INTELLECTUAL PROPERTY & ANTITRUST

Japan

LEXOLOGY
Getting The Deal Through

Consulting editor
Arnold & Porter

Intellectual Property & Antitrust

Consulting editors

Matthew Tabas

Arnold & Porter

Quick reference guide enabling side-by-side comparison of local insights, including into intellectual property law, the nexus between competition and IP rights, and consideration of industry standards; competition law, including such issues as interactions with copyright exhaustion or first sale doctrines; merger review; specific examples of competition law violations; remedies; economics and application of competition law; recent cases, remedies and sanctions; and other recent trends.

Generated 18 November 2022

Table of contents

Contributors

Japan

Yusuke Nakano
yusuke.nakano@amt-law.com
Anderson Mōri & Tomotsune

ANDERSON MŌRI & TOMOTSUNE

Atsushi Yamada
atsushi.yamada@amt-law.com
Anderson Mōri & Tomotsune

Ryo Murakami
ryo.murakami@amt-law.com
Anderson Mōri & Tomotsune

INTELLECTUAL PROPERTY

Intellectual property law

Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

IP rights are granted under the following Acts:

- the Patent Act (No. 121 of 1959);
- the Utility Model Act (No. 123 of 1959);
- the Design Act (No. 125 of 1959);
- the Trademark Act (No. 127 of 1959);
- the Plant Variety Protection and Seed Act (No. 83 of 1998);
- the Act on the Circuit Layout of Semiconductor Integrated Circuits (No. 43 of 1985);
- the Copyright Act (No. 48 of 1970); and
- the Unfair Competition Prevention Act (No. 47 of 1993).

For patent, utility model, design and trademark rights to be granted, registration at the Patent Office is required. For the registration of breeders' rights under the Plant Variety Protection and Seed Act, registration at the Ministry of Agriculture, Forestry and Fisheries (MAFF) is required, and for the right to the layout of semiconductor integrated circuits, registration is required at the Software Information Centre as designated by the Ministry of Economy, Trade and Industry (METI). As for copyrights and trade secrets, no registration is required.

Licensing of IP rights generally becomes effective upon agreement between a licensor and a licensee, without registration with governmental authorities. However, the relevant Acts state that an exclusive licence of the registrable rights described above shall not become effective without registration with the competent authorities. In reality, many licensees refrain from registering exclusive licences to save registration costs. An exclusive licensee with registration may statutorily claim the licence against third parties (eg, an infringer). If a third party infringes the relevant IP right, an exclusive licensee without registration may be entitled to damages, but such a licensee cannot seek injunctive relief against the infringer.

The transfer, waiver or restriction on the disposability of the registrable rights must be registered with the relevant authorities. The creation, transfer, change, extinction or restriction on the disposability of the registered exclusive rights must also be registered. Unless so registered, no such transfer, etc, will be effective against third parties.

If two or more people share the registrable rights described above, the transfer or licensing of such rights requires the consent of all holders.

The protection of IP rights in Japan exceeds the minimum requirement by TRIPs.

Law stated - 28 September 2022

Responsible authorities

Which authorities are responsible for granting, administering or enforcing IP rights?

The Patent Office, an extra-ministerial bureau of the METI, is the responsible authority for administering the Patent Act,

the Utility Model Act, the Design Act and the Trademark Act, including granting the relevant registrable IP rights. The MAFF is responsible for administering the Plant Variety Protection and Seed Act, including granting the relevant registrable IP rights. The METI is responsible for administering the Act on the Circuit Layout of Semiconductor Integrated Circuits and the Unfair Competition Prevention Act, including granting the relevant registrable IP rights. The Agency for Cultural Affairs, an extra-ministerial bureau of the Ministry of Education, Culture, Sports, Science and Technology, is responsible for administering the Copyright Act. All these IP rights are ultimately enforced through judicial proceedings conducted by the court.

Law stated - 28 September 2022

Proceedings to enforce IP rights

What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

In legal proceedings, civil lawsuits are available. A civil action of first instance relating to a patent right, utility model right, right of layout designs of integrated circuits or an author's right over a computer program shall be subject exclusively to the jurisdiction of the Tokyo District Court or the Osaka District Court, depending on the location of the court in which the action could otherwise be filed (article 6, paragraph 1 of the Code of Civil Procedure), and any such action is assigned to one of the court divisions that exclusively handle IP-related cases. An appeal to the court of second instance against the final judgment of the court of first instance in such an action shall be subject exclusively to the jurisdiction of the Tokyo High Court (article 6, paragraph 3 of the Code of Civil Procedure) (specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court, handles the cases). In administrative proceedings, the holders of a patent, utility model, design, trademark, copyright, or neighbouring or breeders' rights may request the customs director to initiate proceedings to prohibit the importation of goods that they believe infringe their rights. If a person finds that a certain indication (such as trade names, registered or unregistered trademarks or packaging) or shape of goods to be imported are identical or similar to his or her own, that person may also make the same request (article 69-13, paragraph 1 of the Customs Act). When such goods are being imported, the customs director may confiscate and discard them, or may order an importer to reload them (article 69-11, paragraph 2). The holder of the relevant IP rights may choose which proceedings described above to take first and there is no procedural interrelationship between them.

Law stated - 28 September 2022

Remedies

What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Available civil remedies include compensation of damages, injunctions and preliminary injunctions. An injunction may include the destruction of the objects that have been created by the act of infringement, the removal of the machines and equipment used for the act of infringement, or other measures necessary to suspend and prevent the infringement. In administrative proceedings at customs, the available remedies would be the confiscation and discard of the infringing goods by customs, or an order to an importer to reload them. An infringer may be criminally punished, but in some cases only if the holder of relevant rights files a criminal complaint with the investigative authorities in a timely manner.

Law stated - 28 September 2022

Nexus between competition and IP rights

Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

The Intellectual Property Basic Act (No. 122 of 2002) (IPBA) refers to competition. Article 10 (consideration of promotion of competition) of the IPBA stipulates that in promoting measures regarding the protection and use of IP, ensuring fair use and the public interest shall be taken into consideration, and the promotion of fair and free competition shall also be considered. However, because this is just a general statement about the relationship between IP rights and competition, specific interpretation of IP law or competition law is unlikely to be affected by this provision.

Law stated - 28 September 2022

Patent cooperation treaties and other agreements

Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Japan participates in, among others, the following patent cooperation treaties or other similar agreements:

- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;
- the Nice Agreement Concerning the International Classification of Goods and Services for Purposes of the Registration of Marks;
- the Trademark Law Treaty;
- the Singapore Treaty on the Law of Trademarks;
- the Paris Convention for the Protection of Industrial Property;
- the Convention Establishing the World Intellectual Property Organization;
- the Strasbourg Agreement Concerning the International Patent Classification;
- the Patent Cooperation Treaty;
- the Patent Law Treaty;
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Universal Copyright Convention;
- the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms;
- the World Intellectual Property Organization Copyright Treaty;
- the World Intellectual Property Organization Performances and Phonograms Treaty; and
- the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

Law stated - 28 September 2022

Remedies for deceptive practices

With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Remedies against certain deceptive practices are provided for in the Unfair Competition Prevention Act (UCPA) with respect to trademarks. Where the UCPA is applicable, the person whose business interest is damaged may invoke its provisions regarding injunction rights and compensation of damages. Certain acts of this type also give rise to criminal liability.

Law stated - 28 September 2022

Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Both TPMs and DRM are enforced in Japan under the Copyright Act. The technological measures corresponding to TPMs and DRMs are defined as 'technological protection measures' and 'technological exploitation restriction measures' in terms of their general function and nature under the Copyright Act. A person who intends to privately copy those copyrighted works that are protected by TPMs must obtain the consent of a copyright holder, which is an exception to the general rule that private copying is permitted without the copyright holder's consent (article 30, paragraph 1, item 2). A person who provides devices or programmes that are designed to circumvent these measures to the general public or develops, imports or owns them for the purpose of provision to the general public, or who on a regular basis circumvents those measures upon the request of the general public, may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, items 1 and 2 of the Copyright Act). In addition, the act of circumventing technological exploitation restriction measures (except where it does not unduly harm the interests of the right holder), and the act of assigning codes to circumvent TPMs or technological exploitation restriction measures to the general public, or manufacturing such codes for the purpose of assignment to the general public, etc, constitute a deemed infringement of a copyright, and are also subject to criminal punishment of a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, items 3 and 4).

No legislation or case law limits the ability of manufacturers to incorporate TPM or DRM protection, limiting the platforms on which the content can be played. TPM or DRM protection is not generally considered anticompetitive, and we understand that the mere employment of TPM or DRM would not be challenged under competition laws. Further, we understand that TPM or DRM protection has not been challenged under the competition laws.

Law stated - 28 September 2022

Industry standards

What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

Neither statutes nor regulations have given special consideration to the impact of proprietary technologies in industry standards.

There is no compulsory licensing of technologies in industry standards; however, the Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007) (the IP Guidelines) published by the Japan Fair Trade Commission (JFTC) do provide such consideration, and stipulate that refusal of a licence can be deemed a violation of the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) under certain circumstances. Further, the JFTC amended the IP Guidelines in January 2016 to address the

situation where a refusal to grant a licence or claim for injunction to a party who is willing to take a licence, by a fair, reasonable and non-discriminatory (FRAND)-encumbered standard-essential patent (SEP) holder, can be deemed a violation of the AMA. In short, the amended Guidelines provide that the following may be considered private monopolisation or unfair trade practice:

- the refusal to grant a licence or claim for an injunction by a FRAND-encumbered SEP holder to a party who is willing to take a licence; or
- the refusal to grant a licence or claim for an injunction by a FRAND-encumbered SEP holder who has withdrawn its FRAND declaration for that SEP to a party who is willing to take a licence.

The amendment further states that the determination that a certain party is willing to take a licence on FRAND terms should be judged based on the situation of each case in light of the behaviour of both sides in licensing negotiations, etc. For example, the presence or absence of the presentation of the infringement designating the patent and specifying the way in which it has been infringed; the presence or absence of the offer for a licence on the conditions accompanied by a reasonable basis for such conditions; the correspondence attitude to the offers such as prompt and reasonable counter-offers and whether or not the parties undertake licensing negotiations in good faith in light of normal business practice. The amendment also notes that the mere fact that a potential licensee challenges the validity, essentiality or infringement of the SEP would not be considered as grounds to deny that such party is a 'willing licensee' as long as the party undertakes licensing negotiations in good faith in light of normal business practice. The above would be applied regardless of whether the conduct is taken by the SEP-holder, by a party that accepted the assignment of the SEP or by a party that was entrusted to manage the SEP.

While it is not necessarily clear, the language used in the amendment suggests that the JFTC had taken into account the Intellectual Property High Court decision (May 2014), concerning an injunction claim brought by Samsung against Apple, which ruled that a patent holder that had made FRAND declarations in relation to a SEP is not permitted to seek injunctive relief against a manufacturer that intends to obtain the relevant licence from the patent holder under FRAND terms and conditions. As this court decision was not based on competition law grounds, it is yet to be determined whether a competition law-based approach (as suggested by the amendment) would be accepted by the courts.

Another example of a violation arising from the refusal of a licence is where many companies are jointly developing a standard for certain products, and one of the companies has its technology adopted as a part of the standard by inappropriate measures (such as misrepresentation of possible terms and conditions of a licence of such technology to be applied after it is adopted as the standard); and, after successfully having the technology adopted, it then refuses to license the technology to other companies. Such refusal of a licence may constitute private monopolisation or unfair trade practice.

On the other hand, it seems logical to interpret the IP Guidelines to mean that mere refusal to license technologies cannot be a violation of the AMA, even if such technologies have been adopted in certain standards, unless the owner of such technologies has employed inappropriate measures in doing so.

Law stated - 28 September 2022

COMPETITION

Competition legislation

What statutes set out competition law?

The Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) sets out the basic rules of competition law. Broadly, the AMA prohibits three types of activity, as follows:

- private monopolisation (activities to exclude or control the business activities of other entrepreneurs);
- unreasonable restraint of trade (activities to restrict or conduct business activities mutually with other entrepreneurs in such a manner as to fix, maintain or increase prices, limit production or products, or other similar matters); and
- unfair trade practices (boycott, unjust price discrimination, predatory pricing, resale price maintenance, abuse of a superior bargaining position and other practices).

While private monopolisation and unreasonable restraint of trade require the level of restriction on competition to be substantial, a tendency to impede fair competition would be considered sufficient for the purpose of unfair trade practices. Private monopolisation corresponds largely to the abuse of a dominant position under EU competition law, and unreasonable restraint of trade includes almost all illegal cartels.

Other important Acts with aspects of competition law include the Act against Unjustifiable Premiums and Misleading Representations (No. 134 of 1962), which prevents unjustifiable premiums and representations regarding the trade of goods and services, and the Unfair Competition Prevention Act, which provides for measures to prohibit unfair competition and special rules regarding compensation of damages.

Law stated - 28 September 2022

IP rights in competition legislation

Do the competition laws make specific mention of any IP rights?

Article 21 of the AMA provides that the Act shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, Patent Act, Utility Model Act, Design Act or Trademark Act. However, holders of IP rights should not rely on this provision without careful consideration of competition law, as this provision is quite general.

Law stated - 28 September 2022

Review and investigation of competitive effects from exercise of IP rights

Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The Japan Fair Trade Commission (JFTC), an independent administrative committee responsible for competition-related matters, has general jurisdiction to review and investigate the competitive effects of certain conduct, including those related to IP rights. For this administrative process, the Tokyo District Court is the court of first instance for reviewing the JFTC's orders upon an appeal filed by a recipient. The courts may also review the competitive effect of business practices if civil or criminal lawsuits filed with the court contain issues involving an effect on competition.

Law stated - 28 September 2022

Competition-related remedies for private parties

Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Private parties can claim for competition-related damages caused by the exercise, licensing or transfer of IP rights under article 709 of the Civil Code, or article 25 of the AMA, whereby a defendant may not be discharged even if his or

her act was not intentional or negligent, which is contrary to general rules under article 709 of the Civil Code. However, the claim under article 25 of the AMA is not always useful because it may not be made unless the JFTC's formal order finding a violation of the addressee becomes final and conclusive.

Law stated - 28 September 2022

Competition guidelines

Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

Apart from comparative or industry-specific research, the JFTC has issued three guidelines and one report regarding the overlap of competition law and IP rights.

The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007, last amended in 2016) discuss how to analyse legal issues arising from the interaction of competition law and IP rights.

The Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993, last amended in 2017) provide that joint research activity itself is normally lawful if the total market share of participants is not more than 20 per cent, but further provide that whether covenants ancillary to joint research activities are lawful or not shall be determined by taking various relevant factors into consideration, and not limiting it to the total market share alone. The Guidelines on Standardisation and Patent Pool Arrangements (2005, last amended in 2007) specify the circumstances where the formation of patent pools or licensing for standardisation through patent pools may give rise to antitrust concerns.

Views on Software Licensing Agreements, etc, under the Anti-Monopoly Act (2002), which is an interim report and not a guideline, covers various issues arising from software licensing agreements, including abusive conduct by developers of operating systems software and restrictive covenants in software licensing agreements.

Other than the JFTC, no authority had issued such guidelines until June 2018, when the Japan Patent Office (JPO) released the Guide to Licensing Negotiations involving Standard Essential Patents regarding FRAND-encumbered standard-essential patents (SEPs) (last amended in June 2022). This Guide, however, is not binding in law and is only intended to summarise the issues concerning licensing negotiations as objectively as possible based on items such as the current state of court rulings from various jurisdictions, the judgment of competition authorities and licensing practices. That said, the Guide covers items such as offering an explanation of what actions companies can take to make it more likely for them to be recognised as negotiating in good faith, which may help implementers to avoid an injunction and right holders to secure appropriate compensation. It is possible that future licensing negotiations, relevant court disputes and competition law cases could evolve around this Guide. In contrast, in 2022, the Ministry of Economy, Trade and Industry (METI) published the Good Faith Negotiation Guidelines for Standard Essential Patent Licenses that sets out a more subjective guidelines from a Japanese industrial policy perspective. The METI guidelines do not have any binding effect either, so we have yet to see how the actual practice will evolve around these guidelines from an IP and competition perspective.

Further, the JFTC and the METI jointly issued the Guidelines on Business Partnership Contracts with Startups in 2021, and updated it as well as renamed it as the 'Guidelines on Business Partnership Contracts with Startups and Investments into Startups'. The Guidelines identify potential issues that may arise in agreements concluded between start-ups and partner businesses and aim to present best practices, in particular covering non-disclosure agreements, proof of concept agreements, joint research and development agreements, and licensing agreements.

Law stated - 28 September 2022

Exemptions from competition law

Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

Generally not, except that resale price maintenance of copyrighted works between entrepreneurs is exempt from the AMA (article 23, paragraph 4). The JFTC's interpretation is that 'copyrighted works' for the purpose of this article include only the following six items: books, magazines, newspapers, music records, music tapes and music CDs. DVDs, for example, are not exempt.

Law stated - 28 September 2022

Copyright exhaustion

Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

The Copyright Act explicitly lays down a doctrine of exhaustion (article 26-2, paragraph 2) with respect to copyrighted works other than cinematographic works, and the same doctrine is recognised by a Supreme Court decision with respect to cinematographic works. The Act on the Circuit Layout of Semiconductor Integrated Circuits (article 12, paragraph 3) and the Plant Variety Protection and Seed Act (article 21, paragraph 2) have similar provisions. Notably, the Copyright Act specifically refers to 'international exhaustion', but the certain import of records lawfully sold outside of Japan for the purpose of resale in Japan is deemed to be copyright infringement (article 113, paragraph 10).

In practice, the doctrine of exhaustion has been disputed mainly in respect of patents and trademarks, particularly in the field of parallel import (or the 'grey market'). Regardless of the lack of specific provisions on the exhaustion doctrine in the Patent Act and Trademark Act, domestic exhaustion has been taken for granted. As to international exhaustion, the courts have recognised the doctrine and rejected claims of injunction by patent holders or trademark holders (or their licensees) against parallel importers that import genuine products (regarding patents, BBS Kraftfahrzeugtechnik v Racimex Japan (Supreme Court, 1997); regarding trademarks, NMC v Shriro Trading (Osaka District Court, 1970); and 3M v Hit Union (Supreme Court, 2003)).

Law stated - 28 September 2022

Import control

To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

An IP rights holder cannot prevent a grey market by exercising his or her IP rights against parallel importers. Moreover, the Guidelines concerning Distribution Systems and Business Practices under the Anti-Monopoly Act (the Distribution Guidelines 1991, last amended in 2017) stipulate that it may be a violation of the AMA for an authorised general agent of imported products or a foreign manufacturer (who may or may not be an IP rights holder) of the products, to do the following in order to maintain the price of the authorised products:

- prevent foreign distributors from selling products to the grey market;
- prevent domestic distributors from handling products imported through the grey market;
- prevent wholesalers from selling the products to retailers handling products imported through the grey market;
- defame by stating that products imported through the grey market are not genuine products;

- buy up the products imported through the grey market; and
- prevent newspapers or other media from carrying advertisements of parallel importers.

The Distribution Guidelines also stipulate that it would be a violation of the AMA for an authorised general agent, in order to maintain the price of the authorised products, to refuse, or have distributors refuse, to repair products imported through the grey market or to supply repair parts for products imported through the grey market when it is extremely difficult for people or companies other than an authorised general agent or a retailer to repair the products or procure repair parts for the products.

Law stated - 28 September 2022

Jurisdictional interaction between competition laws and IP rights

Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

A civil action of first instance relating to a patent right, a utility model right, the right of layout designs of integrated circuits or an author's right over a computer program shall be subject exclusively to the jurisdiction of the Tokyo District Court or the Osaka District Court, depending on the location of the court in which the action could otherwise be filed. An appeal to the court of second instance against the judgment on such action shall be subject exclusively to the jurisdiction of the Tokyo High Court, specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court. These rules on the exclusive jurisdiction equally apply regardless of whether the case involves a competition claim or not. Additionally, cases (regardless of whether the cases involve a competition claim or not) over which the Tokyo High Court has jurisdiction may be transferred to the Intellectual Property High Court if the cases require specialised knowledge on IP for examination of the major points at issue.

Law stated - 28 September 2022

MERGER REVIEW

Powers of competition authority

Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

The Japan Fair Trade Commission (JFTC) has the same authority with respect to reviewing mergers involving IP rights as in any other mergers.

Law stated - 28 September 2022

Analysis of the competitive impact of a merger involving IP rights

Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The standard for review by the JFTC of the competitive impact of a merger is always the same (whether or not the merger 'may be substantially to restrain competition'), irrespective of whether the mergers involve IP rights. We have

observed in horizontal cases that the role of IP may be limited given that factors such as the result of the Herfindahl-Hirschman Index before and after the merger and whether the party after a merger can increase the price at its own will, are likely to carry more practical importance for the review. IP rights could play a significant role in vertical and conglomerate cases. The JFTC explicitly confirmed this when it revised its Guidelines to Application of the Antimonopoly Act Concerning Review of Business Combination (the Merger Guidelines) in 2019, in relation to mergers that involve a party that has certain important assets for competition, including IP.

Law stated - 28 September 2022

Challenge of a merger

In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

We understand that the JFTC has never challenged a merger solely because the parties have IP rights resulting in a strong competitive edge.

Law stated - 28 September 2022

Remedies to address the competitive effects of mergers involving IP

What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The JFTC may order any measures necessary to eliminate acts in violation of the provisions regarding mergers (the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)), article 17-2, paragraph 1). Therefore, theoretically, compulsory licences may be ordered as a remedy.

In the course of a merger review, antitrust concerns are sometimes dealt with by the parties that promise to take certain measures to alleviate such concerns. Some of these remedies are IP-specific. When the JFTC revised the Merger Guidelines in 2019 to address potential input foreclosure concerns in vertical and conglomerate mergers that may be caused by a merging party in the upstream market holding important data that would be used in the downstream market (or in one of the markets holding important data that would be used in the other market), it explicitly said that its approach to data that can be traded in the market would also be applicable to input goods such as IP rights that are important for competition purposes. While there has not yet been a case directly applicable to IP rights, in a recent vertical and conglomerate merger case involving the potential input foreclosure of data, the JFTC investigated a consummated merger (share acquisition) that was non-reportable and cleared the case, with conditions based on the remedies proposed by the parties, where they would continue provision of such data to competitors and refrain from discriminatory treatment of their competitors in terms of the prices and other trade terms concerning such data for an indefinite period of time (in re Acquisition by M3, Inc of the Shares in Nihon Ultmarc Inc, 24 October 2019). This case could be of reference for future mergers involving IP.

Law stated - 28 September 2022

SPECIFIC COMPETITION LAW VIOLATIONS

Conspiracy

Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

Yes. The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007, last amended in 2016) (the IP Guidelines) and the Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993, last amended in 2017) (the Joint Research and Development Guidelines) introduce a number of useful examples. As to patent pools, because they have a pro-competitive effect, the 'rule of reason' test would be applied. Patent pools can constitute an unreasonable restraint of trade if members of the patent pools share the understanding that they have accepted common restrictions on trade conditions such as sales prices and sales areas, and such restrictions substantially restrict competition in a market, or if the members mutually restrict the area of research and development or prospective licensees of the IP rights and such restrictions substantially restrict competition in a market.

Patent pools may also be regarded as private monopolisation or unfair trade practices. For example, if members of patent pools refuse to grant a licence and effectively exclude competitors, such a refusal may constitute private monopolisation.

It will not be considered as cartel conduct for competitors to jointly license their IP rights to a certain licensee. On the other hand, if competitors jointly refuse to license their IP rights without reasonable grounds, it may be considered as illegal cartel conduct.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

Law stated - 28 September 2022

Scrutiny of settlement agreements

How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

We are not aware of any published case to date where the Japan Fair Trade Commission (JFTC) has applied competition laws to a settlement agreement terminating an IP infringement dispute. However, the JFTC is likely to rely on existing laws and guidelines to scrutinise such a situation, and thus the IP Guidelines and the Joint Research and Development Guidelines are likely to be of relevance. For example, the IP Guidelines provide guidance for situations where the licensor restricts the licensee from manufacturing or selling competing products or adopting competing technologies, suggesting the possibility of applying 'unfair trade practices (dealing on exclusive terms or dealing on restrictive terms)'. Therefore, in a situation where the parties to a patent infringement claim enter into a settlement agreement whereby one party agrees not to compete with respect to the patented product, if they also enter into a licensing agreement, the guidelines above may be referenced from a vertical restriction perspective. On the other hand, if there is no such licensing agreement, then the application of 'unreasonable restraint of trade' may be considered from a horizontal restriction perspective.

Law stated - 28 September 2022

Reverse payment patent settlements

How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

We understand that the JFTC has never officially applied the competition laws to reverse payment patent settlements in Japan. Reverse payment patent settlements do not seem to be very common in Japan. This is because there are no

regulations in Japan similar to the US Hatch-Waxman Act, whereby a patent holder is practically forced to bring an infringement lawsuit upon notice from a generic manufacturer. It is difficult to predict the result of the application of the competition laws to reverse payment patent settlements in Japan, because it may be difficult to define the relevant market and determine whether any restraint on competition is substantial. Having said that, as it is also pointed out that the JFTC may be interested in applying 'unfair trade practices (dealing on restrictive terms)', which only requires a tendency to impede fair competition and does not necessarily require a substantial restraint of competition, it is advisable to carefully consider the pro-competitive and anticompetitive effects arising from the contemplated arrangements.

The JFTC and the Competition Policy Research Center published a joint research report titled 'Competition and R&D Incentives in the Pharmaceutical Product Market - Based on the analysis of the effect on the market by the entry of generic pharmaceutical products' in 2015. The report concludes that while a reverse payment situation that has raised significant competition law issues in the EU and the US is unlikely to arise in Japan under the current regulatory system and market structure for pharmaceutical products, the incentives to engage in a reverse payment scheme might increase in the event that the market share of generic pharmaceuticals further increases in the near future, and suggests that the JFTC should continue to monitor the situation and be prepared to proactively enforce the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) as necessary.

Law stated - 28 September 2022

(Resale) price maintenance

Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

Yes. If a licensor sets minimum resale prices for its licensees, the licensor's act is, in principle, considered to be an unfair trade practice (dealing on restrictive terms). It should be noted that such vertical restraint is not generally regulated as an unreasonable restraint of trade in Japan. In this context, the exercise of IP rights is treated no differently from non-IP conduct.

Law stated - 28 September 2022

Exclusive dealing, tying and leveraging

Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

Yes. An IP rights holder that restricts a licensee from manufacturing or using competing products or adopting competing technologies may be considered to have committed unfair trade practices (dealing on exclusive terms or dealing on restrictive terms) if such a restriction tends to impede fair competition in a market. In particular, if such a restriction is imposed after the expiry of the licensing agreement, it is highly likely that such a restriction will constitute an unfair trade practice.

An IP rights holder that obliges a licensee to obtain a package licence for more than one IP right may be considered to have committed unfair trade practices (tie-in sales), if such an obligation may have an adverse effect on competition in a market. For instance, in 1998, the JFTC provided a recommendation decision to Microsoft Co, Ltd, a Japanese subsidiary of Microsoft Corporation, that it should not tie its MS Word and Outlook software with its MS Excel software with regard to its licensing arrangements with PC manufacturers.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

Law stated - 28 September 2022

Abuse of dominance

Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Yes. Private monopolisation under the AMA is similar to abuse of dominant market position under EU competition law. If an entrepreneur or a combination of entrepreneurs in a dominant position excludes or controls the business activities of other entrepreneurs and thereby causes a substantial restraint of competition, such an abusive act will constitute a private monopolisation. In the Paramount Bed case (1998), a dominant manufacturer of beds for medical use approached an official of the Tokyo metropolitan government and made it adopt a specification for beds that contained its IP rights by misrepresenting that the specification somehow could also be reasonably satisfied by its competitors, effectively excluding the business activities of its competitors. The JFTC held that the activities of Paramount Bed Co, Ltd constituted private monopolisation (exclusionary type).

In addition, it is becoming more likely than before that even where the level of restriction on competition is not substantial, 'exploitation'-type conduct taking advantage of a predominant bargaining position will be considered 'abuse of superior bargaining position', which is one of the 'unfair trade practices'. Although there has been no precedent in which the JFTC has declared its policy to take such an approach with regard to IP rights, caution should be used in a potential patent hold-up case, for example, particularly given that a surcharge (a type of administrative fine) shall be imposed on an 'abuse of superior bargaining position' if it occurs on a regular basis.

With respect to the abuse of superior bargaining position, it should also be noted that exploiting the counterparty who is the owner of know-how and IP may amount to a violation of the AMA. In 2019, the JFTC published the Report on Fact-Finding Survey on Abuse of Superior Bargaining Position Involving Know-How and Intellectual Property of Manufacturers, which includes a comprehensive list of actual cases gathered during the survey that may amount to an abuse of superior bargaining position by unjustly taking up know-how and IP developed by manufacturers.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

Law stated - 28 September 2022

Refusal to deal and essential facilities

Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

An entrepreneur's mere refusal to license IP rights is generally thought to be beyond the scope of the AMA, unless the entrepreneur has:

- purchased the IP rights knowing that they are used by other entrepreneurs;
- collected IP rights that may be used by its competitors but not for its own use; or
- employed inappropriate measures to have the IP rights incorporated into a standard.

No court judgment or JFTC decision has ever held a genuine unilateral refusal to license as being against the AMA. Moreover, no JFTC decision or court judgment has ever explicitly mentioned the essential facilities doctrine. Theoretically, however, if an IP rights holder singularly refuses to provide a licence to another entrepreneur and the entrepreneur faces difficulty in doing business because of the essential nature of the refused IP, the possibility that

such a refusal to license could constitute private monopolisation or unfair trade practice (other refusal to deal) cannot be ruled out. In this context, the exercise of IP rights is treated no differently from non-IP conduct.

Law stated - 28 September 2022

REMEDIES

Remedies for violations of competition law involving IP

What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

In cases of violation of competition law involving IP, the Japan Fair Trade Commission (JFTC) may issue a cease-and-desist order to take any measures necessary to eliminate such violation. However, while the term 'necessary measures' suggests that such drastic measures as compulsory licensing or divestiture of IP rights are possible, whether or not the JFTC is of the view that such aggressive enforcement policy is needed is unclear; to date, the JFTC has not ordered compulsory licensing or divestiture of IP rights. If the violation is private monopolisation whereby a violator controls other enterprises' business activities, subject to some additional requirements, the JFTC should impose a surcharge (a type of administrative fine) on the violators. In addition, if the violation is private monopolisation whereby a violator excludes other enterprises' business activities or certain types of unfair trade practices, the JFTC will impose a surcharge on the violators. Private parties who have been harmed by such acts of violation may seek an injunction or compensation of damages in court or report the alleged violation to the JFTC, or any combination of the foregoing, subject to certain other requirements.

Law stated - 28 September 2022

Competition law remedies specific to IP

Do special remedies exist under your competition laws that are specific to IP matters?

Article 100 of the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) lays down special sanctions that are specific to IP matters. That is, when the court pronounces a criminal sentence on people who have committed private monopolisation or unreasonable restraint of trade, it may order that the patents exercised for the relevant offence be revoked. However, this sanction has never previously been declared.

Law stated - 28 September 2022

ECONOMICS AND APPLICATION OF COMPETITION LAW

Economics

What role has competition economics played in the application of competition law in cases involving IP rights?

Economics has so far played a limited role in the application of competition law to specific cases by the Japan Fair Trade Commission. IP-related cases are no exception to this.

Law stated - 28 September 2022

RECENT CASES AND SANCTIONS

Recent cases

Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

On 16 September 2008, the Japan Fair Trade Commission (JFTC) held that Microsoft Corporation had engaged in unfair trade practices (dealing on restrictive terms) by entering into agreements with PC manufacturers to license Windows OS. Such agreements included a 'non-assertion of patents' (NAP) clause, which prevented licensees from asserting patent infringement claims against Microsoft Corporation and other PC manufacturers. Microsoft did not challenge the decision and it became final and binding.

The May 2014 decision of the Intellectual Property High Court in the Samsung v Apple Japan litigation was one development that we believe led to the JFTC introducing amendments to its Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007, last amended in 2016), although the court rendered its decision on grounds other than competition law.

The JFTC's investigation concerning patents that are essential for the use of the Blu-ray Disc standard, which closed on 18 November 2016, basically followed the framework set by the Samsung v Apple Japan decision. In this case, One-Blue, a patent pool that manages patents that are essential for the use of the Blu-ray Disc standard, sent a notice to some customers of a potential licensee informing them that One-Blue licensors had the right to seek an injunction for infringement of its patent rights to advance licence negotiations. The JFTC found that such notice, which is incorrect, falls under unfair trade practices (interference with a competitor's transactions). The investigation was closed without any orders issued because the JFTC concluded that there was no need to issue a cease-and-desist order as the relevant violation had already ceased to exist and other circumstances did not otherwise warrant a cease-and-desist order.

Recycled ink toner cartridges is one of the topics highly litigated in Japan. In a case decided by the Tokyo District Court on 22 July 2020, the plaintiff laser printer manufacturer claimed infringement of its patents regarding an electronic component of an ink toner cartridge which disables the printer's function of displaying the remaining amount of ink once the cartridge is refilled by restricting the rewriting of memory. Recycled ink toner cartridge manufacturers sold refilled cartridges with a replaced electronic component (which allows rewriting of memory) allegedly implementing those patents to make sure that such function of the printer would work with their refilled cartridges. The Tokyo District Court dismissed the claim as an abuse of right, holding that the plaintiff's measures constituted unfair trade practices because recycled ink toner cartridge manufacturers were forced to sell refilled cartridges which could not utilise such function of the printer – which as a consequence made such cartridges substantially less attractive to consumers. However, the Intellectual Property High Court reversed this decision on 29 March 2022, holding that the printing function still worked with the refilled cartridges and the plaintiff's electric component and there were ways to replace the electronic component at issue without implementing the plaintiff's patents; thus, the exclusionary effect of the plaintiff's measures were minimal, and coupled with certain elements that could reasonably explain the plaintiff's motive not being solely exclusionary, there was no abuse of right.

In another case decided on 30 September 2021, which also concerns a dispute between another laser printer manufacturer and manufacturers of recycled ink toner cartridges, the Tokyo District Court held that the design change that the defendant laser printer manufacturer implemented to its printers to make the plaintiff's printer cartridges inoperable with the defendant's laser printer could not be justified as it lacked necessity and the changes were not reasonable. The Court concluded that the change constituted tie-in sales under the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947), given that users that purchased the new printers would have no choice but to buy the defendant's cartridges, and ordered damages to be compensated under the

general tort provisions of the Civil Code.

Law stated - 28 September 2022

Remedies and sanctions

What competition remedies or sanctions have been imposed in the IP context?

On 16 September 2008, the JFTC held that Microsoft Corporation had engaged in unfair trade practices (dealing on restrictive terms) by entering into agreements with PC manufacturers to license Windows OS, where such agreements included a NAP clause. In this case, the JFTC ordered Microsoft not to use the NAP clause when dealing with PC manufacturers as a part of the cease-and-desist order.

Law stated - 28 September 2022

UPDATE AND TRENDS

Key developments

Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

An amendment to the Copyright Act, which took effect on 1 January 2021, expands the definition of technological protection measures covered by the Copyright Act so that they include not only protection codes embedded in media or provided simultaneously with music or videos (such as traditional copy control), but also activation or licence authentication schemes where protection codes are provided separately from media, music or videos. Under the amendment, a person who provides codes that are designed to circumvent such measures to the general public, or develops, imports or owns them for the purpose of provision to the general public, is deemed to infringe the underlying copyrights or neighbouring rights. This means a right holder can seek civil remedies against such an act. In addition, a person who conducts such an act may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both, regardless of whether the act is conducted to make a profit or not.

Law stated - 28 September 2022

Jurisdictions

China	FenXun Partners
Germany	Meissner Bolte
India	Chadha & Chadha Intellectual Property Law Firm
Indonesia	SSEK Legal Consultants
Japan	Anderson Mōri & Tomotsune
Kazakhstan	Baker McKenzie
Mexico	Calderón & De La Sierra
Portugal	PLMJ
Turkey	ACTECON
United Kingdom	Arnold & Porter