Message from the New President

By Makoto Ogino*

It is my great honor and pleasure to be the 24th president of LES Japan, an influential IP organization in Japan having nearly a half-century of history.

I find it particularly exciting to be appointed as the president for this term for the two reasons:

First, LES Japan is going to host the 2019 LES International Annual Conference in Yokohama in May 2019. I am of the opinion that the real value of being a LES member is being connected to the global network of LES families. We can, of course, be mutually benefitted from the network of our own local society members, and we can learn a lot from the annual conferences of the local society. However, the benefits we can receive from the global network of LES families, and the knowledge and the lessons we learn from the LES International Annual Conferences are much larger.

Despite all the values of the LES International Annual Conferences, it is not practically possible for many of the LES Japan members to attend the international conferences often, as it costs much time and money to them. In 2019, however, the conference is coming to Japan! We will do our bests not only for preparing for and making it successful as the host society, but also for making it a good opportunity for as many LES Japan members as possible to reach out the global network of LES families.

Secondly, I now feel that we are really entering into the age of the IoT or the 4th Industrial Revolution, so-called. People have been talking a lot about the IoT for some time, but frankly it always sounded to me like just another buzzword until recently. However, I now feel that it is really coming. Many car manufacturers have started running commercials on TV everyday about their brand new cars equipped with the cutting-edge intelligent driver-assistance systems, which surely will lead to a self-driving car at some point not far in the future. The smart speakers of Amazon, Google and Line are already on the market also in Japan. These companies also are running commercials on TV everyday, and even a guy like me bought one.

I think it is really exiting to be the LES Japan president at the dawn of the new age, as the age of the IoT, in which everything is connected, is precisely the age of licensing. Connecting, or Joining Hands as Ivonne Chur advocated, is the basic spirt of LES. In the age of IoT, it will be more-than-ever important to develop the IP strategy for connecting - the strategy of when, where, how and with whom we share our IP rights, which were originally designed to exclude others, to be connected.

The technological differentiation and the cost competitiveness have been the sources of the competitive edge until today. They will remain important in the IoT age, too. However, we cannot win the business competition in the IoT age just by having these capabilities. It will be more important for us to establish with our business partners mutually beneficial business ecosystems covering our products or services, and hopefully to become the platform leader of the business ecosystems. Making better products or services than others is no more sufficient to be successful in the business. We need to think about how we connect to others, and this requires

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*Note: The full name is Makoto Ogino.

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companies to totally change their IP exploitation strategies. It is really the start of the golden age of licensing.

At dawn, it is still dark and the light is limited, however. We do not have enough light to foresee the entire world that is about to come. We need to open up the great intellectual frontier by ourselves to find our ways in the future.

Let me conclude my message with our cordial invitation to the LES International Annual Conference in Yokohama, Japan on May 26 - 28, 2019. Please save the dates now, and we are very much looking forward to having many participants from LES families over the world.

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* President of LES Japan/ Professor, Graduate School of Management, Tokyo University of Science

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**Big data protection, liberalized use of copyrighted works for digital data processing, 12-month grace period, and 70 years for copyright protection**

*By Shoichi Okuyama, Ph.D.*

On February 23, 2018, the Cabinet approved a legislation for amending the Copyright Act. This legislation aims at restricting copyrights for digital data processing and introduce somewhat general provisions toward the restriction of copyrights. The new provisions are by no means as general and far-reaching as the concept of fair use in the U.S., but will allow much-needed flexibility for innovators to worry about copyright infringement.

Subsequently, on February 27, 2018, the Cabinet also approved a legislation centered around the addition of new provisions for data protection in the Unfair Competition Prevention Act (UCPA). This legislation also involves amendments to the Patent Act toward the reduction of patent-related fees for small and medium sized entities and the extension of the grace period to twelve months among other relatively minor changes.

The end of result is that copyright protection will be restricted, but data protection will be enhanced. The legislations have been introduced in the current Diet session and expected to become laws by the end of the session, i.e., June 2018.

Copyright Act

For more than last ten years, heated discussions occurred in Japan concerning having general provisions to restrict copyrights and allow for free use of copyrighted works without approvals from copyright holders. Such mechanism exists as "fair use" in the U.S. and as "fair dealing" in the U.K. Currently, the Copyright Act of Japan includes a lengthy and ever-extending list of what may be excluded from the copyright protection. With rapid emergence of new technologies, such as IoT and artificial intelligence (AI), it has been necessary to add new items to the list one by one, but the statutory amendments always lag behind technological progresses. The sharp conflict of opinions between right holders and users has, on the other hand, been unreconcilable to reach an agreement on plausible general clauses on some restriction of copyrights.

The current legislation is one step forward in an attempt to provide some room in which innovators can work without infringing copyrights and strike a good balance between innovators and right holders.

The legislation includes three sets of relatively modest provisions that allow such free use and make flexible interpretations possible in view of innovative digital or AI services that are emerging and will emerge in the future. For example,
without authorization of the right holder, the use of a work will be allowed if such use does not adversely affect the market value of the work, and the use of big data will be allowed for such services as Google Books and information analysis for finding plagiarism in academic or school papers and displaying copied portions of the original.

Encompassing several existing provisions that restrict copyrights, the three generalized categories will be provided to allow free uses, and they are: (1) uses that do not involve personal enjoyment of ideas or emotions (Article 30-4), (2) uses associated with processing by a computer (Article 47-4), and (3) uses for computer processing that are considered insignificant in view of measures such as what proportion (whole v. partial) of a publicly provided work is used, how much of a work is used, how precisely expressions in the work are used, and other factors, and that create new knowledge or information by data processing using a computer so as to promote the use of the work (Article 47-5).

For example, the new Article 30-4 reads as follows:

A work may be used in any of the following cases to the extent that is deemed necessary without any regards to the manner of such use, if the use is not intended for own enjoyment or for enjoyment of others of ideas or emotions expressed in the work. This shall not, however, apply to the cases where in view of the type of the work and the use and manner of the use, the interests of the copyright holder are unduly harmed.

(i) when a work is used for testing in developing technologies or testing practical applications related to recorded sounds or images, etc.,

(ii) when a work is used for information analysis (which means extracting information concerning language, sound, image, etc. from a large volume of information consisting of a large number of works, etc., and carrying out analysis such as comparison and classification. This definition is also applicable to Article 47-5(1)(ii).), and

(iii) in addition to the cases listed in the preceding two items, when a work is used in the course of information processing by a computer or used otherwise (in the case of a computer program work, excluding the execution of the program) without recognition by a person's perception of the expression of the work.

Also, the reverse engineering of software source codes for a variety of purposes including ensuring security against viruses will become allowable to the extent that it does not affect the interests of copyright owners. Further, placing copyrighted works on the Internet with annotations for certain purposes will become allowable.

Unfair Competition Prevention Act (UCPA)

The basic idea for the proposed amendments to the UCPA is to provide protection over big data by closing a gap that exists between the laws of trade secret and patent protections. Trade secrets are protected if they are not generally known to the public, have economic values to their holder, and are subject to reasonable efforts by the holder to maintain their secrecy. Technical ideas may be protected under patents if they are novel and unobvious over prior art. Big data, however, are not new nor secret as they are often gathered in public space, and do not enjoy any legal protection beyond very general property protection under the Civil Code.

According to the new Article 2(7) of the UCPA, the new type of data to be protected is defined as "restrictive provision data" which means any technical or business information (excluding those managed as secret) which is accumulated and controlled by electromagnetic means (electronically, magnetically or otherwise in the manner that is not recognizable by human perception) as information to be provided to a particular person in the course of business. According to the materials provided by the METI (Ministry of Economy, Trade and Industry), this definition implies three requirements: (1) being technically controlled using, for example, an ID and a password, (2) having limited availability to third parties, and (3) having utility. The defined data may include weather data, data on parts and materials, and factory or personal activity data.
Currently, the UCPA includes sixteen categories\(^1\) for acts of unfair competition. To those currently exist in Article 2, six items will be added. The additional items are as follows:

(xi) Acquisition of restrictive provision data by theft, fraud, duress or any other wrongful way (hereinafter referred to as "wrongful restrictive provision data acquisition"), or use or disclosure of the data acquired through wrongful restrictive provision data acquisition;

(xii) Acquisition of restrictive provision data, with the knowledge of wrongful restrictive provision data acquisition or by gross negligence without the knowledge that wrongful restrictive provision data acquisition was involved with such data, or use or disclosure of the data thus acquired;

(xiii) Disclosure of acquired data, after becoming aware, or failing to become aware due to gross negligence, that wrongful restrictive provision data acquisition was involved with such data, or use or disclosure of such data;

(xiv) Use or disclosure of restrictive provision data disclosed by a business operator holding such data (hereinafter referred to as the "restrictive provision data holder") for the purpose of acquiring an illicit gain or causing an injury to the restrictive provision data holder (limited to cases in which duty of managing the restrictive provision data is violated);

(xv) Acquisition of restrictive provision data with the knowledge that it is an act of wrongful restrictive provision data disclosure with respect to the restrictive provision data ("wrongful restrictive provision data disclosure" means an act of disclosure of the restrictive provision data as defined in the previous item for the purposes defined in the previous item, as applicable hereinafter) or that an act of wrongful disclosure of restrictive provision data was involved with respect to the restrictive provision data, or use or disclosure of restrictive provision data thus acquired;

(xvi) Disclosure of restrictive provision data acquired with the knowledge that it is an act of wrongful restrictive provision data disclosure with respect to the restrictive provision data or that an act of wrongful restrictive provision data disclosure of restrictive provision data was involved with respect to the restrictive provision data.

Available remedies include injunctions and damages as with other types of acts of unfair competition.

These new provisions represent an entirely new type of protection for big data which may not be new or secret.

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\(^1\) The current Article 2(1) of the Unfair Competition Prevention Act (UCPA) can be summarized as follows:

Article 2(1) The term "unfair competition" as used in this Act shall mean any of the following:

(i) Creation of confusion using a mark that is identical or similar to a mark that is well-known among consumers;

(ii) Use of a mark that is identical or similar to another person's famous mark as an indication of one's own products;

(iii) Sale, etc. of products that imitate the appearance of another person's products;

(iv) Acquisition of a trade secret by theft, fraud, duress or in any other wrongful manner, or use or disclosure of a trade secret acquired through wrongful acquisition;

(v) Acquisition of a trade secret with the knowledge, or without the knowledge due to gross negligence, that wrongful acquisition was involved, or use or disclosure of a trade secret so acquired;

(vi) Use or disclosure of an acquired trade secret, after becoming aware, or failing to become aware due to gross negligence, that wrongful acquisition was involved;

(vii) Use or disclosure of a trade secret disclosed by the business operator holding such trade secret (hereinafter referred to as the "holder") for the purpose of attaining an illicit gain or causing injury to the original holder;

(viii) Acquisition of a trade secret with the knowledge, or without the knowledge due to gross negligence, that the trade secret is being disclosed through improper disclosure (e.g. for illicit gains or in breach of a legal duty), or use or disclosure of a trade secret so acquired;

(ix) Use or disclosure of an acquired trade secret after becoming aware, or failing to become aware due to gross negligence that such trade secret was disclosed through improper disclosure or that improper disclosure was involved with regard to such trade secret;

(x) Sale, etc. of a device or a computer program having the sole function of circumventing technological restriction measures used in business;

(xi) Sale, etc. of a device or a computer program having the sole function of circumventing technological restriction measures for protecting copyright works from unintended use or viewing;

(xii) Acquiring or holding a right to use a domain name that is identical or similar to another person's specific indication of goods, etc., or use of any such domain name for the purpose of attaining an illicit gain or causing an injury to the person;

(xiii) Misleading representation of quality, origin, etc. of products to the public;

(xiv) Announcement or dissemination of a falsehood that is injurious to the business reputation of a competitor; or

(xv) Misuse of a trademark by a local agent.
How they are going to be implemented is another issue that we will have to deal with. For example, in a real-world setting, it is likely that data that fall in one of the above new categories may be mixed with data that are not protectable under the new provisions, and they may not be easily separable. Such a situation will certainly prove a significant challenge toward effective enforcement.

**Patent Act Amendments**

The Patent Act will also be amended during the current session of the Diet. The Cabinet approved the legislation to amend the Patent Act on February 23, 2018. The legislation includes two major items: extending the grace period to twelve months and cutting fees in half for small and medium sized companies.

**Generous 50% fee reduction for SMEs**

The official fees will be reduced to a half for small and medium sized entities. As we can see from the figure below, we have a very large number of small and medium sized entities in Japan, while large corporations account for only 0.3% of the total. Of course, only a small segment of SMEs would be technology oriented, but patent applications are dominated by large corporations, and SMEs account for only 12% of domestic patent applications annually filed in Japan. Actually, while the number of patent applications filed in Japan decreased from the peak in 2001 by about 25% last year, the number coming from SMEs is increasing. It is generally recognized that a good balance among large corporations and SMEs is a strength of the Japanese economy.

The Japan Patent Office seems to have finally persuaded the Ministry of Finance to reduce government fees for a particular segment of the Japanese economy, and successfully placed this legislation to cut official fees in half for many SMEs in Japan across the broad without troublesome formalities. The Ministry of Finance had been against the idea of giving lower government fees or taxes for a certain segment in the society. Currently, only limited SMEs can enjoy reduced fees with restrict formality requirements. The formality requirements will be very much simplified.

We have about 3.9 million corporations and institutions in Japan. Among those, non-SMEs (i.e., large companies) are merely 0.3% by number, but file around 88% of domestic patent applications.

**Twelve-Month Grace Period**

The current six-month grace period will be extended to twelve months. The recently concluded TPP11 (Trans-Pacific Partnership Agreement among eleven countries excluding the U.S.) requires the twelve-month grace period. Japan went ahead to change its Patent Act before the final conclusion of the TPP11, which took place on March 8, 2018 in Chile.

Japan currently has relatively generous provisions for the applicability of the grace period including non-patent publications and public sales on the market for six months prior to the actual filing date in Japan or the international filing date for a PCT application.

**70-Year Term for Copyright Protection**

News reports (Nikkei and Sankei newspapers) appeared earlier in February 2018 saying that the government had decided to introduce a legislative package in connection with the TPP11 and this package would include the extension of the current 50-year term of copyright protection after the death of the author to 70 years, but this is bewildering.

The framework of the TPP (Trans-Pacific Partnership) agreement was concluded in October 2015 among 12 countries including the U.S., but as soon as President Trump took the office in 2017, he pulled the U.S. out of this agreement. The TPP agreement had the extension of the term of copyright protection from 50 years after the death of the author to 70 years.
Japan passed a legislation in 2016 toward the implementation of the TPP. This legislation would have taken effect when the TPP takes effect. Since the U.S. departed from the TPP scheme, this legislation will not take effect in the foreseeable future. In March 2018, the eleven countries left by the U.S. agreed on the so-called TPP11. The TPP11 agreement is basically the same as the original TPP, but 22 items are "suspended" for now because the U.S. pushed them hard and the eleven member countries did not feel comfortable with them. One of the suspended item was the 70-year copyright term. Japan, therefore, is not obligated to extend the term under the TPP11.

But somehow - without knowledge of those involved in governmental discussions - the framework of the EU-Japan Economic Partnership Agreement (EPA is another name for free trade agreement) which was agreed on July 2017 included the 70-year term and this fact was quietly announced on the website of the Ministry of Foreign Affairs four months later. It has been said that EU-Japan EPA will not take effect at least two years, so Japan does not have to adapt the 70-year term now.

While strong sentiment still exists in Japan against the extension, the government has reportedly decided to go ahead in the legislative package for the TPP11. The Cabinet approved the package on March 27, 2018 and sent it to the Diet. The copyright protection will be extended to 70 years in Japan soon, but the process involved lacks transparency.

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* Editor / Patent Attorney, Okuyama & Sasajima

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**IP news from Japan**

**By Shoichi Okuyama, Ph.D.*

**Ticket Exchange Site Shuts Down**

Internet service site TicketCamp shut down its service on December 27, 2017, after police raided its offices for trademark infringement and acts of unfair competition on December 7, 2017. TicketCamp was hugely popular, specializing in the sale of concert tickets, but the service was reportedly abused by some buying tickets at face value in bulk and reselling the tickets for much higher prices. The abuse, which was not initially intended by TicketCamp, became more systematic, involving TicketCamp itself. Ticket scalping in public places is punishable by criminal penalties, but no sanctions or regulations currently exist for Internet services. TicketCamp created special pages for popular musicians using their names and logs. Many musical production companies complained because pricing policies and development of target audiences were distorted by the higher prices of tickets. Several other production companies adapted their policy of invalidating resold tickets and negotiated, but TicketCamp was slow to change its practices. Obviously, trademark infringement is not a very good reason to shut down a highly profitable service, but the pressure was mounting from musical production companies on the operating company, Hunza, Inc., and its parent, mixi, Inc., a successful, publicly traded SNS provider.

**Forex Company Wins Patent Infringement Suit**

Money Square Holding, Inc., and GaitameOnline Co., Ltd., specialize in retail foreign exchange trading or forex services. Money Square filed suit for two Japanese Patents Nos. 5525082 and 5826909 against GaitameOnline for patent infringement before the Tokyo District Court (these patents have no foreign counterparts). The patents are directed to financial transaction management methods and devices capable of automatically carrying out "repeat if-done" orders following conditions set by the users. The Tokyo District Court found no infringement, but on December 21, 2017, the IP High Court reversed the
lower court decision, finding patent infringement, and granted an injunction (case No. 2017(ne)10027). The plaintiff did not seek damages.

In order to understand what is patentable and enforceable in Japan, an outline is shown below of claim 1 of Patent No. 5525082, which the IP High Court found was infringed:

A method for providing financial product transaction management in a financial product transaction management system for managing transactions of financial instruments of which the market price fluctuates, comprising:

- an order input accepting procedure in which information for selecting the type of the financial instrument and a desire to sell in a trading order of a financial product ...
- an order information generating procedure for generating ...
- a price information accepting procedure for obtaining ..., and
- a second order price calculation procedure for calculating ..., wherein in the order information generating procedure, based on the trade order application information, generating a group of plural order information sets including ..., recording a group of the generated order information sets ..., and repeating ...

Trademark Infringer Imprisoned

A man who sold crack manuals for Adobe Systems Inc. products was arrested on criminal charges in 2015 and was tried before the Utsunomiya District Court. He was arrested by the Tochigi Prefectural Police for using a trademark similar to those owned by Adobe Systems in crack manuals he published and sold at auction sites. The infringer argued that his use of the trademark was not as a trademark, but merely as an indication of subject software. Recently the Supreme Court of Japan rejected an appeal from a Tokyo High Court decision. With the Supreme Court, he exhausted appeal opportunities and will be imprisoned because he had another earlier trademark offence on which he had probation.

Ryohin Keikaku Wins over Unfair Competition

Ryohin Keikaku Co., Ltd., known for its MUJI brand, sued a large DIY store chain, Cainz Corp., for selling products which were a "slavish" imitation, according to the plaintiff, of MUJI shelf product series. The plaintiff was successful before the Tokyo District Court and the IP High Court (decision handed down March 29, 2018). The plaintiff argued that its products were well known among consumers as MUJI products, relying on Article 2(1)(i) of the Unfair Competition Prevention Act (UCPA) because it started selling this series of shelves in 2007 and had sold 700,000 pieces by the end of 2015. The IP High Court decision has not yet been published.

Article 2(1)(i) of the UCPA provides: (i) creation of confusion with another person's goods or business by use of an indication of goods, etc. (which shall mean a name, trade name, trademark, mark, container or package, or any other indication of goods or trade pertaining to a person's business; the same shall apply hereinafter) that is identical or similar to an indication of goods, etc. well-known among consumers used by said person, or assignment, delivery, display for the purpose of assignment or delivery, export, import or provision by telecommunications of goods bearing such indication of goods, etc. (underlining added). Thus, if a third party creates confusion using a well-known indication of a product, including a product form that is identical or similar, it is possible to sue the third party for an act of unfair competition.

Also, Article 2(1)(iii) of the same Act provides: (iii) assignment, lease, display for the purpose of assignment or lease, export or import of goods which imitate the form of another person's goods (excluding forms indispensable to ensuring the functioning of said goods) (underlining added), and Article 2(5) provides that: (5) the term "imitate" as used in this Act shall mean the act of creating, based on the configurations of the goods of another person, goods having practically identical configurations as said goods. This is limited to three years from the first sale in Japan (Article 19(1)(iii)). Therefore, if a third party copies a product form and appearance, that is an act of unfair competition and may be subject to a claim of damages and/or injunction. These provisions in the UCPA supplements design protection that requires registration for a period of three years and does not require registration.

In this particular case, the plaintiff did not have any design registrations on the product series, and it was too late to utilize Article 2(1)(iii) (“slavish” imitation of product appearance), but it succeeded in arguing that the products caused confusion among consumers because of the long popularity of MUJI shelving products.
The 2018 LES Japan General Meeting

Received Chief Judge of the IP High Court as guest of honour

By Mitsuo Kariya*

The 2018 LES Japan General Meeting was held in Tokyo on February 19, 2018. Ms. Junko Sugimura, LES Japan President summarized the 2017 performances against the society objectives (Photo 1).

The meeting was concluded by obtaining approvals to the 2017 activity report and book closing, the 2018 activity plan and budget, and the 2018 board members (Photo 2).

The general meeting was followed by a networking party. LES Japan had the privilege of receiving several key persons in Japanese Intellectual Property society. Mr. Misao Shimizu, Chief Judge of the IP High Court updated the recent activities and his initiative in the IP High Court (Photo 3).

About one hundred LES Japan members enjoyed the networking event, and developed and enhanced their professional network (Photo 4).

1) Broadcast the activities of LES Japan to the members: Provided the members with more opportunities for expanding professional network and acquiring knowledge, e.g., content-rich monthly seminars, more often WG workshops open to all members for interesting IP topics.
3) LES Japan website: Reformed the LES Japan website to incorporate more user-friendly features.
4) Liaise closely with LES International and LES Asia Pacific Committee: Sent delegates and speakers to contribute to the LES International and Asia Pacific conferences. Launched YMC (Young Members Congress) in LES Japan to encourage young members to participate in activities.
5) The 2017 LES Japan annual conference in Kobe: Productive and successful with 250 participants.
6) The 2019 LES International Annual Conference in Yokohama: Planning a business oriented conference to attract all attendees from the LES families.
Prior to the general meeting, Mr. Takeshi Nakano, Economic Analyst was invited as a speaker to a monthly seminar. His lecture for “The Suitable Business Management for Innovation” attracted more than one hundred audiences. The success of the general meeting was largely attributable to his informative lecture (Photo 5).

At the end of the general meeting, Mr. Tsuyoshi Dai, Organizing Committee, Chair announced that the 2018 LES Japan Annual Conference will be held on the 6th and 7th of July 2018 in Sapporo city, Hokkaido prefecture (Photo 6).

The 2019 LES International Annual Conference in Yokohama was also introduced to the participants by Ms. Sugimura and Mr. Saito, LES Japan President-Elect (Photo 7).

We look forward to seeing you in Sapporo this summer and Yokohama next year.

*Editor/Licensing Vice President at GE Japan, Inc., Patent Attorney*
Editors’ Note

This issue includes articles relating to “Message from the New President”; “Big data protection, liberalized use of copyrighted works for digital data processing, twelve-month grace period, and 70 years for copyright protection”; “IP News from Japan”; and “the 2018 LES Japan General Meeting.”

Thank you for your support of “Winds from Japan.” This newsletter will continue to provide you with useful information on activities at LES Japan and up-to-date information on IP and licensing activities in Japan.

If you would like to refer to any back issues of our newsletters, you can access them via the following URL: http://www.lesj.org

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