

Measures Against Counterfeit in Japan

Hitoshi Sakata*

Contents

I. Introduction	IV. Measures Against Counterfeit on the Internet
II. The Situation of Counterfeited Goods in Japan	V. On the IPR Water's-edge Enforcement provided in Article 69, paragraph (11) of the Customs Act
III. The Counterfeit-Related Intellectual Property Rights Laws	VI. Summary

자료가 보여주는 것을 토대로, 일본의 현행 위조관련 법률문제의 초점을 맞출 수 있다. 예를 들면, 첫 번째로 일본 정부 기관이 보고 하는 사례의 수가 약간 줄어들었고, 두 번째로 위조 사례가 주로 중국에서 기인 한 상표권 침해 물품으로, 개인 의류 및 전자 제품에 집중되었다. 그리고 세 번째 문제는 인터넷 서비스 제공자를 통한 침해 영역 확대에 대응하기 위해 일본의 위조 관련 법률을 개정할 필요성의 증대이다.

이러한 점을 해소하기 위해서는, 보다 효과적인 법적 조정이 필요하며 아시아 국가들과의 긴밀한 유대 관계가 반드시 필요하다.

[주제어] 위조 방지 대책, 상품, 위조 상품, 지식 재산권, 상표, 손해 배상, 인터넷, 부정 경쟁 방지법, 권리침해 금지청구권

I . Introduction

Now, please let me go on right away to share with you my account of the current situation of measures against counterfeit in Japan.

In Japan, while the situation surrounding counterfeited goods in recent years is somewhat ameliorating, there is still much damage resulting from them. With the development of internet and electronic commerce, troubles with counterfeited products are now observable not only in the real market but also online.

Counterfeited products have more than a single negative outcome. They damage the interests of those who have the intellectual property rights (IPR), while they bring about misappropriation of the long-awaited fruits of the efforts which business enterprises have made over the years such as the brand image created by these companies. Furthermore, counterfeiting discourages social innovation and enterprise in creating intellectual property. Taken together, it is essential to carry out effective countermeasures against these products.¹⁾

Now, let us proceed to discuss the situation of measures against counterfeit and the legal institutions dealing with them in Japan.

First of all, I would like to talk about the situation of the Anti-counterfeiting measures in the market in Japan.

II. The Situation of Counterfeited Goods in Japan

1. To begin with, I would like to show you the number of reported cases of counterfeit and consultations about them. Both of the figures are taken from the *Annual Report on the Office for Intellectual Property Right Protection*, (hereafter referred to as “the *Annual Report*”) issued in July 2016 by the Office for Intellectual Property Protection under the Ministry of Economy, Trade and Industry.

1) The analysis of the relevant statistical figures in Japan is covered in detail in the Office for Intellectual Property Right Infringement and International Trade (Ministry of Economy, Trade and Industry).

1.1 The Number of Reported Cases of Counterfeit and Consultation Received by the Office for Intellectual Property Right Infringement and International Trade:

Year	Reported Cases of Counterfeit and Consultation (Amount)
2012	1855
2013	1433
2014	1594
2015	909

1.2 The Percentage of Cases of Counterfeit-related Consultation by State Identified as Manufacturing the Counterfeited Products Involved (Using Accumulated Amount from the Year 2004 to 2015)

State	Counterfeit-related Consultation (%)
China	63.4%
Japan	14.1%
Taiwan	6.3%
South Korea	6.0%
Thailand	1.2%
Vietnam	1.1%

1.3 The Percentage of Cases of Counterfeit-related Consultation by Statute Covering Intellectual Property Rights (Using Accumulated Amount from the Year 2004 to 2015)

Statutory Law	Counterfeit-related Consultation (%)
Trademark Right Act	42.3%
Copyright Act	18.7%
Unfair Competition Prevention Act	16.7%
Patent Act	12.0%
Design Act	7.2%
Others	3.0%

1.4 The Percentage of Cases of Counterfeit-related Consultation by Category of Commodities (Using Accumulated Amount from the Year 2004 to 2015)

Commodity (Name of Category in Japanese)	Counterfeit-related Consultation (%)
Knick-knacks	39.9%
Electronic and Electrical Goods including Appliances and Related Accessories	20.2%
Textile Products	9.0%
General and Industrial Machinery	7.3%
Transportation Equipment	6.5%
Food	5.7%
Medicine and Cosmetics	5.4%
Precision Instruments and Machinery	3.1%

2. The Ministry of Finance reported in its *Year 2015 Situation of Import Seizures of the IPR Infringing Goods by the Japan Customs* (hereafter referred to as the “MOF Statistics”)²⁾ that ① there were 29, 274 cases in the year of 2015 in which measures had been taken to enforce import seizures of goods infringing on intellectual property rights. ② 91.1% of them involved goods exported from China. Also, ③ the goods infringing on trademark right, such as fake brand-name goods and knockoffs, remained largest in number. To point to a few observable trends, ④ the cases resulting in enforcement of import seizure of goods related to sports and physical exercises rose greatly in amount, while goods infringing on intellectual property rights that could threaten health and safety were on the increase.

The actual Enforcement of Import Seizure of the IPR Infringing Goods in 2015, when arranged by the constituent category of intellectual property rights infringed upon side by side with each of its numerical figure, would turn out to be thus:

Intellectual Right Infringed	Seizure (of the Infringing Goods) Enforced (%)
Trademark Right	98.6%
Copyright	1.1%
Unfair Competition Prevention Act	0.3%
Design Right	0.1%
Patent Right	0.0%

2) <http://www.mof.go.jp/customs_tariff/trade/safe_society/chiteki/cy2015/20160304.htm>.

Similarly, with a quick reminder that the cases concerned totaled 29, 274, the number of the actual cases of the implementation in 2015, when arranged according to the constituent category of commodities that counterfeited goods fall into, would be as follows:

Commodity Seizure	Enforced (%)
Bags	35.2%
Clothes and Apparel	14.2%
Footwear	11.9%
Cell Phones and Accessories	9.0%
Optical Glasses and Accessories	5.5%
Watch, Clock and Parts	3.8%
Medicine	3.2%
Others	17.3%

3. The number of the Japan-based companies damaged by counterfeiting is given in Japan Patent Office's *FY2015 Survey Report on Losses Caused by Counterfeiting* (hereafter referred to as "the Patent Office Survey Report").³⁾ Before showing the actual figures, I would like to let you know that the numerical figures for the 2014 fiscal year are derived from an analysis of valid responses of 4, 090 companies to the questionnaire having been sent to 8, 069 companies which had applied for patent, trademark registration and the like between the 2010 fiscal year and the 2014 fiscal year. Also, a similar method was adopted for the analysis of the preceding two years (the 2012 and 2013 fiscal year).

Year	Companies Damaged by Counterfeiting (Amount)
2012	944
2013	948
2014	896

3) '2015 Survey Report on Losses Caused by Counterfeiting', Japan Patent Office. See also, <www.meti.go.jp> > ... News Releases > Back Issues > March 2016.

III. The Counterfeit-Related Intellectual Property Rights Laws

1. Relevant Intellectual Property Laws:

Intellectual Property Laws that I find effective as measures against counterfeiting include the Trademark Act, Copyright Act, Unfair Competition Prevention Act (indication of goods, imitation of form, trade secrets), Design Act, Patent Act, Plant Variety Protection and Seed Act, and the Act on the Circuit Layout of a Semiconductor Integrated Circuits.

2. Categories of Commodities in Need of Protection:

Observing the number of consultation by the categories of commodities on the aforementioned MOF Statistics, there are many consultations about knick-knacks, electronic and electrical goods including home appliances, textile products, and general and industrial machinery. Specifically speaking, as the figures on the MOF Statistics demonstrate, in terms of furnishing anti-counterfeit measures, the ways in which apparel, underwear, bags, equipment and instruments for sports and physical exercise, and electronic parts and components for the final products like cell phones are to be legally protected deserves consideration.

2.1 Then, how do apparel, underwear, bags, equipment and instruments for sports and physical exercise and so on receive legal protection in Japan?

First of all, the protective measure that is most effective is ① the protection under the Trademark Right Act.

If the trademark of these goods were registered, it would be possible to suspend the sale of the trademark-infringing counterfeit of the registered goods within Japan.

Then, ② what about the protection under the Copyright Act?

Unfortunately, the Copyright Act is intended to protect primarily (works of) fine arts. As for the protection of applied arts, the Act sets up a high standard for granting the protection, requiring the work in question to be furnished with “high artistic quality” and “the object of appreciation” in addition to (meeting) the conditions for “originality.⁴⁾”

Therefore, design, pattern, form, and so on of apparel, underwear, bags, equipment and instruments for sports and physical exercise, and cell phones are, in principle, considered to be difficult to receive legal protection on the basis of copyright.

③ What about the protection against “imitation of form” stipulated in Article 2, paragraph (1), item (iii) of the Unfair Competition Prevention Act?

This would function effectively as a protective measure against verbatim copying or outright imitation. While it prohibits imitation of the form of (other) goods, there is a time limit to it by which the term of legal protection would be restricted to only three years after the day that the original goods went on sale.

2.2 Computer programs count as works worthy of legal protection under the Copyright Act.

2.3 While some argue that it would be protected as the indication of goods of other people as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act, the court is yet not to willingly recognize typeface as worthy of protection.

2.4 The name, image and likeness of a public figure are protected by the right of publicity.

2.5 Trade secrets receive legal protection under the Unfair Competition Prevention Act.

3. The Ways to Exercise the Intellectual Property Rights Concerned:

Information collection through written warnings, consultation and complaint-lodging with the community safety division of the police, an investigation in the country of origin (law firms’ warning, probing, and lodging complaints with the police in the country of origin), an injunction demand, a legal claim for damages.

4) Nobuhiro Nakayama, the Copyright Law 2nd. Ver., *Yuhikaku Press*, pp.163-173.

IV. Measures Against Counterfeit on the Internet

1. The Situation of Damages

1.1 According to the Patent Office Survey Report,⁵⁾ among all the Japan-based companies damaged by counterfeiting, 62.3% or more of these companies had fallen prey on the internet.

The damages done by counterfeiting on the internet in the 2014 fiscal year, as the said report arranged them according to the category of rights infringed upon and presented them in percentage terms, would appear thus:

Trademark	41.1%
Copyright	18.1%
Design	16.0%
Patent and Unity Model	10.4%
Trade Secret and Know-how	1.9%

1.2 As would be shown immediately below here, the said report analyzed the content of such online counterfeiting damages and classified them by the form of distribution.

The sale of counterfeited goods on overseas online shopping websites	-48.2%
The sale of counterfeited goods on domestic (Japanese or Japan-based) online shopping websites	-32.3%
Illegal/unauthorized copying of copyrighted works in/of content or design	-25.1%
The sale of counterfeited goods on domestic online auction websites	-15.8%
The sale of counterfeited goods on overseas online auction websites	-7.3%

5) Ibid, pp6.

2. The Liability of ISP (Internet Service Providers)

2.1 The Provider Liability Limitation Law⁶⁾

The cases in which providers are held liable to compensate for the damages:

When providers ① got to know that the rights of others are infringed upon through the circulation of information on the internet or ② when there are substantial reasons for accepting that providers knew the infringement of others' rights through the circulation, providers shall be liable for the damages ③ unless it was technically impossible for them to take action to prevent anyone who committed such infringement from sending/transmitting information (Article 3, paragraph (1) of the said law).

On the other hand, the damages resulting from the above-mentioned providers' action to the sender/transmitter of the information are represented as follows:

① When providers are accepted as having substantial reasons to believe that the rights of others are unjustly infringed upon ② and, in addition, when providers were met with no refusal given by the sender/transmitter for seven days after they had presented the information of the infringement and had asked the sender/transmitter to consent to the providers' preventive action against the sender/transmitter, providers would be exempted from the liability to compensate for the damages.

2.2 Self-imposed Restraints

Hosts of the online shopping mall websites such as Rakuten and Yahoo individually set up rules on each of their own initiative intended to shut out any action infringing upon intellectual property rights including trading in counterfeit.⁷⁾

6) Details of the Provider Responsibility Act are showed in, 'Provide Responsibility Restriction Act', the Ministry of general affairs of the consumer administration division, Daiichihoki Press. Also see in <www.cao.go.jp/consumer/iinkai/2013/129/doc/129_130806_shiryuu7.pdf>.

7) See <https://corp.rakuten.co.jp/news/press/2014/0703_01.html>.

3. Court Cases

The Chupa Chups Case⁸⁾

(Facts) The defendant Rakuten runs an online shopping mall on its website *Rakuten Ichiba* (which could be translated as Rakuten Shopping Mall). A seller by the pseudonym of A began to display for sale a commercial goods with a mark that carries a sequence of letters which reads, “Chupa Chups.”

(Decision) The operator of the website is not simply to make environmental and other arrangements for (potential) sellers to open a webpage intended for the sale of their goods. The operator is also to manage and control the entire website by, to name but a few, providing operating systems, granting or denying candidates for sellers permission to open their shop upon their application, and suspending the services otherwise available to sellers and even their store itself. In addition to the management and control, the operator is the one getting profits such as receiving a basic store opening and system usage fee from the sellers. When such an operator noticed or became able to notice that a seller is infringing upon trademark right of others, unless the infringing webpage is deleted within a rationally-due period of time after the operator became aware of the trademark infringement, the proprietor of the trademark concerned can file a suit against the operator, as this plaintiff-to-be could do so against the infringing seller, for an injunction and damages on the basis of the trademark infringement after the above-mentioned duration of time.

The SVA Court Case⁹⁾

(Facts) The plaintiff’s trademarks were used on the marks of the defendant as model designations as, to name but a few, “model designation VSK-120N” appears on the delivery slip and invoice addressed to the customers, and “item name 01400 IMPELLER” or/and “model designation SVA-200” on a sticker that would be put on the package containing the goods.

(Decision) If a potential customer with a demand for a certain goods recognizes that the product carrying the model designation at issue here is the goods derived from a particular

8) The Intellectual Property High Court Decision February 14, 2014, Hanrei-jiho 2161-86.

9) Osaka District Court Decision July 25, 2004, Hanrei-Jiho 1926-130.

source/authorship, this very model designation, namely the trademark would be held indicative of this particular source/authorship.

The Brother Industries Case¹⁰⁾

(Facts) The defendant manufactured and sold inked ribbons which could be used as those for/compatible with the facsimile machines manufactured by the plaintiff in this case, Brother Industries. And, the defendant, in so doing, used the sequences of letters that read, “Buraza-you” (which is a Japanese equivalent for “For Brother”) and “For Brother.”

(Decision) When the product (or its package) carries a sequence of letters which reads “OHM ELECTRIC INC.” or/and the zip code and address of the defendant’s office as well as the contact information of its customers service centers, it does not go unchallenged to argue that an ordinary, potential customer of the defendant’s product would become notified by the mark of the defendant’s product that the plaintiff is either the manufacturer or the seller of this very product. Then, the marks “Buraza-you” and “For Brother” are “indications of the compatible machines” and thus cannot be found to be functioning to distinguish themselves as trademarks from others nor to indicate the manufacturing/selling source of the product that carries them.

V. On the IPR Water’s-edge Enforcement provided in Article 69, paragraph (11) of the Customs Act

1. In Japan, on the basis of the Customs Act, the so-called the water’s-edge enforcement was put in place and accordingly restrains the importation of goods infringing upon intellectual property rights including counterfeit.¹¹⁾

10) Tokyo High Court Decision January 13, 2005, TKC Lex Db No. 28100240.

11) See ‘the Water’s-edge Enforcement Intellectual Properties Counterfeit,’ Tokyo Customs, Shinya Hideshima, COPYRGTS 2016. Oct. pp.27.

2. What do “goods that must not be imported” appearing in the Customs Act refer to?

① Any goods infringing upon patent right, unity model right, design right, trademark right, copyright, rights related to or/and neighboring copyright, layout-design exploitation right, or plant breeders’ rights (item (ix) of the said Article)

② Goods that involve any actions stipulated in Article 2, paragraph (1), item (i) to (iii) and item (x) to (xii) of the Unfair Competition Prevention Act (item (x) of the said Article)

3. On Application for Suspension

If a customs officer finds, among all the goods carrying any sign indicating an application for importation or/and an imported postal mail, a goods which s/he suspects to be a goods infringing upon intellectual property rights, the officer starts the procedure with an “Application for Suspension” in order to ascertain whether the goods in question constitutes the infringement. In this procedure, both the proprietor of the rights and the importer of the suspected goods in question would be given an opportunity to state each of their opinion and submit evidences supporting the opinion.

What characterizes the decision on whether or not it is an infringing goods is that the decision is made not by the courts but by customs through its administrative measures.

4. The Institution of Seeking Opinions from Expert Advisors

Because the customs does not have jurisdiction over each of the relevant IPR laws, it is occasionally difficult to decide if a suspected goods is actually constituting infringement. In such instances, the customs seeks opinions from expert advisors specializing in intellectual property rights including lawyers, patent attorneys, and scholars. Three to five of these commissioned expert advisors hear directly from both of the parties (proprietor of the rights and importer of the suspected goods) to the case at issue each of the two parties’ assertion. Also, the customs is able/empowered to refer to the Commissioner of Japan Patent Office, Minister of Economy, Trade and Industry, or/and Minister of Agriculture, Forestry and Fisheries for their opinion. (Article 69, paragraph (18) of the said Act)

5. Application for Suspension Made by Proprietors of Intellectual Property Rights

The conditions for initiating this procedure for the suspension of the importation of infringing goods are as follows:

The proprietor is able to present prima facie evidences of the fact of the infringement and for the existence/validity of (or for the basis for) her/his rights, able to point to the similarity between the suspected goods and the infringed original, able to convince the customs to confirm the fact of the infringement and able to demonstrate clearly what distinguishes the two goods.

As mentioned above, expert advisors such as the Commissioner of Japan Patent Office, too, would be at work to come up with their opinions upon the inquiry.

VI. Summary

On the basis of the data I have shown you today, we can detect 3 main trends in current counterfeit laws:

- 1) The first is a little drops in number of cases reported/ by government bodies in Japan.
- 2) The second is the concentration of counterfeit cases lies in personal apparels and electronics goods, those are mostly trademark right infringements goods, and originating still from China.
- 3) The third is the necessary revision of Japanese counterfeit laws to deal with expanding area of infringement through Internet Service Providers.

In sum, we can say all these 3 points reflect present situation in Japan, /and we feel more effective legal adjustment may be necessary, /and strong ties with Asia countries will be indispensable.

References

1. Books

Nobuhiro Nakayama, the Copyright Law 2nd. Ver., *Yuhikaku Press*, pp.163-173.
The Ministry of general affairs of the consumer administration division, Provide Responsibility Restriction Act, *Daiichihoki Press*.

2. Articles

Shinya Hideshima, Tokyo Customs, “the Water’s-edge Enforcement Intellectual Properties Counterfeit”, *COPYRGTS* 2016. Oct. pp.27.

3. Reports

“The annual report relates to the consultation regarding counterfeit policy”, Ministry of Economy, Trade and Industry/Office for Intellectual Property Right Protection/International Affairs Office, 2016 July.

“The Survey Report of 2015 on Losses Caused by Counterfeiting in Japan”, Japan Patent Office.

“2015’s Situation of Import Seizures of the IPR Infringing Goods”, *the Japan Customs*.

4. Statues

Japanese Custom Law.
Provider Responsibility Restriction Act.
Unfair Trade Competition Act.
Copyright law.
Trade Mark Law.

5. Web data...etc.

<http://www.mof.go.jp/customs_tariff/trade/safe_society/chiteki/cy2015/20160304.htm>.

<<http://www.meti.go.jp> > ... > News Releases > Back Issues > March 2016>.

<http://www.cao.go.jp/consumer/iinkai/2013/129/doc/129_130806_shiryou7.pdf>.

[Abstract]

Measures Against Counterfeit in Japan

Hitoshi Sakata*

On the basis of the data shown, we can focus on some problems in current counterfeit laws in Japan, such as: at first, a little drops in number of cases reported by government bodies in Japan, secondly, the concentration of counterfeit cases lies in personal apparels and electronics goods, those are mostly trademark right infringements goods, and originating mainly from China, and as the third problems, the necessary revision of Japanese counterfeit laws to deal with expanding area of infringement through Internet Service Providers.

In order to resolve these points, we feel more effective legal adjustment may be necessary, and strong ties with Asia countries will be indispensable.

[Key Words] anti-counterfeiting measures, commodities, counterfeit goods, intellectual property rights, trademarks, damages, internet, the Unfair Competition Prevention Act, application for suspension

* Attorney at Law, Oike Law Office in Japan

