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## Legal framework

### National

The Trademark Law protects only registered trademarks, while the Unfair Competition Law protects registered and unregistered trademarks, as well as certain configurations of goods, from unauthorized use.

Under the Unfair Competition Law, the following acts are subject to border measures:

- using another party's trademark that is well known among consumers or dealers as identifying its goods or business, thus causing confusion (or the likelihood of confusion) with that party's goods or business;
- using as one's own another party's trademark which is famous among consumers or dealers as identifying its goods or business; and

- imitating the configuration of another party's goods (except where indispensable for ensuring the function of the goods themselves).

It is generally understood that a 'famous' trademark should be known among consumers or dealers throughout Japan. A 'well-known' trademark need not be known throughout Japan, but should be well known among consumers or dealers in a certain region.

### International

The following international treaties apply in Japan:

- the Paris Convention for the Protection of Industrial Property; and
- the Agreement on Trade-Related Aspects of Intellectual Property Rights.

### Border measures

Customs has the *ex officio* authority to suspend the import or export of goods suspected of infringing IP rights, or violating the Unfair Competition Law where there is

*prima facie* evidence of infringement.

However, in most cases Customs exercises its authority based on an application submitted by the rights holder (and in the case of a registered trademark, any registered exclusive licensees) to suspend the release of suspected goods.

Following the lodging of an application, Customs reviews the validity of the IP right and examines whether the evidence is sufficient to prove the alleged infringement before determining whether to accept the application. A rights holder intending to lodge an application on the grounds of a violation of the Unfair Competition Law should include an opinion from the minister of economy, trade and industry to support its claim.

If Customs suspects that certain goods are infringing after inspecting them, it may suspend their release and notify both the importer/exporter and the rights holder of the commencement of the identification procedures, together with the name and address of the other party. Customs will then provide both the importer/exporter

and the rights holder with an opportunity to submit their opinions and evidence within 10 working days of the day following the date of this notice. During that period, both parties may inspect the suspected goods upon request. Customs may order the rights holder to deposit a security to compensate for any damages suffered by the importer/exporter due to the suspension.

After examining the opinions and evidence submitted by both parties, Customs determines whether the suspected goods infringe any IP rights and thus whether to prohibit their release. Customs confiscates goods identified as infringing IP rights once the period in which the parties can seek an administrative remedy has elapsed. On average, the identification procedure takes about one month from when the customs notice is issued. In the case of the import of goods covered under the application, and if the importer shows no intention of challenging the suspension within 10 business days of receiving the customs notice, Customs typically prohibits the release of the suspected goods without requiring the rights holder's opinion or further evidence under the simplified identification procedure introduced in June 2007.

### **Criminal prosecution**

A criminal investigation involving counterfeit goods typically starts when a rights holder brings a case to the police, although no complaint from a rights holder is necessary in the case of infringement of a registered trademark or a violation of the Unfair Competition Law.

Since only intentional infringements or violations are subject to criminal penalties, the police and public prosecutor must examine the evidence carefully to determine whether they can establish the alleged infringer's criminal intent before opening an investigation or pressing charges. If an alleged infringer continues to infringe the IP right even after receiving a warning letter requesting cessation of the infringement, this will go a long way towards establishing such intent.

Under the Trademark Law, an infringer may be subject to imprisonment for up to 10 years and/or fines of up to ¥10 million. Under the Unfair Competition Law, an infringer may be subject to imprisonment for up to five years and/or fines of up to ¥5 million. In addition, the Customs Law provides that anyone who intentionally imports or exports counterfeits may be subject to imprisonment for up to seven years and/or fines of up to ¥7 million.

### **Civil enforcement**

The rights holder may take legal action against alleged infringers to seek civil remedies.

Before commencing legal proceedings, it is customary business practice in Japan for rights holders to send a warning letter to alleged infringers and wait a week or two for reply. So that the warning letter can be used as evidence, it is recommended that it be sent by content-certified mail. It is not unusual for an alleged infringer to cease infringement voluntarily after receiving such a letter. However, sending warning letters to client companies of an alleged infringer that are also competitors of the rights holder may violate the Unfair Competition Law if it is later found that there was no infringement of the IP right or that the IP right was invalid. However, this would not be the case if the court determined that sending the warning letter fell within the legitimate exercise of an IP right, taking into consideration whether the rights holder carried out an investigation of facts and legal analysis before sending the warning letter.

### **Preliminary measures**

Rights holders may file a preliminary injunction seeking suspension of the alleged infringement pending the court's final decision in the lawsuit in order to prevent irreparable harm to them. In deciding whether to grant an injunction, the court will also hear the opinions of the alleged infringer. The court usually orders the right holder to deposit a security before granting an injunction.

### **Lawsuits**

Under civil proceedings, rights holders may seek the following remedies:

- a permanent injunction;
- destruction of the counterfeits and removal of the facilities used to commit the infringement;
- compensatory damages (in the case of negligent or intentional infringement);
- restitution for unjust enrichment as a result of the infringement; and
- measures to restore the brand's reputation, including corrective advertising (in the case of negligent or intentional infringement).

Under the Trademark Law, it is the infringer that must refute a presumption of negligence, since its negligence is presumed by the infringing activity. On the other hand, since negligence is not presumed under the Unfair Competition Law, it is the rights

holder that must prove the negligence or wilfulness of the infringer.

To ease the burden of assessing damages, the Trademark Law and the Unfair Competition Law provide the following optional measures for calculating damages:

- the rights holder's expected profit per item multiplied by the number of infringing items sold, to the extent of the rights holder's production or sale capacity;
- the actual profit made by the infringer; or
- an amount equivalent to lost royalties.

Where the rights holder proves the amount using one of these measures, this amount will be presumed to be the damages incurred. Rights holders may seek actual damages exceeding the amounts arrived at using these calculation methods by proving them. In addition, rights holders may claim other damages, such as for intangible damage to brand reputation; however, punitive damages are not available in Japan.

Japanese courts tend not to award a prevailing party's legal fees, including attorneys' fees, regardless of the outcome of the case, except where the court recognizes a limited amount of a prevailing party's legal fees as a part of the awarded damages.

### **Preliminary measures v lawsuits**

Statistics show that preliminary injunctions concerning IP rights filed with the Tokyo District Court take less than five months to be disposed of on average, and that lawsuits concerning IP rights filed with the same court take about 14 months. Based on these figures, it appears that the preliminary injunction is a prompt method of dispute resolution. However, if the case involves complex issues, the preliminary injunction may take longer than the average. Thus, rights holders should carefully consider the complexity of the case before deciding whether to seek a preliminary injunction.

### **Jurisdiction**

Right holders may seek a preliminary injunction or file a lawsuit before a district court with jurisdiction over the place of infringement or the domicile of the alleged infringer (the customary jurisdiction). Rights holders may also choose either the Tokyo District Court (if the customary jurisdiction is in the eastern part of Japan) or the Osaka District Court (if the customary jurisdiction is in the western part of Japan), each of which has a specialized IP rights division, as an optional jurisdiction.

### Parallel importation

In the *Fred Perry Case* the Supreme Court held that the parallel importation of goods bearing a registered trademark is not an infringement if the following requirements are satisfied:

- The trademark was duly affixed by the foreign trademark owner or a person who was granted a licence from such owner.
- The foreign trademark owner is identical, or in such a relationship as to be deemed legally or financially identical, to the owner of the registered trademark, so that the trademark indicates the same origin as the registered trademark.
- The owner of the registered trademark is in a position to exert influence, directly or indirectly, on the quality of the goods, so that there is no substantial difference between such goods and the goods on which the registered trademark is affixed by the owner in terms of the quality assured by that registered trademark.

However, the scope of the Supreme Court's decision in this case was limited to the violation of a licence agreement's restrictions on production territory and subcontracting. The question of whether violations of other provisions of a licence agreement would make parallel importation illegal remains unsettled.

### Anti-counterfeiting online

#### Cross-border infringement

The Trademark Law provides that the "use" of trademarks includes use on the Internet in the following manner:

- providing trademarked goods or services via the Internet (eg, online distribution of trademarked goods);
- providing services through a website displaying a trademark (eg, mobile banking services displaying trademarks); and
- providing information consisting of advertisements, price lists or other business documents relating to trademarked goods or services on or through the Internet.

Further, protection under the Unfair Competition Law extends to online acts. However, because of the principle of territoriality, only registered trademarks are protected in Japan under the Trademark Law. Unregistered trademarks that are well known or famous outside Japan only do not

always enjoy protection under the Unfair Competition Law. Where the infringed trademark is well known or famous in foreign countries only, the export of goods bearing such trademark to such countries is prohibited under the law. Therefore, in cross-border infringement cases, within which many online infringements will fall, rights holders must confirm whether their IP right is protected in Japan before taking legal action there.

#### Domain names

The Unfair Competition Law protects rights holders by providing that persons that are not owners of a trademark may not obtain, keep or use in bad faith a domain name that is identical or similar to the trademark. Since the Trademark Law does not address the registration and retention (without use) of domain names, protection under the Unfair Competition Law is particularly important to rights holders. Rights holders whose business has suffered (or is likely to suffer) damage from the aforementioned acts may take legal action pursuant to the law. In connection with disputes over '.jp' domain names, arbitration in the Japan IP Arbitration Centre, which is swifter than a lawsuit, is also available.

#### Internet service providers

The Law on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Information Identifying the Senders (the ISP Law) provides for the limitation of liability of internet service providers (ISPs) and the disclosure of information identifying the alleged infringers to rights holders.

The ISP Law exempts ISPs from liability for damages in relation to counterfeits in certain circumstances, including where the ISP took measures to prevent the transmission of infringing information. To the authors' knowledge, no court to date has held an ISP liable for trademark infringement.

In connection with online auctions and online shopping malls, the Council for Establishing Guidelines relating the ISP Law, a private organization, has established guidelines to prevent ISPs from transmitting information concerning counterfeits on or through the Internet. The guidelines provide that ISPs shall remove information concerning counterfeits from their sites if a rights holder files a petition in accordance with the guidelines. While compliance with the guidelines is voluntary, major ISPs comply with them and remove information

concerning counterfeits from their sites in accordance with the guidelines.

The ISP Law provides that rights holders may request ISPs to disclose identifying information for alleged infringers under certain conditions. The disclosure of such information is particularly important in case of online counterfeiting, where the identity of the alleged infringers is often extremely difficult for rights holders to ascertain. In this respect, the council also publicizes the guidelines which are followed by major ISPs; the information to be disclosed and the timing of such disclosures are at the discretion of each ISP.

#### Preventive measures/strategies

Registering trademarks and monitoring infringing acts are always recommended as preventive measures, as is the case in most countries. In addition, close contact with Customs is essential to prevent the import or export of counterfeits.

As mentioned above, rights holders should investigate the facts and analyze the legal situation before sending a warning letter in order to avoid violating the Unfair Competition Law. In this regard, a foreign trademark owner should consider using local law firms and/or investigation firms in Japan, in addition to its affiliated company or branch office in Japan, if any. [WTR](#)

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Eiichi Fukushima is a partner at Nishimura & Asahi specializing in general corporate, international transactions, IP disputes, international trade, antitrust and IP licences

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In 1987 Mr Fukushima chaired the Japan External Trade Organization's trade friction problem committee, and from 1994 until 2003 he was a member of the World Trade Organization's sub-committee on unfair trade policies and measures and the Ministry of Economy, Trade and Industry's industrial structure council. He is currently a visiting professor at the Kanazawa Institute of Technology.

Mr Fukushima has contributed articles to both Japanese and English publications – most recently, chapters in the 2009 and 2008 *World Trademark Review Yearbook*; “Coca-Cola Bottles Allowed Registration as Three-Dimensional Trademark”, International Law Office, September 2008; and “IP High Court Changes Rule on Extension of Patent Right”, International Law Office, October 2009.



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