux,” which is a place of origin of wine in France, cannot obtain a trademark registration for wine produced in regions other than Bordeaux. This is to avoid such trademark registrations within the framework of international obligations pursuant to the provisions of Article 23 of the TRIPS Agreement.

(8) Trademarks Consisting only of characteristics naturally possessed by goods, etc.

The eighth type is the “**trademarks consisting solely of features goods, etc. should be equipped with naturally**” (Article 4, Paragraph 1, Item 18). For example, a color trademark in black for tires cannot obtain a trademark registration, as an automobile tire should inevitably be made by mixing carbon powder with rubber. This is to avoid the possibility of a monopoly on the product forms, etc. by trademark rights, and thus, to prevent free competition from being disturbed.

(9) Trademarks for the Use of Others' Well-Known Trademarks for Unfair Purposes

And the ninth type is the “**trademarks for the use of others' well-known trademarks for unfair purposes.**” (Article 4, Paragraph 1, Item 19). If an application for a famous trademark belonging to others in Japan or other countries is filed in order to use such trademark for unfair purposes, such application cannot obtain a trademark registration. For example, if the trademark “Geisha” for “wine” of U.S. Company X has become famous in the U.S., Japanese Company Y cannot register the trademark “Geisha” for “wine” in Japan for the purpose of selling such trademark to Company X. This is especially to avoid trademark registrations made in Japan for unfair purposes in relation to famous trademarks abroad.

5. Prior Application

As with the Patent Act to the Design Act, the Trademark Act has also adopted the “**first-to-file system.**” Thus, as the fifth requirement for obtaining trademark rights, the earliest applicant should obtain a trademark registration if there are two or more applications for trademark registration of an identical or similar trademark by

multiple persons (Article 8).

Whether or not an application is the earliest is determined based on the filing date, as is the case with the Patent Act to the Utility Model Act. Like the Design Act, not only the identical trademark as a prior application, but also a trademark similar to a prior application is subject to this system under the Trademark Act. However, if an application for a similar trademark is filed by the same applicant, such application can obtain a trademark registration because there is no risk of confusion over the source when the applicant is the same.

When two or more applications for trademark registration of an identical or similar trademark are filed on different days, the earliest applicant can obtain trademark rights (Article 8, Paragraph 1). For example, suppose “Geisha” and “芸者” are similar trademarks for sake; if Company X files an application for “Geisha” and then Company Y files an application for “芸者” on the following day, Company X can obtain trademark rights.

Further, when two or more applications for trademark registration of an identical or similar trademark are filed on the same day, the applicant designated by consultation between the parties can obtain trademark rights (Article 8, Paragraph 2). If no agreement is reached by consultation, or consultation cannot be held between the parties, the applicant designated by drawing lots can obtain trademark rights to the trademark concerned (Article 8, Paragraph 5), unlike the Patent Act to the Design Act. Taking the above example, if Company X and Company Y file an application respectively on the same day, either company designated by consultation between the parties may obtain the trademark registration. If the consultation is not successful, the parties need to draw lots to determine which party would obtain trademark rights.

V. Trademark Registration Procedures

Like the above Patent Act to the Design Act, the Trademark Act has adopted the “**principle of formalities**,” which means that it is necessary to make specific procedures at the JPO to obtain rights to a trademark. The Trademark Act has also adopted the “**substantive examination system**,” as with the Patent Act and Design Act, in which trademarks are registered after an examination pertaining to substantive requirements such as distinctiveness.

1. Application Documents

To file a trademark registration application, the applicant must submit an “**application request**” to the JPO. The application request must mainly describe the following five matters (Article 5, Paragraph 1).

The first matter is the name, address, etc. of the “**applicant**.” The second matter is the “**trademark for which a registration is sought**”: e.g. “Geisha” in the case that Company X wants to register the trademark “Geisha.” The third matter is the “**designated goods or designated services**”: e.g. “Sake” in the case that Company X wants to register the trademark “Geisha” for sake. The fourth matter is the “**class**” the designated goods or designated services belong to: e.g. “Class 33” in the case that Company X wants to register the trademark “Geisha” for “sake,” as “sake” belongs to “class 33.”

It should be noted that in Japan, not only multiple goods or services but also multiple classes of goods or services can be included in a single trademark registration application (Article 6).

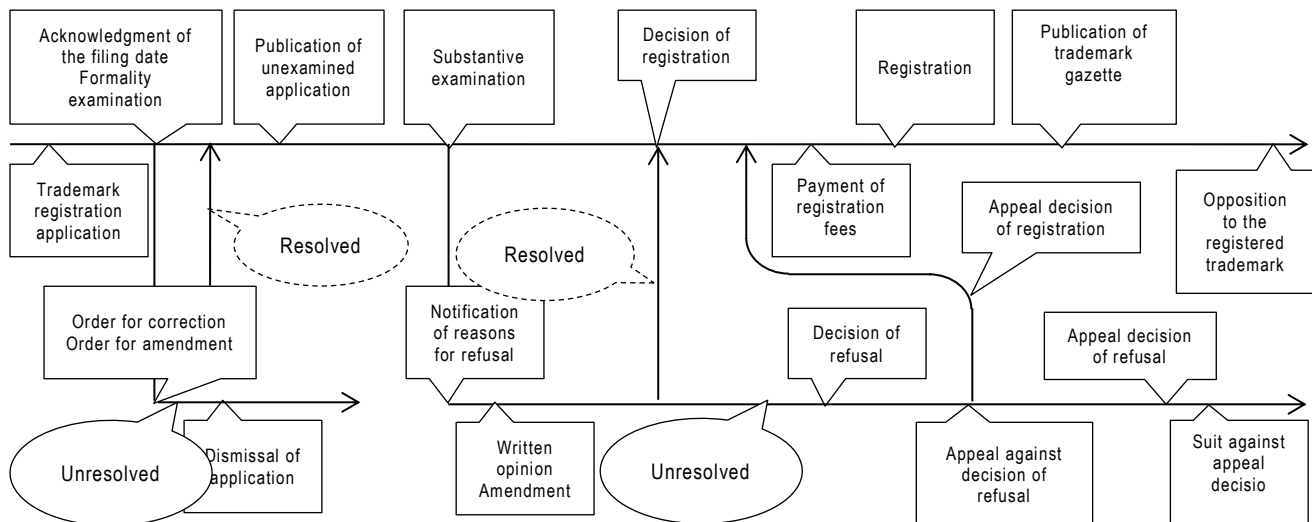
Lastly, when filing an application for a “**particular trademark**” (color trademarks, moving trademarks, three-dimensional trademarks, sound trademarks, etc.), the applicant must state the fact that the trademark belongs to “particular trademarks” (Article 5, Paragraph 2). Also, to file an application for a particular trademark, the applicant needs to enter the “detailed description of the trademark” in the application request and to attach the “article” to the application request. For example, you can explain the composition of three primary colors (RGB) in the color in the field “detailed description of the trademark” when filing an application for a color trademark, or you can submit a CD on which the sound is recorded as an “article” when filing an application for a sound trademark.

2. Rights Arising from the Application

Unlike the “right to obtain a patent” under the Patent Act, the Trademark Act does not offer any rights to a person when he/she determines to use a trademark. It is when the applicant files a trademark registration application with the JPO that such person

obtains a “**right arising from the trademark registration application.**” It is required to own this right to obtain a trademark registration.

3. Flow of Trademark Registration Procedures



(Figure 38) Flow of trademark registration procedures

Now, let’s look at the flow of the procedures for obtaining trademark rights in Japan based on Figure 38. First, the applicant files a “**trademark registration application**” by submitting the application documents and paying the application fee (3,400 yen + 8,600 yen per class) (Article 5). Then the Commissioner of the JPO makes an “**acknowledgment of the filing date**” after checking whether or not the application meets the minimum requirements as a trademark registration application (Article 5-2). The Commissioner of the JPO also conducts the “**formality examination**” to examine the formality requirements such as the formal consistency of the application documents (Article 17 of the Patent Act shall apply). If the contents of the application do not comply with these requirements, an order for correction or an order for amendment to procedures is given by the Commissioner of the JPO. If the applicant does not deal with such order appropriately by correcting or amending the application, the application concerned is rejected by the Commissioner of the JPO.

After a certain period of time has passed from the trademark registration application, the contents of the trademark registration application are disclosed by the Commissioner of the JPO regardless of the progress of the examination at the JPO. This system is called the “**publication of unexamined application**” (Article 12-2). In addition, if the applicant suffers a loss due to a third party who uses the trademark pertaining to the application, the applicant is entitled to request the said third party to pay money for compensation. This right is called the “**right to monetary claim**” (Article 13-2).

The examiner of the JPO examines the applied trademark as to the requirements for trademark registration such as distinctiveness (substantive requirements). It should be noted that, unlike the Patent Act, the Trademark Act does not provide for the system of the request for examination, and thus, the examination of trademark registration application is to be automatically carried out in due course. This examination is called the “**substantive examination**.” If the examiner finds no reasons for refusal, such as a reason that there is no distinctiveness in the trademark, a “**decision to register a trademark**” is given to the applicant (Article 16). If the examiner finds any reasons for refusal, a “**notification of reasons for refusal**” is made to the applicant (Article 15-2).

If a decision to register a trademark is made, the applicant needs to pay the registration fees for five years (16,400 yen per class) or for 10 years (28,200 yen per class) within 30 days from such decision (Articles 40 and 41-2). The trademark rights become effective when the JPO registers the establishment of such rights. The JPO then publishes the trademark gazette to disclose the contents of the trademark rights (Article 18). Like the Patent Act, anyone may file an opposition with the Commissioner of the JPO to cancel a trademark registration within two months from the publication of the trademark gazette. This system is called “**filing an opposition to a registered trademark**” (Article 43-2).

When the examiner makes a notification of reasons for refusal, the applicant has a chance to seek to resolve the notified reasons for refusal by submitting a written opinion to state his/her own points of view or an amendment to modify the application documents. If the reasons for refusal are not resolved after such an attempt, the examiner makes the “**decision of refusal**” (Article 15).

If the applicant is dissatisfied with the decision of refusal, he/she may file an “**appeal against the examiner's decision of refusal**” within three months from the decision of refusal in order to request a re-examination by the appeal examiners of the JPO (Article 44). When the appeal examiners judge that the trademark should be registered, an appeal decision to register a trademark is made, and then the above flow after the decision to register a trademark applies. When the appeal examiners also judge that the trademark rights should not be registered, an appeal decision of refusal is made.

Furthermore, if the applicant is dissatisfied with the appeal decision of refusal, he/she may file a “**suit against appeal decision**” to the Tokyo High Court within 30 days from the appeal decision of refusal (Article 63). If the appeal decision of refusal is revoked in this suit, the appeal at the JPO restarts (Article 181 of the Patent Act shall apply). If the appeal decision of refusal is maintained in this suit, the applicant must give up obtaining the trademark registration.

VI. Contents of Trademark Rights

Regarding the effect of the trademark rights arising from the above procedures, Article 25 of the Trademark Act stipulates that only the trademark right holder shall have the right to “**use**” (Article 2, Paragraph 3) the registered trademark for the designated goods or designated services. The acts of using a trademark within the scope of the effect of trademark rights can be classified into nine types as follows.

1. Effect of Trademark Rights

(1) The Acts of Using a "Trademark of Goods"

The acts of using a “**trademark of goods**” are categorized into two types as follows.

The first type is to “**affix**” a trademark to the goods or the package of goods (Article 2, Paragraph 3, Item 1). For example, if Company X holds trademark rights to “Geisha” for sake, only Company X may attach a label printed with “Geisha” to a bottle of sake.

The second type is to “**assign, etc.**” the goods bearing a trademark (Article 2, Paragraph 3, Item 2). Taking the above example, only Company X may sell sake to which a label printed with “Geisha” is attached.

(2) The Acts of Using a “Trademark of Services”

The acts of using a “**trademark of services**” are categorized into five types as follows.

The first type is to “**affix**” a trademark to an article to be used in the course of the provision of services by a person who receives the said services (Article 2, Paragraph 3, Item 3). For example, if Restaurant Y holds trademark rights to “Geisha” for providing food and drink, only Restaurant Y may mark tableware to be used by the customers with “Geisha.”

The second type is to “**provide services**” using an article to which the trademark is affixed to be used in the course of the provision of services by a person who receives the said services (Article 2, Paragraph 3, Item 4). Taking the above example, only Restaurant Y may provide food and drink by using the tableware marked with “Geisha.”

The third type is to “**display**” an article to which a trademark is affixed to be used to provide the services for the purpose of providing the said services (Article 2, Paragraph 3, Item 5). Taking the above example, only Restaurant Y may display a siphon coffee maker marked with “Geisha” on the counter inside the restaurant.

The fourth type is to “**affix**” a trademark to an article pertaining to the provision of services owned by a person who receives the said services in the course of the provision of the said services (Article 2, Paragraph 3, Item 6). For example, if Dry Cleaner Z holds trademark rights to “Geisha” for laundering, only the Dry Cleaner Z may put a tag marked with “Geisha” on the clothes of customers that have been treated.

And the fifth type is to provide services by displaying a trademark on the screen in

the course of the “**provision of services through an image viewer**” by electromagnetic means (Article 2, Paragraph 3, Item 7). For example, if Bank W holds trademark rights to “Geisha” for acceptance of deposits, only Bank W may provide Internet banking services by displaying “Geisha” on the screen of the website.

(3) The Acts of Using “Both” a Trademark of Goods and a Trademark of Services

The acts of using “**both**” a trademark of goods and a trademark of services are categorized as two types as follows.

The first type is to affix a trademark to “**advertising**,” etc. pertaining to the goods or services concerned and to display such advertising (Article 2, Paragraph 3, Item 8). Taking the above example, only Company X may display “Geisha” in the advertising of sake to be broadcasted on TV.

The second type is to “**emit the sound of a sound trademark**” for assignment etc. of goods (Article 2, Paragraph 3, Item 9). For example, if Company X holds trademark rights to its jingle for sake, only Company X may play such jingle when selling sake in the sake section of a supermarket.

2. Issues Regarding the Effect of Trademark Rights

(1) Parallel Import of Genuine Products

First, let’s examine the “**parallel import of genuine products**” [Supreme Court ruling on February 27, 2003 - Fred Perry case -]. In principle, importing products bearing a registered trademark by a person other than the trademark right holder without obtaining any license from the trademark right holder constitutes infringement of trademark rights. For example, supposing Company X holds trademark rights to “Geisha” for sake in Japan; if Company Y imports sake to which a label “Geisha” is attached from the U.S. into Japan, Company Y should be deemed to infringe trademark rights of Company X.

However, if the following three conditions are met, such acts are considered not to infringe trademark rights. This is because such parallel import of genuine products would not harm the interests of trademark right holders and consumers, and thus, may be deemed to have no substantial illegality.

The first condition is that the trademark of the imported goods should have legally been affixed by the overseas trademark right holder etc. (**legality**). Taking the above example, if the trademark “Geisha” affixed to sake imported by Company Y into Japan had been attached by Company X, the trademark right holder in the U.S., this condition is deemed met. The second condition is that the trademark of the imported goods must indicate the same source as that of the Japanese registered trademark (**the same source**). Taking the above example, if the trademark right holder of “Geisha” for sake in the U.S. is Company X, and the trademark right holder of “Geisha” for sake in

Japan is Company X too, this condition is deemed met. And the third condition is that the imported goods must have the same quality as the products to be assigned by the Japanese trademark right holder (**the same quality**). For example, if there is no difference in quality between the sake imported by Company Y and that sold by Company X in Japan because the quality management of sake to be imported by Company Y is carried out in the U.S. by Company X, this condition is deemed met. (2)

Limitation of the Effect of Registered Trademarks not in Use

Next, let's consider the "**limitation of the effect of registered trademarks not in use**" [Supreme Court ruling on March 11, 1997 - Kozo Sushi case -]. In principle, if the trademark right holder shows the fact of infringement of his/her trademark rights and the amount of damage by providing proof, compensation for damage arising from infringement of trademark rights can be claimed. For example, given that Company X holds trademark rights to "Geisha" for sake, if Company Y uses the trademark "Geisha" for sake without Company X's consent, Company X may obtain damage compensation from Company Y by showing the fact of infringement of its trademark rights by Company Y and the amount of damage through providing proof.

However, in the event that a registered trademark has no customer attraction and it is obvious that the use of such registered trademark by an infringer has not contributed to the sale of the infringing goods at all, the trademark right holder should be deemed not to have suffered any damage to be compensated. Taking the above example, if Company X has not used the trademark "Geisha" for sake at all, Company X may not request Company Y to compensate for damage even though Company Y uses the trademark "Geisha" for sake without Company X's consent. This is because a trademark that has no customer attraction, such as a trademark not in use, has no value to be protected by the Trademark Act.

3. Limitation of the Effect of Trademark Rights

The effect of trademark rights should mainly be limited in the following five cases according to Japan's Trademark Act

(1) One's Own Name, etc.

First, trademark rights have no effect on the trademarks indicating "**one's own name, etc.**" (Article 26, Paragraph 1, Item 1) This is to protect personal rights. As explained above, Honda Motor Co., Ltd. holds trademark rights to the trademark "HONDA" pertaining to motorcycles. However, such trademark rights have no effect on the indication of "Honda Co., Ltd." used by another company "Honda Co., Ltd." without the purpose of unfair competition.

(2) Common Names, etc.

Second, trademark rights have no effect on "**common names, commonly used**

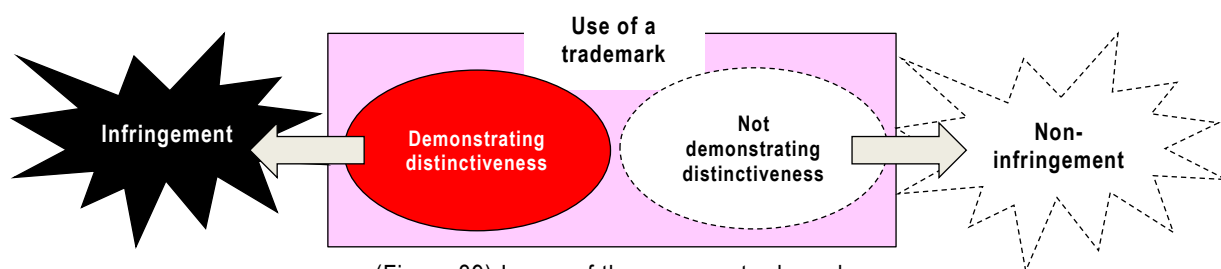
trademarks, descriptive trademarks” of the goods or services concerned (Article 26, Paragraph 1, from Item 2 to Item 4). For example, although the name of synthetic fiber, nylon, was originally a registered trademark, “nylon” has now become a common name, and thus the effect of its trademark rights has become limited.

(3) Trademarks Consisting Solely of the Features Naturally Provided by the Goods, etc.

Third, trademark rights have no effect on the “**trademarks consisting solely of the features naturally provided by the goods, etc**” (Article 26, Paragraph 1, Item 5). For example, suppose a parabolic antenna with the letters “ABC” has been registered as a trademark; since the form of a parabolic antenna is deemed a technical form as mentioned above, such trademark rights have no effect on the form of a parabolic antenna that does not have the letters “ABC.”

(4) .The Use as a Trademark

Fourth, trademark rights have no effect on the “**trademarks that are not used in a manner that they can demonstrate distinctiveness**” (Article 26, Paragraph 1, Item 6). As shown in Figure 39, trademarks may be used in a manner that they can demonstrate distinctiveness, and also in a manner that they cannot demonstrate distinctiveness. However, as the fundamental function of a trademark is distinctiveness, the Trademark Act stipulated that the trademark rights are effective only when the trademark is used in a manner that demonstrates distinctiveness (**the use as a trademark**). For example, given that Company Y holds trademark rights to “酒” for “glass bottles” and Company X attaches a label marked with “酒” to a bottle of sake that is manufactured and sold by Company X itself; the indication of “酒” on the bottle of sake of Company X would not be considered a trademark of a glass bottle, and thus, Company Y cannot exercise its trademark rights against Company X.



(Figure 39) Image of the use as a trademark

(5) Prior User’ s Right

Lastly, to protect the vested rights of the person who has already used the registered trademark, the Trademark Act also provides for the “**prior user’s right**” (Article 32), as with the Patent Act. The prior user’s right arises when the following four requirements are fulfilled.

First, as shown in Figure 40, the prior user must have used the said trademark in

Japan before the trademark right holder filed the trademark registration application. For example, Company Y has used the trademark “Geisha” for sake before Company X filed an application for the trademark “Geisha” for sake.

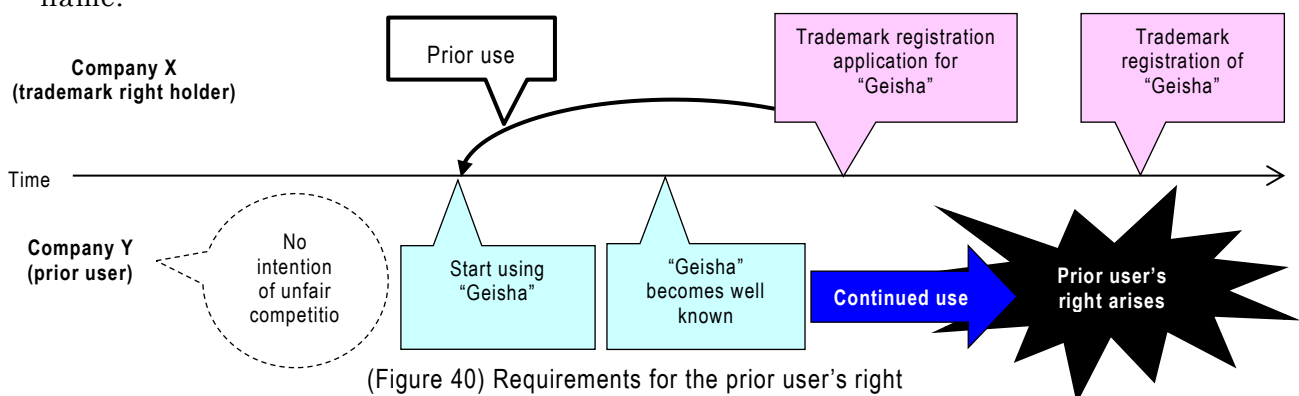
Second, the prior user must have used the said trademark without the purpose of unfair competition. For example, upon using the trademark “Geisha” for sake, Company Y had no intention of taking advantage of Company X’s “Geisha” sake.

Third, when the trademark right holder filed the trademark registration application, the said trademark should already have been known as that indicating the goods or services pertaining to the prior user’s business. For example, at the time of the application for the trademark “Geisha” by Company X, Company Y’s trademark “Geisha” should have been known at least in a region such as the Kanto region.

And fourth, the prior user should have used the said trademark continuously. For example, Company Y should have used the trademark “Geisha” for sake continuously.

The prior user may use the said trademark for the identical goods or services as before without paying the trademark right holder. Taking the above example, Company Y may continue to use “Geisha” for sake without paying a license fee to Company X.

Meanwhile, the trademark right holder may request the prior user to make an indication that could prevent consumers from mistaking the products, etc. of the trademark right holder for those of the prior user. Taking the above example, Company X may request that Company Y indicate “Company Y’s Geisha” by adding the company name.



It should be noted that, unlike the Patent Act to the Design Act, the Trademark Act does not provide for the scheme of granting a compulsory non-exclusive license. Granting a compulsory license for trademarks is prohibited by Article 21 of the TRIPS Agreement too.

4. Lapse of Trademark Rights

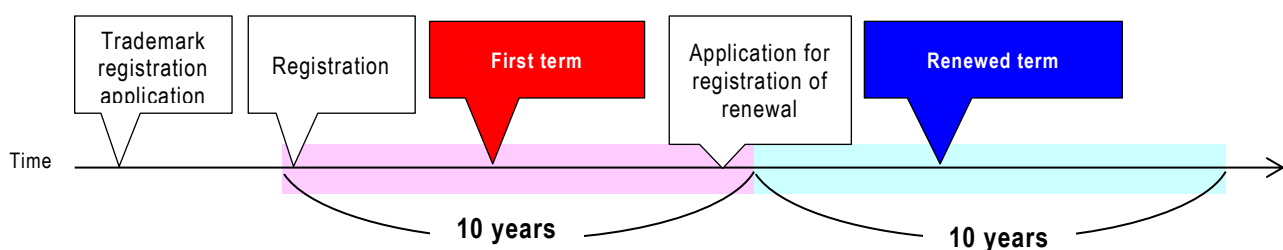
In Japan, trademark rights usually lapse due to the following five reasons: (1) when

the term expires, (2) when the registration fees are not paid, (3) when trademark rights are waived, (4) when trademark rights have been invalidated, and (5) when trademark rights have been cancelled. While reasons (2), (3), and (4) are the same as those for patent rights to design rights, reasons (1) and (5) are unique to trademark rights. After trademark rights lapse due to such reasons, anyone becomes able to freely use the trademark concerned and to register it as well. Now, let's look at the reasons for lapse unique to trademark rights.

(1) Expiration of Term of Trademark Right

First, as shown in Figure 41, the “**term**” of trademark rights terminates after 10 years from the registration date of the establishment of trademark rights (Article 19, Paragraph 1). While the term of patent rights, etc. is calculated from the filing date of the application, the term of trademark rights is calculated from the registration date, like the term of design rights.

However, unlike the term of patent rights etc., the term of trademark rights can be “**renewed**” as many times as needed if the trademark right holder submits an application for registration of renewal to the commissioner of the JPO (Article 19, Paragraph 2), since trademark rights are deemed a right to protect the reputation accumulated to the trademark semi-permanently. The application for registration of renewal must be filed during the period from six months prior to the expiration to the expiration date of the term.



(Figure 41) The term of trademark rights

(2) Trial for Cancellation of a Registered Trademark not in Use

Next, the Trademark Act provides for a system of “**trial for cancellation of a registered trademark not in use**” in which anyone can request to cancel a registered trademark if it has not been used for three consecutive years or longer in Japan for the designated goods or designated services by the trademark right holder, etc. (Article 50). Taking the above example, if Company X and its licensees have not used Company X’s registered trademark “Geisha” for sake for three consecutive years or longer in Japan, Company Y may file a request for a trial to the JPO to cancel the trademark registration of Company X.

The concept of the trial for cancellation of a registered trademark not in use is to cancel and organize trademarks not in use, since they have no business reputation to

be protected under the Trademark Act. Further, even if there is someone who wants to use them, such a person cannot use them because they remain registered trademarks even though they have not been used. As for the Patent Act and Utility Model Act, although they provide for a system of granting a non-exclusive license through an arbitration decision of the Commissioner of the JPO (compulsory licensing system) in the event that inventions and utility models have not been worked appropriately, they do not provide for a system of cancelling patent rights or utility model rights, unlike the Trademark Act.

5. Economic Exploitation of Trademark Rights

Trademark rights can economically be exploited, like patent rights, etc., by the following four means.

(1) Right of the Exclusive Use

The first means is granting a “**right of the exclusive use**” (Article 30). This right is equivalent to the exclusive license under the Patent Act, etc. Taking the above example, Company X may grant an exclusive license for the trademark right T to Company Y. Yet, the right of the exclusive use cannot be established with trademarks held by public institutions (e.g. Olympic marks whose trademark rights are held by the International Olympic Committee) or the regional collective trademarks as described later.

(2) Right of Non-Exclusive Use

The second means is granting a “**right of non-exclusive use**” (Article 31). This right is equivalent to the non-exclusive license under the Patent Act, etc. For example, Company X may grant a non-exclusive license for the trademark right T to Company Y. However, the right of non-exclusive use cannot be established with trademarks held by public institutions in this case either.

(3) Transfer of Trademark Rights

The third means is the “**transfer**” of trademark rights. For example, Company X may transfer the trademark rights to Company Y because of a corporate merger, assignment agreement, etc. Yet, as with the right of the exclusive use, trademark rights held by public institutions or those of the regional collective trademarks cannot be transferred freely.

One of the characteristics of the trademark rights is the fact that they can be “**transferred partially**” per each of the designated goods or designated services when multiple goods or services pertain to them (Article 24-2). For example, if Company X holds trademark rights to the registered trademark “Geisha” for sake and shochu as the designated goods, Company X may partially transfer only the trademark rights pertaining to shochu and may continue to hold the trademark rights pertaining to

sake.

(4) Establishment of Pledge

And the fourth means is establishing a “pledge.” Taking the above example, Company X may put trademark right T up as collateral to borrow funds from the Bank Z.(5)

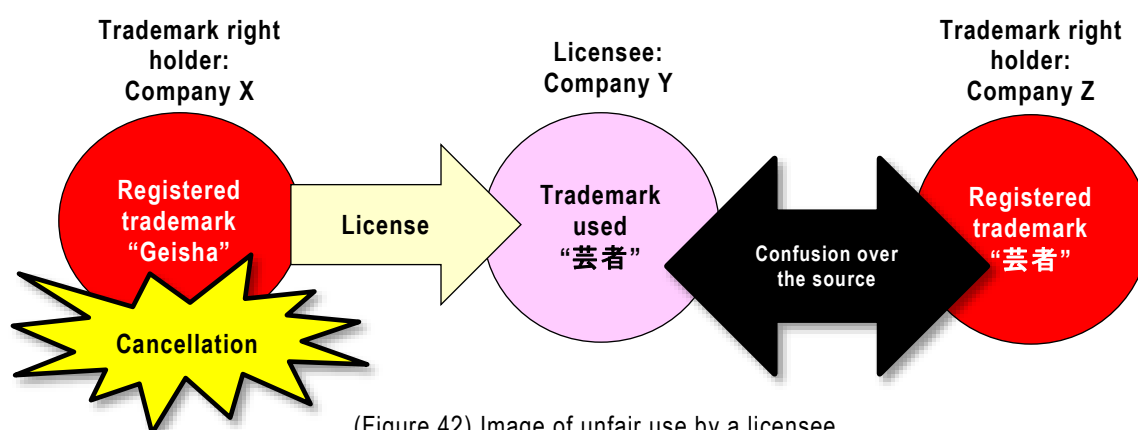
Registration with the JPO

Like the Patent Act, etc., registration with the JPO is required to grant a right of the exclusive use, to transfer trademark rights due to assignment, etc., to establish a pledge, etc. In addition, the right of non-exclusive use can also be registered with the JPO, unlike the Patent Act, etc. The right of non-exclusive use is deemed to become effective against third parties after having been registered with the JPO (Article 31, Paragraph 5). For example, by having registered the right of non-exclusive use with the JPO, Company Y may claim Company Z to hold such right even if trademark right T is assigned from Company X to Company Z.

6. Matters to be Noted Regarding Economic Exploitation of Trademark Rights

When exploiting trademark rights economically in Japan, the following two points should be noted.

(1) Unfair Use by a Licensee



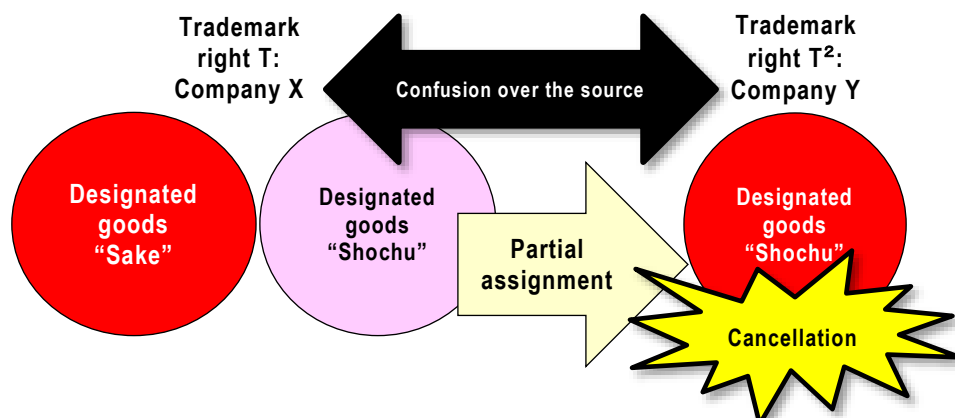
(Figure 42) Image of unfair use by a licensee

First, as shown in Figure 42, in the event that an exclusive use licensee of a trademark is misleading about the quality, or causes confusion over the source by using such trademark in an unfair manner, anyone can file a request to cancel such trademark (Article 53).

For example, supposing Company X holds trademark right T to “Geisha” for “sake” and grants a license to use the said trademark to Company Y, and then Company Y uses the trademark “芸者” that is similar to “Geisha” for “sake,” causing confusion over the source among consumers as if “shochu” under the trademark “Geisha” is provided by Company Z; the trademark right T would be subject to cancellation in the case that Company X lets Company Y behave like this, knowing that Company Y uses the

trademark in an unfair manner.

(2) Unfair Use due to Partial Assignment



(Figure 43) Image of unfair use due to partial assignment

Further, as shown in Figure 43, in the event that trademark rights pertaining to similar registered trademarks have become owned by different parties due to the transfer of trademark rights, and that one of the trademark right holders uses the registered trademark for the purpose of unfair competition which results in confusion between one trademark right holder and another, anyone may file a request for a trial for cancellation of the trademark concerned (Article 52-2).

For example, assuming that Company X holds trademark right T to the registered trademark “Geisha” for “sake and shochu” as the designated goods and partially assigns trademark right T for “shochu” to Company Y as trademark right T²; in the event that Company Y uses “Geisha” for “shochu” for the purpose of unfair competition to take advantage of Company X’s sake, which misleads consumers into believing that Company Y’s shochu is a product provided by Company X, the trademark right T² would be subject to cancellation.

7. Structure of Trademark Rights

Trademark rights consist of the two scopes as shown in Figure 42.

Goods or services/Trademark	Identical	Similar	Dissimilar
Identical	Exclusive rights	Prohibitive rights	Non-infringement
Similar	Prohibitive rights	Prohibitive rights	Non-infringement
Dissimilar	Non-infringement	Non-infringement	Non-infringement

(Figure 44) Structure of trademark rights

(1) Scope of Exclusive Rights

The first type is the “**scope of exclusive rights**” in which the trademark right holder can exclusively use the identical trademark as the registered trademark (Article 25). For example, if Company Y uses the trademark “Geisha” for sake without permission of Company X while Company X holds the trademark right T to “Geisha” for sake, this constitutes infringement of trademark rights.

(2) Scope of Prohibitive Rights

And the second type is the “**scope of prohibitive rights**” in which the trademark right holder can prohibit any third party from using trademarks similar to the registered trademark (Article 37, Item 1). Taking the above example, if Company Y uses a trademark “芸者” which is similar to “Geisha” for sake without permission of Company X, this also constitutes infringement of trademark rights. Since a similar trademark may cause confusion over the source between such trademark and the registered trademark, the Trademark Act prohibits using a similar trademark.

However, the scope of prohibitive rights does not mean a scope in which the trademark right holder can exclusively use the trademark concerned, and thus, if the trademark right holder is misleading about the quality, or causes confusion over the source by using such trademark intentionally within the scope of prohibitive rights, anyone can file a request to cancel such trademark (Article 51).

Taking the above example, if Company X uses the trademark “芸者” which is similar to the trademark “Geisha” for “sake,” intentionally causing confusion over the source as if its “sake” is that which is provided under the trademark “芸者” by Company Z, trademark right T would be subject to cancellation.

8. Infringement of Trademark Rights and its Remedies

(1) Aspect of Infringement of Trademark Rights

Infringement of trademark rights can also be classified into direct infringement and other acts preliminary to such infringement. “**Direct infringement**” means using a trademark within the scope of the above exclusive rights or prohibitive rights.

The acts preliminary to infringement of trademark rights are basically categorized into three types as follows (Article 37, Item 2 and below). The first type is to hold “**infringing articles**” for the purpose of assigning them or other purposes. Taking the above example, if Company X keeps “sake” to which a label printed with “Geisha” is attached in its warehouse for the purpose of selling it, such acts correspond to this type. The second type is to hold “**infringing trademark indications**” (e.g. labels or stickers printed with a trademark) for the purpose of using such infringing trademark by oneself or having others use it. Taking the above example, if Company Z manufactures a label for sake printed with “Geisha” and sells it to Company Y, such acts correspond

to this type. And the third type is to manufacture as a business “**exclusive goods**” that are used to manufacture infringing trademark indications (e.g. dies to manufacture labels and stickers). Taking the above example, if Company W manufactures a “die” to manufacture “labels” for sake printed with “Geisha” and sells it to Company Z, such acts correspond to this type.

(2) Remedies Against Infringement

If trademark rights are infringed as described above, “**trademark right holders**” and “**exclusive use licensees**” can receive the following three types of remedies as principle civil remedies, as is the case with infringement of patent rights and design rights: (1) making a “demand for injunction” to stop the acts of infringement, etc. (Article 36), (2) “demanding compensation for damage” arising from infringement of trademark rights, etc. that has been committed intentionally or by negligence (Article 709 of the Civil Code), and (3) taking “measures for recovery of reputation” if business reputation is infringed (Article 106 of the Patent Act shall apply).

If trademark rights or the rights of the exclusive use are infringed “**deliberately**,” such acts may also be subject to “**criminal sanctions**” and thus punishment of up to 10 years in prison or a fine of up to 10 million yen, or both imprisonment of up to 10 years and a fine of up to 10 million yen may be sentenced (Article 78). Further, if an employee of a company infringes trademark rights in the course of performing his/her duties for the company, the company may also be subject to criminal sanctions. In this case, the company may also be sentenced to a fine of up to 300 million yen (Article 82). The subject of criminal sanctions are the same as the case of infringement of patent rights and design rights.

VII. Particular Trademarks Systems

1. Collective Trademark System

(1) Outline of the System

A “**collective trademark**” means a trademark registered by an association (e.g. agricultural cooperatives) composed of business operators (e.g. farmers) in order that its members can use such trademark commonly to indicate that the source of goods or services is the members of such association.

For example, the agricultural cooperative X may obtain a collective trademark registration of the trademark “samurai” to be used for vegetables shipped by farmer Y and others belonging to the association.

(2) Advantage of Utilizing the Collective Trademark System

The advantage of utilizing the collective trademark system is found in the following two points.

The first advantage is that the association itself does not need to have the intention of using the trademark (Article 7). As described above, to obtain a trademark registration, it is basically necessary for the applicant to have the intention of using the trademark concerned by him/herself. Yet, in the case of a collective trademark, the association itself does not need to have the intention of using the trademark, and it is sufficient if its members use the said trademark. Taking the above example, the agricultural cooperative X is not required to have the intention of using the trademark “samurai,” and it is sufficient to obtain a trademark registration if the agricultural cooperative X has the intention to have farmer Y and others use such trademark.

And the second advantage is that the members of the association can use the collective trademark without explicitly obtaining a license from the association (Article 31-2). Taking the above example, farmer Y and others may use the trademark “samurai” without explicitly obtaining a license from the agricultural cooperative X.

2. Regional Collective Trademarks

(1) Outline of the System

“**Regional collective trademarks**” refer to a scheme in which word marks composed of the name of a region used as a “**local brand**” and a common name of goods etc. can be registered easily by specific organizations, such as business cooperatives, agricultural cooperatives, commerce and industry associations, and chambers of commerce (Article 7-2).

For example, supposing agricultural cooperative X in town A has member farmer Y and others use the local brand “Town A melon” for the melons shipped by them. If “Town A melon” has already become known, the agricultural cooperative X may obtain a trademark registration of “Town A melon” as a regional collective trademark.

(2) Advantage of Utilizing the Regional Collective Trademark System

The advantage of utilizing the regional collective trademark system is found in the following point in addition to the two points for utilizing the scheme of collective trademarks as mentioned above.

Basically, a local brand is deemed lacking distinctiveness, and thus, cannot obtain a trademark registration. Although some of the local brands that are famous throughout Japan had exceptionally obtained a trademark registration (e.g. Yubari melons [Registered Trademark No. 2591067]), the number of such registrations had been extremely limited.

This is why the Trademark Act has established this system of regional collective trademarks to protect the local brands that have already become well known in their neighboring prefectures, through granting a trademark registration, on condition that its application is filed by specific organizations such as agricultural cooperatives.

3. Defensive Marks

(1) Outline of the System

“**Defensive marks**” refers to a scheme in which a trademark right holder may register a defensive mark separately from the registered trademark with the JPO in order to protect famous trademarks in advance by prohibiting others from using such trademarks, in the case that confusion over the source may arise even among the dissimilar goods or services (Article 64).

For example, supposing the registered trademark “Geisha” for sake of Company X has become famous across Japan. Company X may obtain a defensive mark registration for “milk,” which is a dissimilar good from sake, in order to prevent other companies from using “Geisha” for milk.

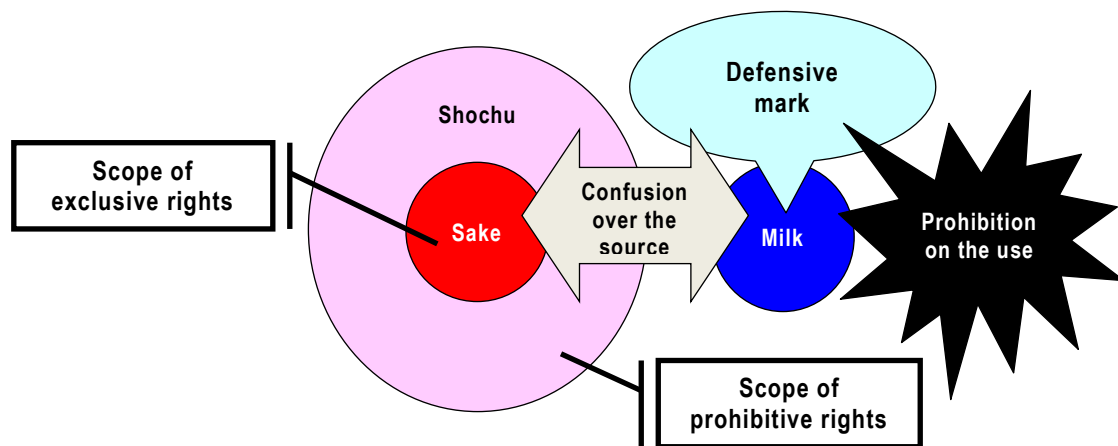
(2) Advantage of Utilizing the Defensive mark System

In principle, only the goods or services that are identical or similar to the designated goods or designated services pertaining to the registered trademark are within the scope of the effect of trademark rights (Article 25, and Article 37, Item 1). Let’s look at Figure 45 to be more precise. If Company X holds the registered trademark “Geisha” for the designated good “sake,” Company X can prohibit Company Y from using “Geisha” for sake and “shochu,” a product similar to sake. Yet, in other words, Company X cannot prohibit Company Y from using “Geisha” for “milk,” a product dissimilar to sake.

However, due to the distinctness of the registered trademark, “**confusion over the source**” may arise beyond the scope of goods or services that are identical or similar to those of the said trademark. Taking the above example, if Company Y uses “Geisha” for “milk” while the registered trademark “Geisha” for “sake” of Company X has become

famous all over Japan, consumers may mistake such milk for that provided by Company X.

The Trademark Act has therefore established this scheme of defensive marks to protect business reputation built on the famous registered trademarks, through prohibiting the use of registered trademarks for “**dissimilar goods**” and “**dissimilar services**” that may cause confusion over the source as well. Taking the above example, Company X may register “Geisha” for “milk” as a defensive mark to prohibit Company Y from using such trademark.



(Figure 45) Concept of the defensive mark scheme

I. Acts Deemed Unfair Competition

The purpose of Japan's Unfair Competition Prevention Act is to prevent unfair competition, provide measures against unfair competition, and ultimately contribute to the sound development of the national economy. To realize this aim, the Unfair Competition Prevention Act defines the following nine types of acts as “**unfair competition**” (Article 2, Paragraph 1), and regulates such acts.

(1) Acts of Creating Confusion

The first type is “**acts of creating confusion**”; i.e. the acts of creating confusion with others' goods or services by using an indication of goods, etc. that is identical or similar to others' well-known indication of goods, etc. (Article 2, Paragraph 1, Item 1) An “indication of goods, etc.” here means a display indicating the source of the goods or the entity providing the services, such as a name, trade name, trademark, or package of goods pertaining to one's own business, and thus, having distinctiveness. “Well known” means that an indication of goods, etc. is widely recognized in a region, such as the Kanto region or Kinki region.

For example, if a product name “Geisha” for sake manufactured and sold by Company X has been well known in the Kanto region and Company Y uses “Geisha” for shochu manufactured and sold by itself, consumers including the traders of sake may mistake Company Y's shochu for a product provided by Company X. In this case, Company Y's acts should be regulated as the acts of creating confusion.

(2) Acts of Using Others' Famous Indication

The second type is “**acts of using others' famous indication**”; i.e. the acts of using an indication of goods, etc. that is identical or similar to others' famous indication of goods, etc. as the infringer's own indication of goods, etc. (Article 2, Paragraph 1, Item 2) “Famous” here means that an indication of goods, etc. is widely recognized throughout Japan.

Taking the above example, if Company X's sake has become famous all over Japan and Company Y uses “Geisha” for milk manufactured and sold by itself, there is a possibility that consumers would not mistake Company Y's milk for a product of Company X, as sake is not associated with milk that much. However, in the case of the acts of using others' famous indication, Company Y's acts should be regulated as unfair competition even though consumers are not misled.

(3) Acts of Imitating Others' Configuration of Goods

The third type is “**acts of imitating others' configuration of goods**”; i.e. the acts of assigning, etc. goods that are made by imitating others' configuration of goods (Article 2, Paragraph 1, Item 3). “Imitating” here means that the goods concerned rely on others' goods and substantially have an identical configuration with the others' ones

(Article 2, Paragraph 5). It should be noted that the acts of imitating the configuration of goods are not deemed unfair competition, but the acts of assigning, etc. imitated goods are deemed unfair competition.

For example, given that toy α manufactured and sold by Company X is a fast-selling product, if Company Y, attracted by Company X's toy α , manufactures and sells toy α' whose configuration is almost identical to that of toy α , by imitating it, such acts should be regulated as the acts of imitating others' configuration of goods.

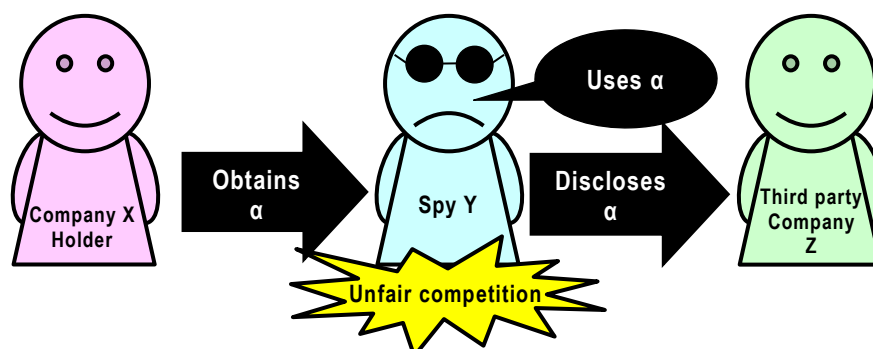
(4) Unfair Competition Regarding Domain Names

The fourth type is “**unfair competition regarding domain names**”; i.e. the acts of obtaining, etc. the right to use a domain name that is identical or similar to others' specific indication of goods, etc. for profit-making and damage-causing purposes (Article 2, Paragraph 1, Item 13). A “specific indication of goods, etc.” here means a display indicating the goods or services, such as a name, trade name, trademark, or package of goods pertaining to one's own business, and thus, having distinctiveness. In contrast to the above acts of creating confusion and using others' famous indication, it is not required that the indication involved be well known or famous.

For example, supposing the name of Company X, a worldwide famous Japanese corporation, is “XXX Co., Ltd.” If Company Y obtains a domain name that is identical to the company name of Company X (<http://www.xxx.co.jp>), holds such domain name, or opens a pornographic website by using such domain name for the purpose of selling such domain name to Company X at a high price or damaging Company X's reputation, such acts should be regulated as unfair competition regarding domain names.

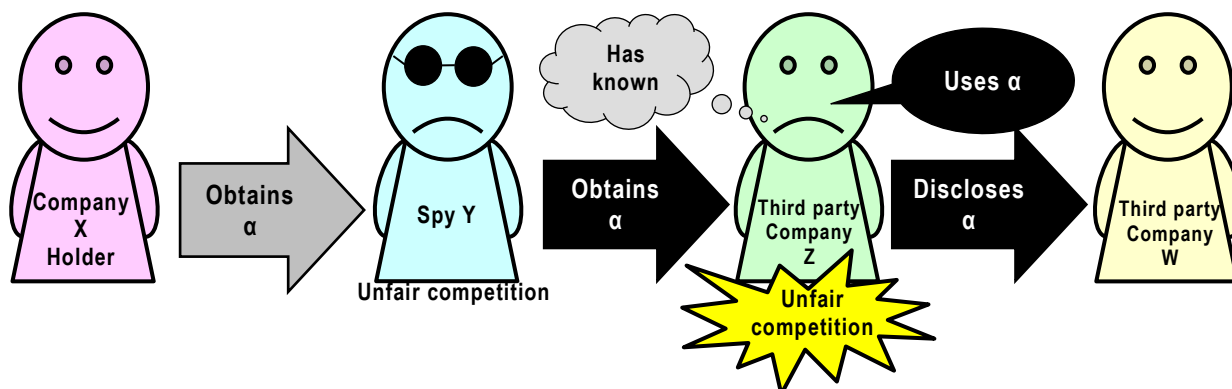
(5) Trade Secrets-Related Unfair Competition

The fifth type is “**trade secrets-related unfair competition**,” which can be classified into the following seven groups of acts. “**Trade secrets**” means information that meets all of the following three conditions, like various information held by companies including customer information and know-how of manufacturing products (Article 2, Paragraph 6): (1) information should be managed as secret (**managed secrets**), (2) information should be technical or business information useful for business activities (**usefulness**), and (3) information should not be publicly known (**not-publicly known**).



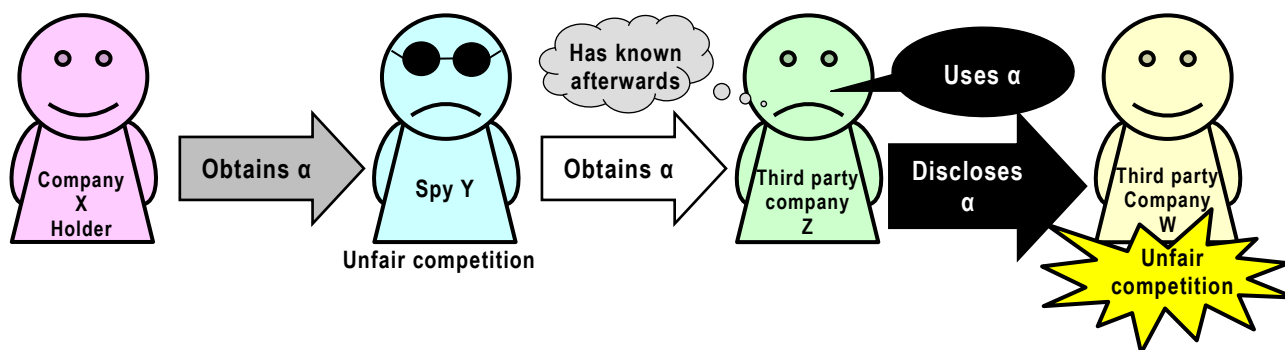
(Figure 46) Image of the trade secrets-related unfair competition No. 1

As shown in Figure 46, suppose Company X holds customer list α . In the event that industrial spy Y obtains list α from Company X by unfair means (e.g. stealing it, obtaining it by false pretenses, or extorting it), does business by using it, or discloses it to a third party, Company Z, by selling it, such acts would correspond to the trade secrets-related unfair competition No. 1 (Article 2, Paragraph 1, Item 4).



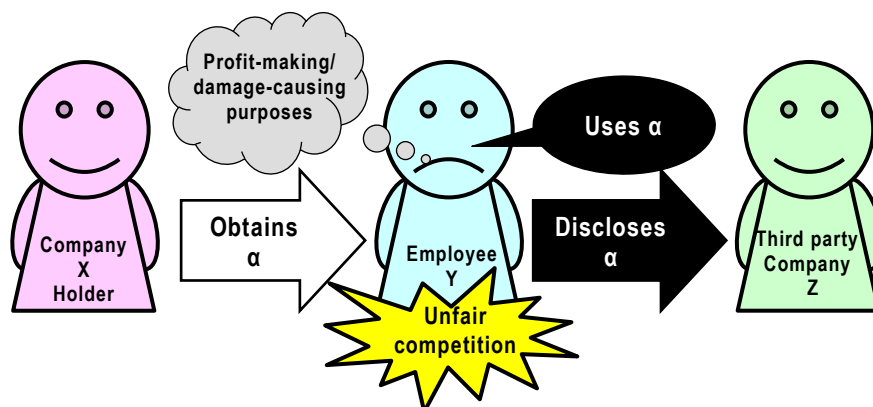
(Figure 47) Image of the trade secrets-related unfair competition No. 2

As shown in Figure 47, supposing Company Z acquires list α from Y, knowing the circumstances that Y has obtained list α from Company X by unfair means (unfair acquisition circumstances), or without knowing such circumstances by gross negligence. In this case, Company Z's acts of acquiring list α from Y, using it, or further disclosing it to another third party, Company W, would correspond to the trade secrets-related unfair competition No. 2 (Article 2, Paragraph 1, Item 5).



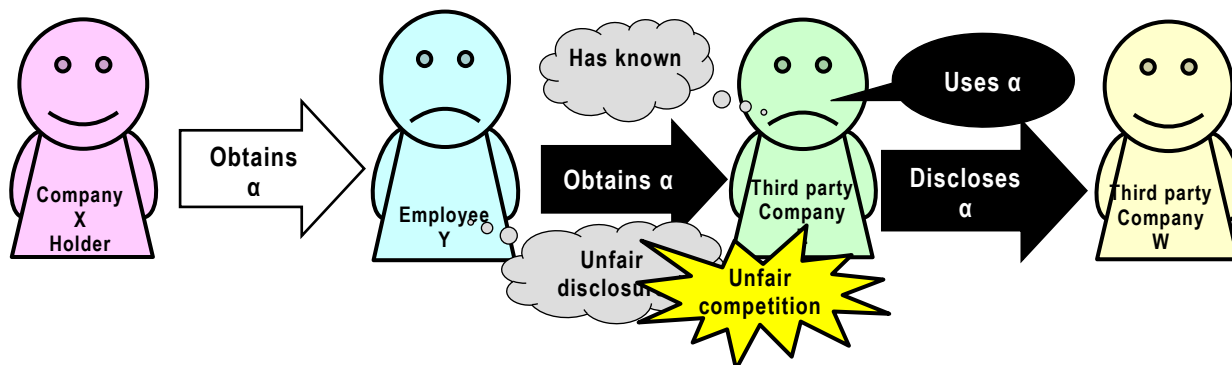
(Figure 48) Image of the trade secrets-related unfair competition No. 3

As shown in Figure 48, assuming that Company Z has acquired list α from Y without knowing the unfair acquisition circumstances. If Company Z learns of such circumstances afterwards by receiving a notification about the circumstances from Company X, or it remains without such knowledge by gross negligence even though the fact that list α that was stolen from Company X has been highly publicized, Company Z's acts of using list α and disclosing it to Company W would correspond to the trade secrets-related unfair competition No. 3 (Article 2, Paragraph 1, Item 6).



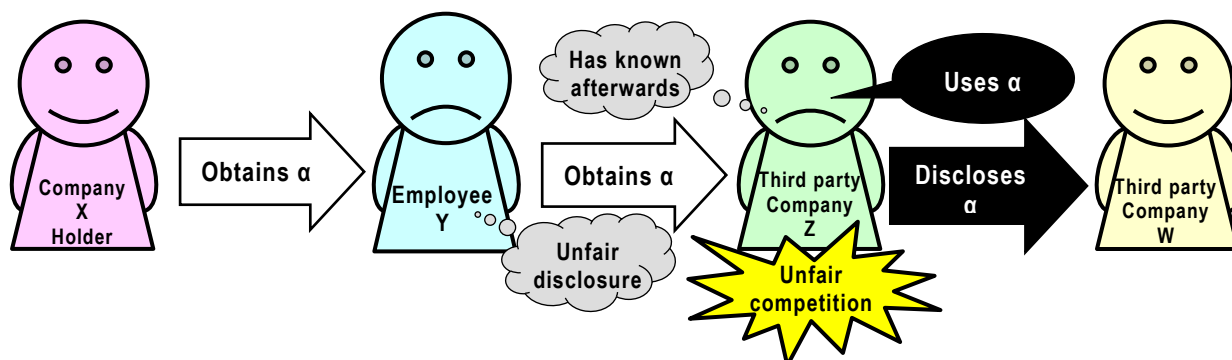
(Figure 49) Image of the trade secrets-related unfair competition No. 4

As shown in Figure 49, suppose Company X's employee Y has obtained list α from Company X by fair means to perform his/her duties for the company. If Y uses list α or discloses it to Company Z for the purpose of making unfair profits or causing damage to Company X, such acts would correspond to the trade secrets-related unfair competition No. 4 (Article 2, Paragraph 1, Item 7).



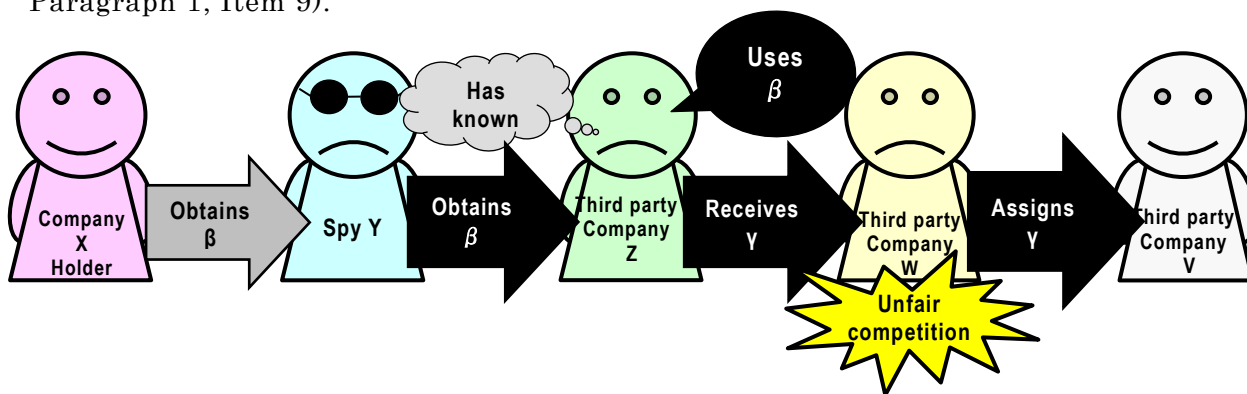
(Figure 50) Image of the trade secrets-related unfair competition No. 5

As shown in Figure 50, given that Y unfairly has disclosed list α to Company Z, by moving to Company Z and violating legal obligations, if Company Z acquires list α from Y, knowing that it consists of unfair disclosure, or without knowing it by gross negligence, Company Z's acts of acquiring list α from Y, using it, or further disclosing it to Company W would correspond to the trade secrets-related unfair competition No. 5 (Article 2, Paragraph 1, Item 8).



(Figure 51) Image of the trade secrets-related unfair competition No. 6

As shown in Figure 51, supposing Company Z has acquired list α from Y without knowing that it consists of unfair disclosure as mentioned above. If Company Z learns of such circumstances afterwards or it remains without such knowledge by gross negligence, Company Z's acts of using list α or further disclosing it to Company W would correspond to the trade secrets-related unfair competition No. 6 (Article 2, Paragraph 1, Item 9).



(Figure 52) Image of the trade secrets-related unfair competition No. 7

As shown in Figure 52, suppose industrial spy Y has obtained know-how β about the manufacturing of product γ from Company X by unfair means, and Company Z has acquired know-how β from Y, knowing that Y had obtained it by unfair means, and has manufactured product γ by using it, if Company W receives product γ from Company Z, knowing that know-how β has been used unfairly, and further assigns product γ to another third party such as Company V, Company W's acts would correspond to the trade secrets-related unfair competition No. 7 (Article 2, Paragraph 1, Item 10).

(6) Unfair Competition Against the Technological Restriction Measures

The sixth type is “**unfair competition against the technological restriction measures**”; i.e. the acts of assigning, etc. a device having a function of enabling the recording of images, etc. (e.g. a program for deactivating the copy protection and copy guard canceller equipment), which is limited by the technological restriction measures used for business purposes (e.g. DVD copy protection), by interfering with the effect of such measures (Article 2, Paragraph 1, Items 11 and 12). For example, distributing a program for deactivating the copy protection through the Internet or selling copy guard canceller equipment is deemed unfair competition against technological restriction measures.

(7) Acts of Misleading the Place of Origin

The seventh type is “**acts of misleading the place of origin**”; i.e. the acts of displaying a misleading indication about the place of origin of the goods or services in advertising of such goods or services (Article 2, Paragraph 1, Item 14). For example, attaching a label marked with “Bordeaux” to a bottle of Chilean wine or selling a bottle of Chilean wine to which a label marked with “Bordeaux” is attached is deemed an act of

misleading the place of origin.

(8) Acts of Damaging Reputation

The eighth type is “**acts of damaging reputation**”; i.e. the acts of spreading a false allegation that damages business reputation of competitors (Article 2, Paragraph 1, Item 15). For example, if restaurant Y informs its customers that food poisoning has happened at restaurant X or posts such information on a website for defamation when it did not actually occur, such acts would correspond to the acts of damaging reputation.

(9) Acts of Using a Trademark by an Agent etc. without Authorization

And the last type is “**acts of using a trademark by an agent etc. without authorization**”; i.e. the acts of using, etc. a trademark by an agent, etc. of the trademark right holder in a country of the union established by the Paris Convention, without the consent of the said trademark right holder in the said country without due reasons (Article 2, Paragraph 1, Item 16). For example, supposing Company X holds trademark rights to the trademark “Geisha” in country A, one of the countries of the union established by the Paris Convention. If Company Y, an agent of Company X in Japan, uses “Geisha” outside the scope for which Company Y has obtained the license, without the consent of Company X or without due reasons, such acts would correspond to the acts of using a trademark by an agent, etc. without authorization.

II. Remedies Against Unfair Competition

If any party's "**business interests**" are infringed due to the above unfair competition, such party may receive the following three types of remedies, as is the case with infringement of patent rights, etc.: (1) making a "**demand for injunction**" to stop the acts of infringement, etc. (Article 3), (2) "**demanding compensation for damage**" arising from infringement of business interests through unfair competition that has been committed intentionally or by negligence (Article 4), and (3) taking "**measures for recovery of reputation**" if business reputation is infringed (Article 14). Yet, as consumers or consumer groups do not have such business interests, they cannot exercise the above rights under the Unfair Competition Prevention Act.

For example, if a product name "Geisha" for sake manufactured and sold by Company X is famous, and Company Y uses "Geisha" for shochu manufactured and sold by Company Y causing confusion over the source, Company X can naturally exercise its rights under the Unfair Competition Prevention Act against Company Y. On the contrary, even if consumers mistake Company Y's shochu for Company X's sake and purchase it, consumers or consumer groups cannot exercise the rights under the Unfair Competition Prevention Act.

If anyone engages in unfair acquisition of trade secrets, which is deemed acts especially malicious, such acts may be subject to "**criminal sanctions**" and thus punishment of up to 10 years in prison or a fine of up to 20 million yen, or both imprisonment of up to 10 years and a fine of up to 20 million yen may be sentenced (Article 21, Paragraph 1). Also, if anyone engages in other kinds of unfair competition for malicious purposes, such acts may be subject to "**criminal sanctions**" and thus punishment of up to 5 years in prison or a fine of up to 5 million yen, or both imprisonment of up to 5 years and a fine of up to 5 million yen may be sentenced (Article 21, Paragraph 2).

Further, if an employee of a company engages in the above-mentioned unfair acquisition of trade secrets, unfair competition for malicious purposes, etc. in relation to his/her duties for the company, the company may also be subject to criminal sanctions. In this case, the company may also be sentenced to a fine of up to the amount of 300 million yen to one billion yen (Article 22).

III. Prohibited Acts Based on International Agreements

In addition to the acts of unfair competition as described above, Japan's Unfair Competition Prevention Act also prohibits the following three types of acts in accordance with international agreements such as the Paris Convention.

First, no one shall use the national flag, etc. of any foreign country as a business (Article 16). For example, each of the following acts would be regulated by the Unfair Competition Prevention Act, in the event that Company Y uses (1) the national flag of country A as a trademark of Company Y, (2) the coat of arms of country A in a manner that others may mistake Company Y's products made in Japan for those made in country A, or (3) the seal used by country A's government to guarantee the products made in Country A (official seal for control or warranty) as a trademark of Company Y.

Second, no one shall use the marks of international organizations as a business in a manner that may mislead others into believing that such person has a relationship with such international organization (Article 17). For example, if Company Y uses the Olympic marks as its trademark in a manner that may mislead others into believing that Company Y is one of the affiliated companies of the International Olympic Committee, such acts would be regulated by the Unfair Competition Prevention Act.

Lastly, no one shall offer bribes, etc. to a public officer of any foreign country in order to gain unfair business advantages in relation to international commerce (Article 18). For example, if Japanese construction company Y offers bribes to country A's Construction Minister, Mr. W, for the purpose of receiving the order for the construction work of a new airport in country A, such acts would be regulated by the Unfair Competition Prevention Act.

I. Subject of Protection Under the Copyright Act

The purpose of Japan's "**Copyright Act**" is to provide for authors' rights and their neighboring rights in regard to works, performance, sound recordings, broadcasting, and cable broadcasting, to ensure protection for these rights, and to eventually contribute to the cultural development (Article 1). To realize this aim, the Copyright Act sets forth the subject of protection as follows.

1. Works

1) Requirements for Works

"**Works**" need to meet all of the following four requirements (Article 2, Paragraph 1, Item 1).

(1) Include Thoughts or Sentiments

First, a work must "**include thoughts or sentiments**." "Thoughts or sentiments" here means human thoughts and feelings. Thus, the following are not deemed works because no thoughts or feelings are included: e.g. natural objects such as plants, animals, and ore; objects created by animals, etc., such as a painting made by a chimpanzee; objects automatically created by computers, such as music randomly created by software; facts themselves including historical facts, such as the names of past prime ministers of Japan; and document forms, such as contract forms.

However, thoughts or sentiments themselves are not deemed a work. For example, if professor X has written paper α under the theme A and professor Y has also written paper β under the same theme A, professor X cannot claim copyright against professor Y, stating that the theme is the same, because the theme of a paper is considered a thought itself.

(2) Expressed

Second, a work must be "**expressed**." "Expressed" means that the work has become concrete to the extent that others can sense it. Thus, a work that exists only in the mind of the author and has not yet been expressed is not deemed a work. However, whether or not the work is made based on the premise that it will be made public does not matter. For example, letters exchanged between individuals may be deemed works, although they are not intended to be made public.

In addition, it is not required for a work that its expression should be recorded on some kind of media (**fixation**), except for cinematographic works. For example, both a piece of music played in improvisation and one recorded on a CD are deemed musical works. Also, whether the work is completed is not required as a condition for works. For example, when a painter paints a landscape, both a completed painting and a drawing before completion are deemed a work of fine art. Further, even part of a work

may be deemed a work. Taking popular songs as an example, not only a whole song but also just a hook may be considered a work.

(3) Creativity.

Third, a work must have “**creativity**.” “Creativity” here means that the author’s individuality should be expressed, and does not mean novelty or an inventive step under the Patent Act, etc. Thus, whether the author is a professional or amateur, or an adult or a child does not affect creativity.

However, the following may not be deemed works due to lack of creativity: imitations of existing works such as an accurate photograph of another’s painting, and inevitable expressions or common expressions such as a formula to calculate the area of a circle.

(4) Within the Literary, Academic, Artistic, or Musical Domain

And fourth, a work must be “**within the literary, academic, artistic, or musical domain**.” In other words, a work needs to be of a cultural nature in a broad sense. This requirement is stipulated to exclude practical items and industrial products to be protected by Industrial Property Laws from the subject of protection under the Copyright Act.

2) Examples of Works (Article 10, each item of Paragraph 1)

Some examples of works are listed in Japan’s Copyright Act. However, such examples are presented just for reference, and a work meeting the above requirements may be deemed a work under the Copyright Act. For example, although “comics” is not listed, it may be deemed a work if it meets the requirements for works.

(1) Literary Works

The first example is “**literary works**”; i.e. works representing thoughts or sentiments through a language system (Article 10, Paragraph 1, Item 1). Literary works include those that are expressed in writing such as novels, papers, and poems, and those expressed verbally such as lectures, Rakugo (Japanese verbal entertainment), and Manzai (Japanese style stand-up comedy). However, reports on miscellaneous news and current events that communicate only the facts, e.g. an article on the movements of the Prime Minister of Japan, are not deemed literary works (Article 10, Paragraph 2).

(2) Musical Works

The second example is “**musical works**”; i.e. works representing thoughts or sentiments through sounds (Article 10, Paragraph 1, Item 2). To determine whether or not a work should be deemed a musical work, neither the genre of music (e.g. classical music or jazz) nor the form of emitting the sound (e.g. voices, musical instruments, or computers) matters.

(3) Works of Choreography and Pantomime

The third example is “**works of choreography and pantomime**”; i.e. works representing thoughts or sentiments by choreography through human body movements including body language and hand gestures, such as ballet, dance, and pantomime (Article 10, Paragraph 1, Item 3). Sport is not deemed works of choreography, excluding some exceptions like figure skating, because the movements and gestures of performers are not devised to be appreciated.

(4) Works of Fine Art

The fourth example is “**works of fine art**”; i.e. works representing thoughts or sentiments through beauty, by using form, shape, line, or contrast, such as paintings and sculptures (Article 10, Paragraph 1, Item 4). Works of fine art include works of artistic craftsmanship, such as pots and ceramic cups (Article 2, Paragraph 2).

(5) Works of Architecture

The fifth example is “**works of architecture**”; i.e. works representing thoughts or sentiments through constructions and workpieces, such as palaces, buildings, and gardens (Article 10, Paragraph 1, Item 5).

(6) Diagrammatic Works

The sixth example is “**diagrammatic works**”; i.e. works of an academic nature, representing thoughts or sentiments through graphics. Diagrammatic works include two-dimensional works (e.g. maps and designs) and three-dimensional works (e.g. globes and models) (Article 10, Paragraph 1, Item 6).

(7) Cinematographic Works

The seventh example is “**cinematographic works**”; i.e. works representing thoughts or sentiments through consecutive images that are fixed on an object (Article 10, Paragraph 1, Item 7). For example, theatrical movies, movies broadcasting on TV, home videos, etc. correspond to cinematographic works. It should be noted that cinematographic works alone are required to be fixed on an object (Article 2, Paragraph 3). Therefore, live TV broadcasting (e.g. news and sport coverage) that is not recorded is not deemed cinematographic works.

(8) Photographic Works

The eighth example is “**photographic works**”; i.e. works representing thoughts or sentiments through non-consecutive images (Article 10, Paragraph 1, Item 8). Not only silver halide photography taken with conventional film cameras, but digital photography, photogravure, etc. are also deemed photographic works (Article 2, Paragraph 4).

(9) Works of Computer Programming

And the last example is “**works of computer programming**” (Article 10, Paragraph 1, Item 9). “Computer programming” here means a combination of instructions for a computer in order to obtain a result by making the said computer operate. Yet, it is

stipulated that protection under the Copyright Act does not cover the programming language, coding conventions, or algorithms, which are deemed unsuitable for protection under the Copyright Act (Article 10, Paragraph 3).

3) Special Works

Japan's Copyright Act specifies the following four types of works as special works.

(1) Derivative Works

The first type is “**derivative works**” (Article 2, Paragraph 1, Item 11); i.e. works created by translating, making a musical arrangement, or adapting a former work (original work). For example, if novel α that has been written in English by Mr. X is translated into Japanese by Mr. Y, such translation in Japanese, novel β , would be deemed a derivative work of novel α .

Even though a derivative work has been created, the rights of the author of the original work (original author) are not affected (Article 11). Taking the above example, if publisher Z wants to publish translation β , it must obtain the permission for publication not only of Mr. Y, but also of Mr. X.

(2) Compilations and Database Works

The second type is “**compilations**”; i.e. compilations having creativity because of their selection of materials or arrangement, such as collected works of literature and telephone directories (Article 12). The third type is “**database works**”; i.e. databases having creativity because of their selection of information or systematic composition, such as laws databases and phone directory databases (Article 12-2).

Whether or not the material or information used is deemed a work does not concern compilations and database works. Thus, both an art book whose materials (e.g. paintings) are works, and yellow pages whose materials (e.g. phone numbers) are not works may be deemed compilations.

In the event that the material or information used is a work, the rights of the author of the said material, etc. are not affected by protecting compilations, etc. (Article 12, Paragraph 2 and Article 12-2, Paragraph 2). For example, if editor Y has created art book β including painting α of Mr. X, publisher Z needs to obtain the permission for publication not only of Mr. Y but also of Mr. X in order to publish art book β .

(3) Joint Works

And the fourth type is “**joint works**” (Article 2, Paragraph 1, Item 12); i.e. works that meet the following three conditions: (1) two or more persons are substantially involved in the creation, (2) each author has the intention of creating a joint work, and (3) the respective part created by each author cannot be used separately. For example, a case in which Mr. X and Mr. Y create a painting in cooperation would correspond to this type.

2. Performance

“**Performance**” can be classified into two types as follows (Article 2, Paragraph 1, Item 3). The first type is performing a work; i.e. acting dramatically or playing music, such as performances of a play or music. And the second type is the acts similar to those performing a work and having a nature of a performing art, such as acting as a clown, performing magic tricks, and impersonation, even though such acts do not involve the interpretation of a work.

3. Sound Recordings

“**Sound recordings**” means the fixation of sounds on an object, such as a phonograph disc, recording tape, or other things (Article 2, Paragraph 1, Item 5). As the types of recording media do not matter, any recording media including phonograph discs, tapes, discs, memory cards, etc. may be deemed sound recordings.

Whether or not the sounds recorded are works does not matter either. For example, in addition to recordings of works (e.g. music or reading of a novel), recordings of those that are not works (e.g. the sound of wind or waves, and hustle and bustle of a big city) may also be deemed sound recordings.

4. Broadcasting and Cable Broadcasting

“**Broadcasting**” means the transmission of wireless communication that is made in order for the public to be able to receive the transmission of the same contents simultaneously (Article 2, Paragraph 1, Item 8). For example, TV broadcasting, radio broadcasting, satellite broadcasting, etc. are deemed broadcasting. On the other hand, “**cable broadcasting**” means the transmission of wired telecommunication that is made in order for the public to be able to receive the transmission of the same contents simultaneously (Article 2, Paragraph 1, Item 9-2). For example, cable TV broadcasting, cable music radio broadcasting, etc. are deemed cable broadcasting.

It should be noted that the sounds and images transmitted by the specific broadcasting are deemed the subject of protection under the Copyright Act. For example, supposing broadcaster A has broadcasted program α on January 1. Even though it is pertaining to the same program α, if another broadcaster such as broadcaster B broadcasts it, or if broadcaster A broadcasts it on another day, it should be considered another broadcast, and thus, protected separately.

II. Subject of Copyright

With respect to the above-mentioned subject of protection under the Copyright Act, the persons as follows may hold the rights set forth by the Copyright Act as described in the succeeding section.

1. Author

1) Requirements for Authors

An “**author**” means a person who creates a work (Article 2, Paragraph 1, Item 2). An author may originally obtain author’s rights as described below.

For example, in the event that painter X has created painting α, none of the following persons would be deemed the author of painting α, because they have not carried out any creative activity: Mr. A who requested Mr. X to create painting α, Mr. B who provided Mr. X with funds, Mr. C who offered ideas and clues to the creation by providing Mr. X with the painting motifs, and Mr. D, a pupil of Mr. X, who helped with the creation of painting α under the instructions of Mr. X.

Whether or not a person is deemed an author is a matter to be determined solely in an objective manner. Therefore, taking the above example, Mr. Y cannot become the author of painting α, whose actual author is Mr. X, by concluding a ghost-painter agreement with Mr. X.

2) Works Made During the Duties (Article 15)

The Copyright Act stipulates that the author's rights to a work created within an organization, such as a corporation, shall uniquely belong to the employer, and not to the employees. This concept is called “**works made during the duties.**” It is stipulated to facilitate the employers’ business activities and to clarify the person who owns the rights under the Copyright Act to the third parties as well.

All of the following five conditions must be met for a work to be acknowledged as a work made during the duties (Article 15, Paragraph 1). First, the work must be made at the initiative of the employer, such as a corporation: e.g. Company X ordered Mr. Y to create a catalog of the products Company X manufactures and sells. Second, the work must be created by an employee of the corporation, etc.: e.g. Mr. Y is an employee of Company X. Third, the work must be created as the employee’s duties: e.g. Mr. Y created the product catalog as his duties in Company X. Fourth, the work must be made public under the authorship of the corporation, etc.: e.g. the product catalog created by Mr. Y has been made public under the authorship of Company X. And fifth, there should have been no provisions otherwise in the contract, etc. at the time of the creation of the work: e.g. there has been no particular agreement, etc. between Company X and Mr. Y stipulating that Mr. Y shall be deemed an author.

The condition of being made public under the authorship of the corporation, etc. does not apply to works of computer programming (Article 15, Paragraph 2). Thus, even if a work of computer programming is made public under the name of the employee, such work should be deemed a work made during the duties.

When a work meets the above five conditions and is deemed a work made during the duties, the corporation, etc. may obtain the position of the said work's author, and thus, the author's moral rights and copyright should originally belong to the corporation, etc. Taking the above example, Company X would become the author of the product catalog created by Mr. Y and originally obtain the author's moral rights and copyright pertaining to the said catalog.

2. Neighboring Rights Holder

Performers, sound recording producers, broadcasters, and cable broadcasters as explained below are collectively called “**neighboring rights holders**” in the Copyright Act.

1) Performer

“**Performers**” are categorized into two types as follows (Article 2, Paragraph 1, Item 4). The first type is the persons who make performances themselves, such as orchestra members, actors, dancers, musicians, and singers. And the second type is the persons who instruct other performers to make performances by conducting the performance like a conductor of the orchestra, or by directing the performance.

2) Sound Recording Producer

A “**sound recording producer**” means a person who made the first fixation of the sounds that have been fixed on a sound recording (Article 2, Paragraph 1, Item 6). For example, if Mr. X first recorded the singing of singer Z on the master (master record), Mr. X is deemed the sound recording producer.

On the contrary, a person who made the fixation of the sounds that have been fixed on sound recordings onto another medium is not deemed a sound recording producer. Taking the above example, even if Mr. Y further reproduces Mr. Z's singing that has been recorded by Mr. X on the master onto a CD, Mr. Y is not deemed a sound recording producer.

3) Broadcaster and Cable Broadcaster

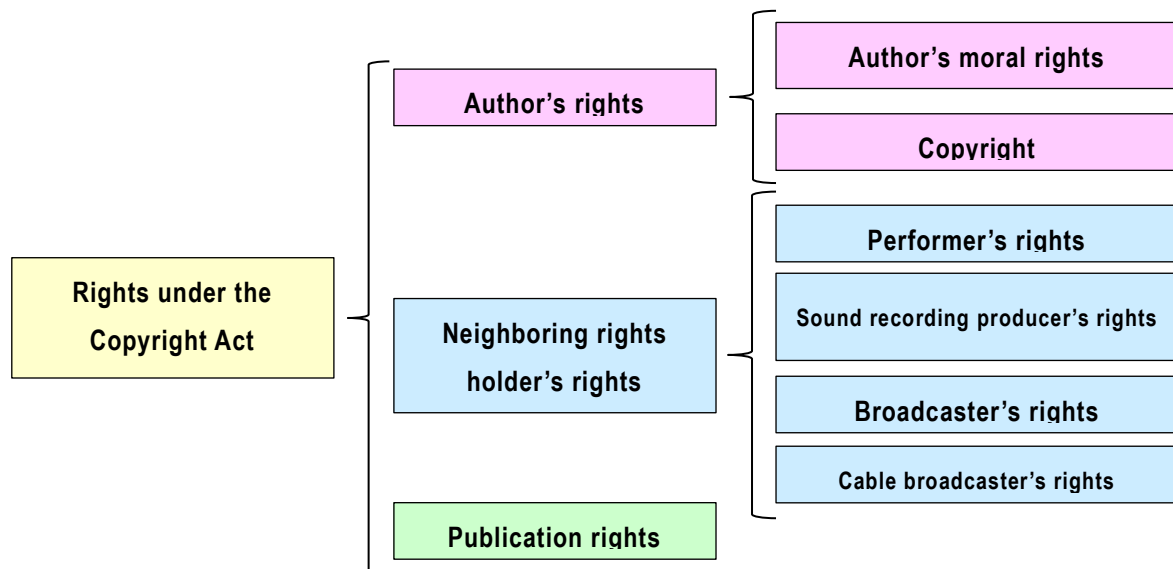
A “**broadcaster**” means a person who is doing broadcasting as a business, such as a TV station or a radio station (Article 2, Paragraph 1, Item 9), and a “**cable broadcaster**” means a person who is doing cable broadcasting as a business, such as a cable TV station or a cable music radio station (Article 2, Paragraph 1, Item 9-3).

To become an author, performer, or sound recording producer as mentioned above, it is not required to perform the creation of works, performances, or fixation of the sounds

on sound recordings as a business. On the other hand, to become a broadcaster or cable broadcaster, it is necessary to carry out broadcasting or cable broadcasting as a business.

III. Rights Under the Copyright Act

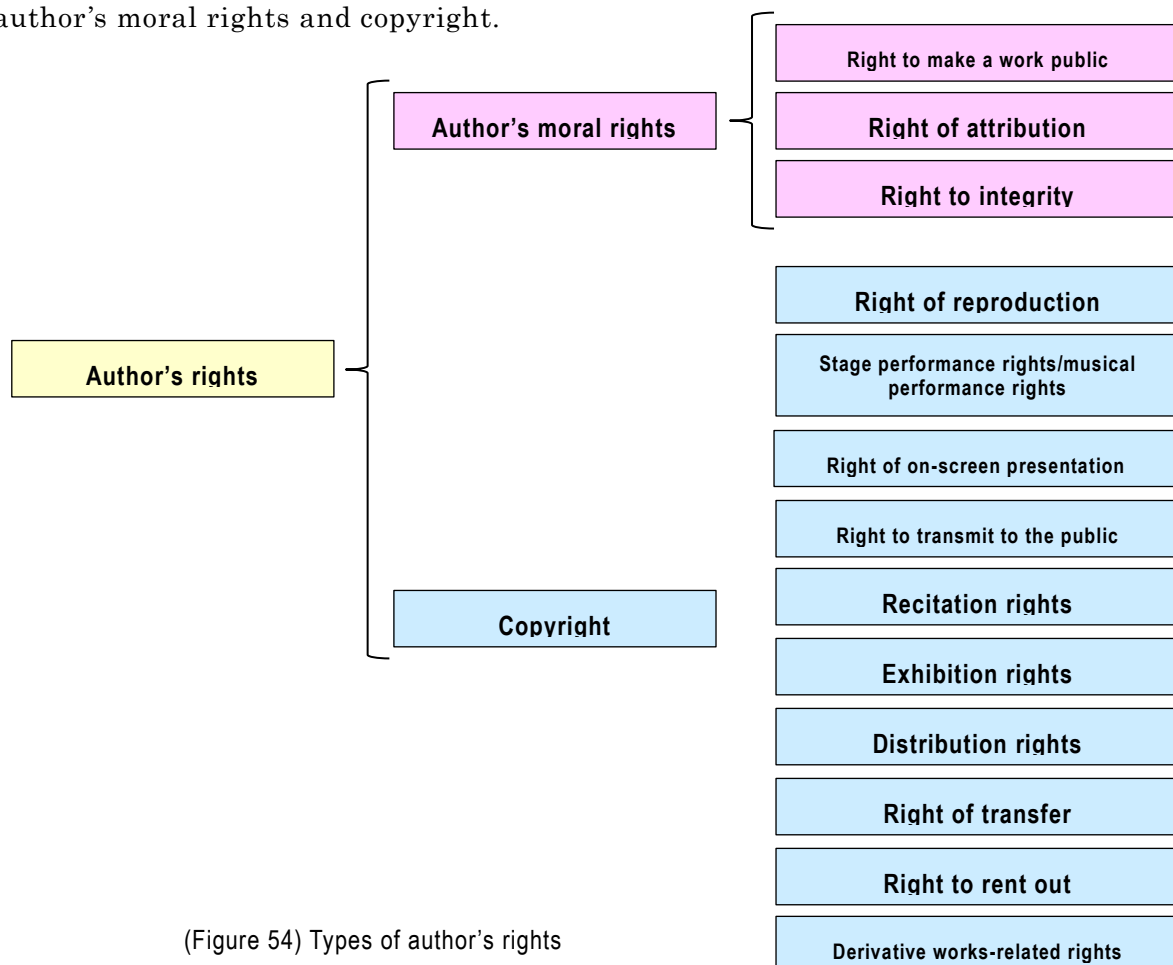
The Copyright Act provides for various rights as shown in Figure 53.



(Figure 53) Types of rights under the Copyright Act

1. Author's Rights

The author's rights can be divided into two broad categories as shown in Figure 54: author's moral rights and copyright.



(Figure 54) Types of author's rights

1) Author's Moral Rights

The Copyright Act stipulates that an author holds the “**author's moral rights**” consisting of the following three types of rights. The author's moral rights means the right to protect the moral interests held by the author with regard to his/her work.

It is stipulated that an author's moral rights exclusively belong to that author and cannot be transferred (Article 59). Therefore, the author's moral rights expire due to the death of the author or other reasons.

However, even after the death of the author, the acts that may infringe the author's moral rights if the said author were alive are basically prohibited (Article 60). For example, if Mr. X, the author of the piece of music α , dies, his moral rights would expire. Yet, using the piece of music α as background music in pornographic films would remain prohibited even after the death of Mr. X.

(1) Right to make a work public (Article 18)

The first right is the “**right to make a work public**”; i.e. an author's right to make available or present his/her unpublished work to the public. Thus, the right to make a work public cannot be granted to a work that has already been made public by the author. To be more precise, an author is entitled to determine the following matters: (1) whether or not the work should be made public, (2) if it will be made public, when to do it, and (3) if it will be made public, by which means it should be done.

To cite an example, if composer X has composed a piece of music α , Mr. X would be entitled to determine the following matters: (1) whether or not the piece of music α should be made public, (2) if it will be made public, it should be done immediately or after his death (timing of making a work public), and (3) if it will be made public, its score should be published or it should be played in a concert (means of making a work public).

(2) Right of attribution (Article 19)

The second right is the “**right of attribution**”; i.e. an author's right to determine to indicate either his/her true name or pseudonym (e.g. stage name or pen name), or to determine not to indicate the author's name on the original of his/her work when making available or presenting such work to the public. To be more precise, an author is entitled to determine the following matters: (1) whether or not the author's name should be indicated, and (2) if it will be indicated, which indication should be used, such as the true name or pseudonym.

For example, as for the piece of music α composed by Mr. X, he would be entitled to determine the following matters: (1) whether or not the author's name should be indicated on the score of the piece of music α or on a CD that records it, and (2) if it will be indicated, either the true name of Mr. X or a pseudonym should be indicated.

(3) Right to integrity (Article 20)

The third right is the “**right to integrity**”; i.e. an author’s right to maintain integrity of his/her work and its title, as well as an author’s right not to suffer any alteration, cut, or other modification to his/her work and its title, which is contrary to his/her intention.

For example, as for the piece of music α composed by Mr. X, only Mr. X would be entitled to determine the following matters: (1) whether or not the piece of music α should be arranged, and (2) whether or not the title of the piece of music α should be changed.

Thus, even if the value of the work is reinforced by modifying it, such act should be deemed infringement of the right to integrity. Taking the above example, even if the artistic value of the piece of music α has been increased by the act of Mr. Y who arranged it without permission of Mr. X, such act would be deemed infringement of Mr. X’s right to integrity.

Further, whether or not the modified work should be made available or presented to the public is a matter that is not related to the matter of infringement of the right to integrity. Therefore, even if such modification to the work is made personally, the right to integrity should be deemed to be infringed. Taking the above example, even if Mr. Y arranges the piece of music α personally without permission, Mr. X’s right to integrity would be formally deemed to be infringed.

Meanwhile, even if others discard the original work or its reproductions, such act would not be deemed infringement of the right to integrity. Taking the above example, even if Mr. Y has discarded the score of the piece of music α, such act would not be deemed infringement of Mr. X’s right to integrity.

2) Copyright

The Copyright Act stipulates that an author holds “**copyright**” consisting of the following nine types of rights. Copyright is an author’s right to ensure the economic benefits arising from the exploitation of his/her work.

Unlike the above-mentioned author's moral rights, copyright can be transferred to others in whole or in part (e.g. transfer of the right of reproduction only) (Article 61). In addition, a copyright holder is entitled to establish the publication rights (Article 79), to establish a pledge (Article 66), and to grant others the authorization to exploit his/her work (Article 63).

(1) Right of reproduction (Article 21)

The first right is the “**right of reproduction**”; i.e. an author’s exclusive right to reproduce his/her work. “**Reproduction**” here means reproducing a work in a physical form through printing, photography, replication, recording its sounds or visuals, or by other means (Article 2, Paragraph 1, Item 15). This means that there are no limitations on the technical means of reproduction. For example, if composer X has composed a

piece of music α , Mr. X's right of reproduction should apply to printing the score of the piece of music α by using a printer or by transcribing it.

(2) Stage performance rights and musical performance rights (Article 22)

The second right is “**stage performance rights and musical performance rights**”; i.e. an author's exclusive right to perform or play his/her work for the purpose of having it seen or heard directly by the public (**publicly**). For example, taking the piece of music α composed by Mr. X, his musical performance rights should apply to playing the piece of music α in a concert.

If there is the intention of having the work seen or heard directly by the public, the stage performance rights, etc. shall apply even when there is no actual audience. Taking the above example, even if the piece of music α is played in a street performance with no audience, Mr. X's musical performance rights should apply. On the contrary, if there is no intention of having the work seen or heard directly by the public, the stage performance rights, etc. do not apply even when there is actually an audience. Taking the above example, even if you sing the piece of music α while taking a bath and a neighbor happens to hear your singing, Mr. X's musical performance rights do not apply.

In addition, stage performance, musical performance, and recitation include the acts of playing sound or visual recordings of a stage performance of a work (Article 2, Paragraph 7). Taking the above example, Mr. X's musical performance rights apply to playing a CD on which the piece of music α is recorded in public.

(3) Right of on-screen presentation (Article 22-2)

The third right is the “**right of on-screen presentation**”; i.e. an author's exclusive right to publicly project his/her work. “**On-screen presentation**” here means projecting a work on a movie screen or other objects (Article 2, Paragraph 1, Item 17). This means that the type of the device projecting the work does not matter.

For example, if Company Y has produced movie β , Company Y's right of on-screen presentation should apply to projecting movie β on the screen in a movie theater or on the wall outside a building.

(4) Right to transmit to the public (Article 23)

The fourth right is the “**right to transmit to the public**”; i.e. an author's exclusive right to transmit his/her work to the public (Article 23, Paragraph 1). Taking the example of the piece of music α composed by Mr. X, his right to transmit to the public should apply to broadcasting the piece of music α on TV or radio, cable broadcasting it on the cable TV or cable music radio, and distributing it on the Internet. In addition, Mr. X's “**right to communicate**” should apply to playing the piece of music α that has been distributed through the Internet as mentioned above by using a speaker, etc. placed on the street (Article 23, Paragraph 2).

(5) Recitation rights (Article 24)

The fifth right is the “**recitation rights**”; i.e. an author’s exclusive right to publicly recite his/her literary work. For example, if novelist Z has written novel γ , Mr. Z’s recitation rights should apply to reciting novel γ in a recital.

The recitation rights are recognized only for literary works, and thus, taking the above example, even if you read aloud the score of the piece of music α composed by Mr. X, the recitation rights do not matter. In addition, the recitation rights have no effect to the acts corresponding to performances, such as a performance of a play, because such acts are within the scope of the stage performance rights (Article 2, Paragraph 1, Item 18).

(6) Exhibition rights (Article 25)

The sixth right is the “**exhibition rights**”; i.e. an author’s exclusive right to publicly exhibit his/her work of fine art or unpublished photographic work by its original work. For example, if painter W has created painting δ , Mr. W’s exhibition rights should apply to exhibiting painting δ in a museum.

The exhibition rights may not be granted to works other than works of fine art and unpublished photographic works. Thus, taking the above example of the novel γ written by Mr. Z, even if you exhibit its manuscript in an archives museum, the exhibition rights do not matter. Further, the exhibition rights may not be granted to the exhibition of a reproduction either. For example, even if you exhibit a poster of the above painting δ in an art museum, the exhibition rights do not matter.

(7) Distribution rights (Article 26)

The seventh right is the “**distribution rights**”; i.e. an author’s exclusive right to distribute his/her cinematographic work by its reproductions. For example, taking the above example of movie β produced by Company Y, Company Y’s distribution rights should apply to selling DVDs of movie β or renting them in a rental DVD shop.

(8) Right of transfer (Article 26-2)

The eighth right is the “**right of transfer**”; i.e. an author’s exclusive right to offer his/her work to the public by transferring its original work or reproductions. The right of transfer and the right to rent out may be granted to works except for cinematographic works, because the above distribution rights are given to cinematographic works.

Taking the example of painting δ created by Mr. W, the following two types of acts would be within the scope of Mr. W’s right of transfer: (1) transferring the original work, like selling the original of painting δ in an art gallery, and (2) transferring reproductions of the work, like selling postcards and posters produced from painting δ in an art museum.

It should be noted that the right of transfer may apply to the act of offering the work

to the public only. Taking the above example of painting δ , Mr. W's right of transfer would have no effect to the act of giving it to a family member or a friend. In addition, the right of transfer would be exhausted if a work's original or reproductions are legally transferred without infringing copyright. Taking the above example of painting δ , in the event that painter W transfers painting δ to art dealer P, even if Mr. P resells it to his customer Q, the painter W's right of transfer would not apply.

(9) Lending rights (Article 26-3)

The ninth right is the “**right to lend out**”; i.e. an author's exclusive right to offer his/her work to the public by lending out its reproductions. The right to lend out may apply to offering a work by lending out its reproductions. Taking the above example of the piece of music α composed by Mr. X, his right to lend out should apply to lending out his/her music CDs in a rental record shop.

On the other hand, the right to lend out may not apply to offering a work by lending out its original. Taking the example of painting δ created by Mr. W, even if you lend out the original of painting δ , the right to lend out would not apply.

Further, as with the above right of transfer, the right to lend out would apply to the act of offering the work to the public only. Thus, even if you lend a CD that has the above piece of music α recorded to a family member or a friend, the right to lend out would not apply.

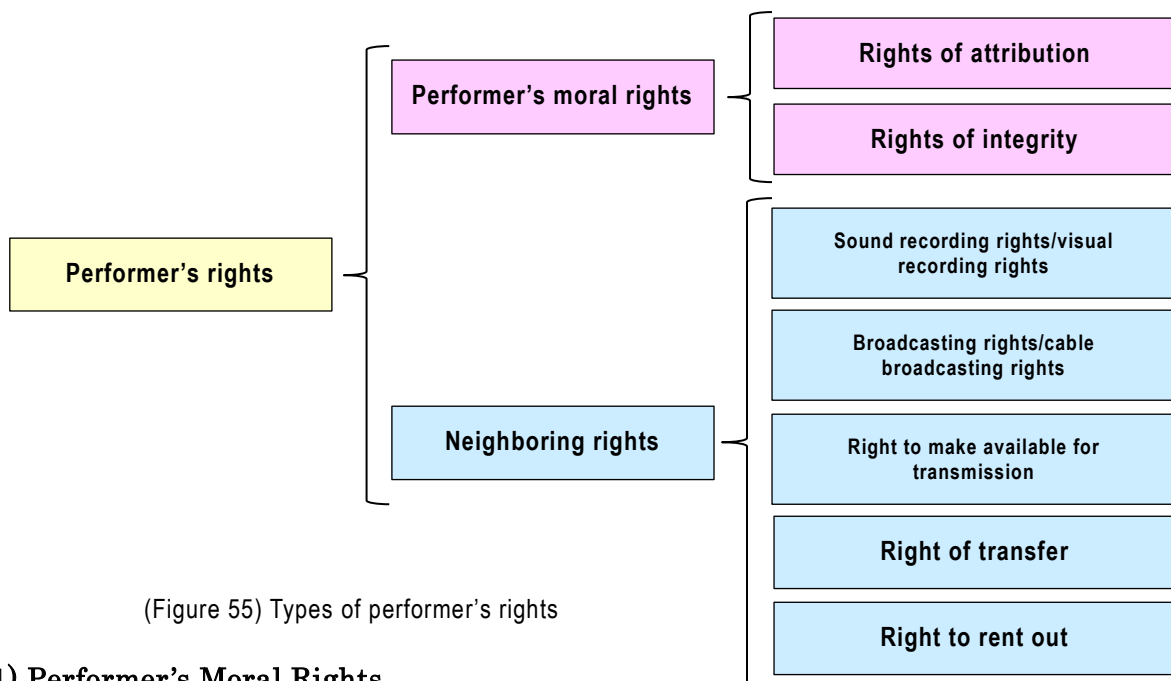
(10) Derivative works-related rights (Articles 27 and 28)

Lastly, an author holds the exclusive right to create a derivative work of his/her works (Article 27). Taking the above example of novel γ written by Mr. Z, his derivative works-related rights should apply to making a film adaptation.

Also, the author of the original work of a derivative work holds the same kinds of rights as the author of its derivative work in relation to the exploitation of such derivative work (Article 28). For example, if Company Y has produced movie γ by making a film adaptation of novel γ with permission of Mr. Z, not only Company Y but also Mr. Z would have the distribution rights, which are specific to cinematographic works, to movie γ . Thus, if you sell or rent out DVDs recording movie γ , the permission of Mr. X needs to be obtained in addition to the permission of Company Y.

2. Performer's Rights

The performer's rights can be divided into two broad categories as shown in Figure 55: performer's moral rights and neighboring rights.



(Figure 55) Types of performer's rights

1) Performer's Moral Rights

Like an author, a performer holds the “**performer's moral rights**.” Performer's moral rights include two types of rights as below. Unlike authors, performers are not entitled to the right to make a work public, because a performance that would not be made public cannot presumably exist.

The first right is the “**right of attribution**” (Article 90-2); i.e. a performer's right to determine to indicate his/her true name, stage name, or any other name as the performer's name, or to determine not to indicate the performer's name when offering or presenting his/her performance to the public. For example, singer X would be entitled to determine the following matters: (1) whether or not the performer's name should be indicated on the jacket of CDs that record his/her singing α, and (2) if it will be indicated, either the true name of Mr. X or his stage name.

The second right is the “**right to integrity**” (Article 90-3); i.e. a performer's right to maintain integrity of his/her performance as well as not to suffer any alteration, cut, or other modification to his/her performance, which may damage his/her honor or reputation. Taking the above example, Mr. X is entitled to request not to make arrangements that may damage his reputation to his singing α.

However, unlike an author's right to integrity, the performer's right to integrity does not apply to all of the modifications that are contrary to his/her intention. In other words, in order for a performer to be able to exercise his/her right to integrity, the fact is required that the performer's objective evaluation received from society has been reduced due to such modification.

2) Neighboring Rights

Performers hold “**neighboring rights**” consisting of the following five types of rights. Regarding cinematographic works, however, performers do not hold the following rights. For example, an actor cannot exercise his/her visual recording rights or the

right of transfer when recording a theatrical movie in which he/she appears onto DVDs or selling such DVDs. Since many performers are involved in the movie production, the exercise of performers' rights is restricted under the **“one chance principle”** so that cinematographic works may be exploited smoothly.

The first right is the **“sound recording rights and visual recording rights”** (Article 91); i.e. a performer's exclusive right to record the sounds or visuals of his/her performance. Taking the example of Mr. X's singing α, his sound recording rights should apply to recording it on CDs. Unlike the author's right of reproduction, sound recording rights or visual recording rights have no effect on reproductions other than those in the form of sound or visual recordings. Taking the above example, Mr. X's sound recording rights would not apply to making a score from his singing α.

The second right is the **“broadcasting rights and cable broadcasting rights”** (Articles 92); i.e. a performer's exclusive right to broadcast or cable broadcast his/her performance. Taking the above example, Mr. X's broadcasting rights and cable broadcasting rights would apply to broadcasting his singing α on TV or on cable TV.

The third right is the **“right to make available for transmission”** (Articles 92-2); i.e. a performer's exclusive right to make his/her performance available for transmission on the Internet. Taking the above example, Mr. X's right to make available for transmission would apply to making his singing α available for distribution on the Internet by uploading it to a server computer.

The fourth right is the **“right of transfer”** (Articles 95-2); i.e. a performer's exclusive right to offer his/her performance to the public by transferring its sound or visual recordings. Taking the above example, Mr. X's right of transfer would apply to selling CDs that have his singing α recorded.

And the fifth right is the **“right to lend out”** (Articles 95-3); i.e. a performer's exclusive right to offer his/her performance to the public by lending out commercial CDs that have it recorded. Taking the above example, Mr. X's right to lend out should apply to renting out commercial music CDs of his singing α in a rental record shop.

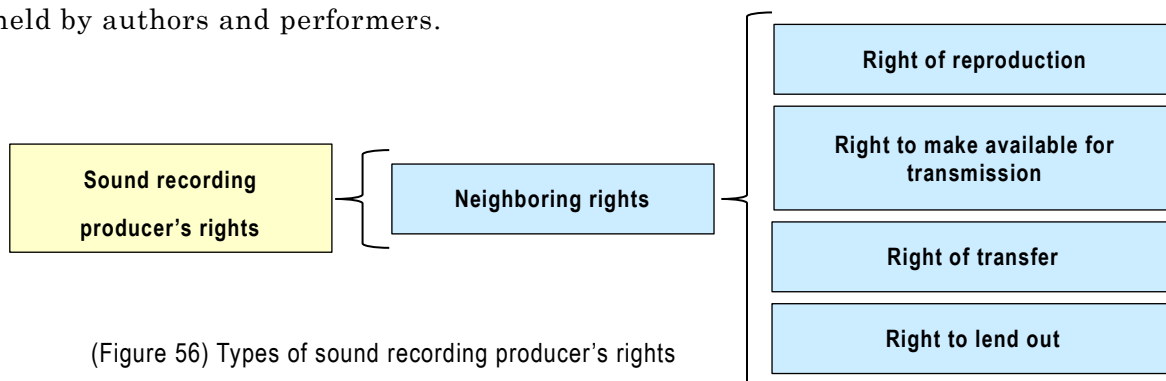
The object of the right to lend out held by performers and sound recording producers is limited to commercial sound recordings, and the said right may not apply to visual recordings or other types of sound recordings. In other words, taking the above example, Mr. X's right to lend out would have no effect on the act of lending out DVDs that have the scene of Mr. X's singing recorded or the master that has his singing α recorded.

Also, the right to lend out held by performers and sound recording producers does not apply to lending out commercial sound recordings that have passed one year from the date of their first sale. It should be noted that rental sound recordings dealers

must pay a reasonable amount of remuneration to performers, etc. when renting out the said commercial sound recordings.

3. Sound Recording Producer's Rights

Sound recording producers hold “**neighboring rights**” consisting of the following four types of rights as shown in Figure 56. It should be noted that sound recording producers, broadcasters, and cable broadcasters do not have moral rights, like those held by authors and performers.



(Figure 56) Types of sound recording producer's rights

Unlike performers, sound recording producers may exercise their rights even if the sounds they had fixed have further been used in cinematographic works. For example, if sound recording β whose sounds have been fixed by Mr. Y is used in movie δ produced by Company W, Mr. Y's neighboring rights would apply to making DVDs of movie δ and selling them.

A sound recording producer's neighboring rights may apply only to the sound source he/she has actually fixed on a sound recording. For example, if Mr. Y and Mr. A have recorded Mr. X's singing α respectively, Mr. Y cannot exercise his right of reproduction of his own sound recording when Mr. A reproduces the sound recording that has been produced separately by Mr. A.

The first right is the “**right of reproduction**” (Article 96); i.e. a sound recording producer's exclusive right to reproduce his/her sound recording. Taking the example of sound recording β whose sounds have been fixed by Mr. Y, his right of reproduction should apply to further reproducing it onto CDs.

The second right is the “**right to make available for transmission**” (Articles 96-2); i.e. a sound recording producer's exclusive right to make his/her sound recording available for transmission on the Internet. Taking the above example, Mr. Y's right to make available for transmission would apply to making the sound recording β available for distribution on the Internet by uploading it to a server computer.

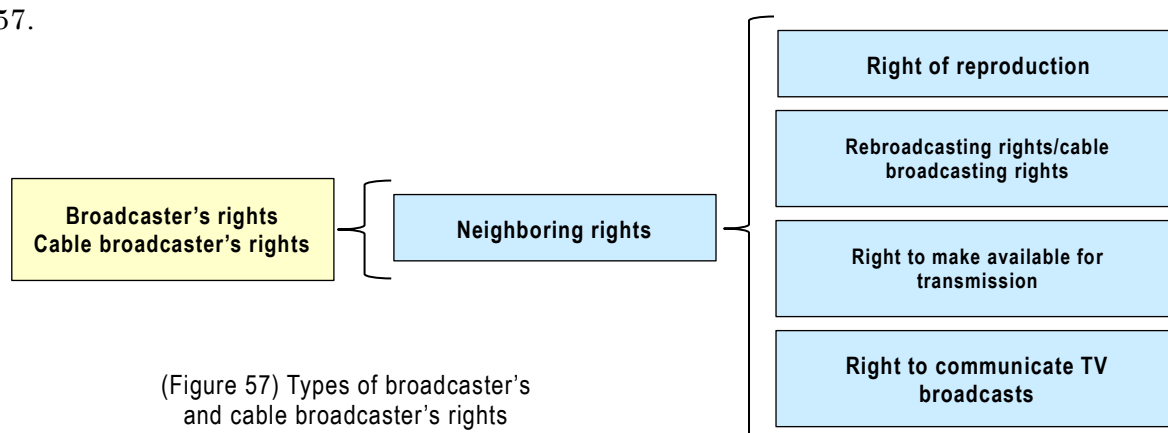
The third right is the “**right of transfer**” (Articles 97-2); i.e. a sound recording producer's exclusive right to offer his/her sound recording to the public by transferring its reproductions. Taking the above example, Mr. Y's right of transfer would apply to

selling CDs that have the sound recording β recorded.

And the fourth right is the “**right to lend out**” (Articles 97-3); i.e. a sound recording producer’s exclusive right to offer his/her sound recording to the public by transferring commercial CDs that reproduce the said sound recording. Taking the above example, Mr. Y’s right to lend out would apply to renting out commercial CDs that have sound recording β reproduced in a rental record shop.

4. Broadcaster’s and Cable Broadcaster’s Rights

Broadcasters and cable broadcasters (“broadcasters etc.”) respectively hold “**neighboring rights**” consisting of the following four types of rights as shown in Figure 57.



(Figure 57) Types of broadcaster’s and cable broadcaster’s rights

The first right is the “**right of reproduction**” (Articles 98 and 100-2); i.e. the exclusive right of broadcasters etc. to record and reproduce the sounds or images received from their own broadcast or cable broadcast (“broadcast, etc.”). For example, if TV station Z makes broadcast γ , station Z’s right of reproduction would apply to recording the received broadcast γ on a DVD using a DVD recorder. Further, the right of reproduction shall apply to reproducing a broadcast as a still image, such as taking a photograph of the TV screen showing the TV broadcast.

The second right is the “**rebroadcasting rights and cable broadcasting rights**” (Articles 99 and 100-3); i.e. the exclusive right of broadcasters, etc. to rebroadcast or cable broadcast a broadcast, etc. based on the receipt of their own broadcast, etc. Taking the above example, station Z’s cable broadcasting rights would apply to cable broadcasting broadcast γ on the cable TV based on the receipt of its broadcast.

The third right is the “**right to make available for transmission**” (Articles 99-2 and 100-4); i.e. the exclusive right of broadcasters, etc. to make a broadcast available for transmission on the Internet based on the receipt of their own broadcast. Taking the above example, station Z’s right to make available for transmission would apply to uploading the received broadcast γ to a website on the Internet.

And the fourth right is the “**right to communicate TV broadcasts**” (Articles 100 and 100-5); i.e. the exclusive right of broadcasters, etc. to use special equipment that

enlarges images to communicate their TV broadcast, etc. to the public based on the receipt of such TV broadcast, etc. Taking the above example, station Z's right to communicate would apply to projecting the received broadcast γ using a large TV monitor placed on the street.

However, this right may be granted to TV broadcasting only and not to sound broadcasting. Therefore, even if you play the received radio broadcast by using a large speaker placed on the street, this right would not apply. In addition, this right has no effect on communication using a normal receiver for household use. For example, even if a restaurant in the town shows the received broadcast γ to its customers using a TV for household use, station Z's right would not apply.

IV. Term of Protection for the Rights Under the Copyright Act

The above-mentioned various rights under the Copyright Act are also a kind of intellectual property rights, and thus, the term of protection for such rights is limited as is the case with industrial property rights. Meanwhile, the Copyright Act has adopted a concept of generation of rights that is completely different from the “**principle of formalities**” applied by Industrial Property Laws.

1. Generation of Rights

Unlike Industrial Property Laws, the Copyright Act has adopted the “**principle of non-formalities**” with regard to the generation of various rights as mentioned above under the Copyright Act (Article 17, Paragraph 2 and Article 89, Paragraph 5). Thus, it is not necessary to file an application or registration to a national institution, or to make an indication of the author on the work (e.g. indication of © mark), etc. in order to obtain the rights under the Copyright Act. This is based on Article 5, Paragraph 2 of the Berne Convention.

Consequently, the term of copyright shall commence at the time of the creation of the work (Article 51, Paragraph 2). Regarding neighboring rights, the term shall commence at the following point of time: (1) for performance, when the performance takes place, (2) for sound recordings, when the first fixation of the sounds is made, and (3) for broadcasting, etc., when the broadcast takes place (Article 101, Paragraph 1).

2. Term of Protection for Copyright

In principle, copyright persists for a period of 70 years after the death of the author (Article 51, Paragraph 2). However, other provisions shall apply to specific works as described below. Copyright pertaining to joint works persists for a period of 70 years after the death of the last surviving co-author. For example, supposing painters A and B have created painting α in cooperation, if Mr. B dies after Mr. A, copyright of painting α persists for a period of 70 years after the death of Mr. B.

Copyright to an anonymous or pseudonymous work would persist for a period of 70 years after the work is made public (Article 52). For example, if novelist C has published novel β under the pen name D, copyright to novel β would basically persist for a period of 70 years after its publication.

Copyright to a work attributed to an organization persists for a period of 70 years after the work is made public (Article 53). For example, if Company E’s employee F has created product catalog γ of Company E as a work made during the duties, copyright to catalog γ would basically persist for a period of 70 years after it was made public.

However, until the Trans-Pacific Strategic Economic Partnership Agreement becomes effective in Japan, the above-mentioned term of protection for copyright is 50 years.

Copyright to a cinematographic work persists for a period of 70 years after the work is made public (Article 54). For example, if movie company G has produced theatrical movie δ , copyright to movie δ would basically persist for a period of 70 years after it was made public.

To calculate the end of the term of protection for copyright as mentioned above, the year after the year in which the respective event occurs, such as the death of the author, shall be deemed the starting point (Article 57). In other words, the end of the term of protection shall be calculated from January 1 of the year after the year in which the author dies, and then, copyright shall expire at the end of December 31 of the expiration year. For example, if a novelist H who created novel ε died on July 1, 2016, the end of the term of protection for copyright to novel ε would be December 31, 2086, 70 years after January 1, 2017.

3. Term of Protection for Neighboring Rights (Article 101, Paragraph 2)

Neighboring rights relating to performance persist for a period of 70 years by calculating from the year after the year in which the performance is carried out. Neighboring rights relating to broadcasting and cable broadcasting persist for a period of 50 years by calculating from the year after the year in broadcasting or cable broadcasting, is carried out.

On the other hand, neighboring rights relating to a sound recording persist in principle for a period of 70 years by calculating from the year after the year in which the said sound recording is published. However, if the said sound recording has not been published during this period of time, these rights would persist for a period of 70 years by calculating from the year after the year in which the first fixation of the sounds is made.

However, until Trans-Pacific Strategic Economic Partnership Agreement becomes effective in Japan, the above-mentioned term of protection for neighboring rights is 50 years.

V. Infringement of Rights Under the Copyright Act and its Remedies

If the above-mentioned rights under the Copyright Act are infringed, authors, copyright holders, publication right holders, performers, and neighboring rights holders can receive the following two types of remedies as principle civil remedies as is the case with infringement of industrial property rights: (1) making a “demand for injunction” to stop the acts of infringement, etc. (Article 112) and (2) “demanding compensation for damage” arising from such acts of infringement that has been committed intentionally or by negligence (Article 709 of the Civil Code).

In particular, an author or performer may file a claim against a person who has infringed the said author's or performer's moral rights intentionally or by negligence, so as to request such person to take appropriate measures to ensure that the author or performer is identified as the author or performer of the work concerned, or to restore the author's or performer's honor or reputation as “**measures to restore the author's or performer's honor**” (Article 115). For example, suppose painter X has created painting α. If Mr. Y makes a false allegation that painting α was created by Mr. Y himself, or touches up painting α without permission of Mr. X, Mr. X may request Mr. Y to publish a corrective advertisement stating that the person who actually created painting α is Mr. X, or to restore the painting α to its original state as that before Mr. Y touched it up.

If copyright, publication rights, or neighboring rights are infringed “**deliberately**,” such acts may also be subject to “**criminal sanctions**” and thus punishment of up to 10 years in prison or a fine of up to 10 million yen, or both imprisonment of up to 10 years and a fine of up to 10 million yen may be sentenced (Article 119, Paragraph 1). Further, if an employee of a company infringes copyright, etc. in the course of performing his/her duties for the company, the company may also be subject to criminal sanctions. In this case, the company may also be sentenced to a fine of up to 300 million yen (Article 124).

However, unlike criminal sanctions relating to infringement of Industrial Property Laws, criminal sanctions pertaining to infringement of copyright, etc. are defined as “**offense prosecutable upon a complaint**” (Article 123). Thus, a “**compliant**” by the victim is required to file criminal charges against infringement of copyright, etc., with the exception of certain criminal punishment.