

## Two IPHC Decisions on the Infringement of Neighbouring Rights

Two IP High Court decisions rendered in 2005 and 2006 in preliminary injunction cases involving similar circumstances and the issue of infringing neighbouring rights both followed long-established case law, even though infringement was found in only one of the two cases.



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The Intellectual Property High Court (IPHC) recently rendered seemingly inconsistent decisions in two preliminary injunction cases, both of which involved the issue of whether services provided that enabled Japanese nationals abroad to watch Japanese TV programmes infringed the neighbouring copyrights of TV broadcasting stations.

### The Maneki TV case

A base station is the core component of a Sony-made TV system called Location-Free TV. Consisting of a TV tuner and a circuit that digitizes the TV signals received by the tuner and outputs the signals so digitized, the base station receives broadcast signals, digitizes them and, pursuant to the directions received from a PC or special monitor to which the base station corresponds exclusively, transmits the digitized signals to the PC or special monitor via the internet. If a user installs it in Japan, connects a TV antenna to its input terminal and connects its output to the internet, he/she will be able to watch Japanese TV programs on the screen of said PC, or on a special monitor installed abroad, by operating the base station through the PC or special monitor.

The case involved a preliminary injunction brought by six Tokyo-based TV broadcasting stations against a service provider that provided a service called Maneki TV by installing at its data centre multiple base stations purchased by users, connecting all of them to a common antenna and to the internet circuit through hubs

and a common router. The applicants sought a preliminary injunction alleging that the respondent infringed upon their “right to make broadcasts transmittable” by providing this service to users. As the Tokyo District Court dismissed the application by its decision dated August 4 2006, the applicants appealed to the IPHC, which then dismissed the appeal with a decision dated December 22 2006. The applicants then filed with the High Court a request for leave to appeal to the Supreme Court, but the IPHC disallowed a further appeal with a decision dated January 31 2007.

While admitting the users’ ownership of the base station, the applicants argued that all other equipment – such as the antenna, the divider, the hubs and the router – belonged to the respondent service provider, that all such equipment and the base stations were organically integrated so as to function as a single server. They further argued that this integrated system fell under the definition of

an “automatic public-transmission server” as it transmitted digitized TV signals to multiple users of the service and, therefore, that the act of inputting TV signals to the integrated system and the act of connecting it to the internet each constituted an act of making broadcasts transmittable. The IPHC held in response that even if all equipment were to be viewed as constituting an integrated system, the transmission made by a base station was a one-to-one transmission since the base station was capable of making transmissions only to the PC or special monitor of the user who owned the base station. In the absence of a public transmission, the IPHC went on to hold, neither each base station nor all base stations plus other equipment combined could constitute an “automatic public-transmission server”. The IPHC thus concluded that the respondent’s act could not be considered one that made broadcasts transmittable.

### The Rokuga Net case

This case involved a preliminary injunction brought by the same broadcasting stations against another service provider based on an alleged infringement of their right of reproduction, another neighbouring right of broadcasting organizations. The respondent installed equipment that it had procured – such as PCs with TV functions (TV PCs), an antenna, a booster, a divider, a server, a router and a monitoring server – in its office space and installed special software it created in the TV PCs. All the equipment and the software constituted an organically integrated system, and the

respondent monitored this system in order to ensure its constant operation as well as supervised and controlled it as a single unified system. The user would access the respondent's website through a PC, access the TV PC allotted to him or her after verification on the respondent's website, record TV programs onto the TV PC by remotely controlling it and download the recorded TV programs to the PC. Only those broadcasts falling within the scope determined by the respondent (analogue surface broadcasts receivable at the respondent's office) were able to be recorded. All control and operation by the user were made in accordance with the procedure prescribed on the respondent's website. Having found this, the IPHC concluded that the respondent, not the user, committed the acts of reproduction (recording), as it controlled such acts and earned profit from the service (decision dated November 15 2005).

### A comparison of the two cases

The two services, including the contents and purposes thereof, are similar, although the types of rights allegedly infringed were different due to the difference in the subjects of transmission, i.e., recorded TV programmes (in the Rokuga Net case) vs. live broadcasts (Maneki TV case). Nevertheless, the IPHC found no infringement in the Maneki TV case while it did find an infringement in the Rokuga Net case. Moreover, the same division of the IPHC issued the two decisions. While the IPHC itself said, in the decision disallowing further appeal, that the two decisions were not inconsistent but that the facts were different, it appears valid to ask whether the decisions are truly consistent.

In case law, long established by a series of court decisions commencing with the Supreme Court judgment of March 15 1988, two requirements must be satisfied in order to hold a party responsible for a copyright infringement by normative assessment when this party cannot be considered to be committing the act of infringement: (i) the party must have control over the act, and (ii) it must have intended to profit from the act. In the Rokuga Net case, which involved no other real issue than identifying who should be deemed to be performing the act of recording, both the Tokyo District Court and the IPHC applied this case law in reaching their respective conclusions.

The lower court decision in the Maneki TV case also applied case law, but held that, unlike the Rokuga Net case, the respondent cannot be said to have conducted the act of transmission because it did not control same and that it was each user who actually made the transmission. The court emphasized the fact that the base stations were owned by the users (whereas the TV PCs in the Rokuga Net case were deemed by the court to be beneficially owned by the respondent), that no other equipment or software was tailored for the service and that the respondent neither installed a monitoring

server nor otherwise monitored the users' use of the equipment.

In its decision, the IPHC indicated its agreement with the reasoning stated in the lower court's decision but additionally stated that even if the equipment and software were to be viewed as constituting an integrated system, it could not possibly qualify as an automatic public transmission server because, in substance, the only transmission that took place was from each user to itself, with no public transmission. The lower court also found that the BS merely transmitted those TV programmes that were selected by the relevant user and only to the PC or special monitor of same. The District Court even held that the base station could not constitute an automatic public transmission server. However, this appears to have relied on the finding that the equipment and software used to provide the service did not constitute an organically integrated system. The logic must have been as follows: First comes the finding that the equipment did not constitute an integrated system, that the base stations were all independent and that the act of transmission using each base station was conducted by the relevant user. The conclusion, based on these findings, was that the transmission from each base station could not possibly qualify as a public transmission since it only occurred between a specified single person (the user) and a specified single person (the same user) and, therefore, the base station did not qualify as an automatic public transmission server. The IPHC went one further step and held, as discussed above, that even if the equipment, was viewed as an integrated system, such system could not qualify as an automatic public transmission server because in substance the transmission was one-to-one and, accordingly, broadcasts were never made transmittable. It could be said that the IPHC effectively held that it was of only secondary importance in the Maneki TV case to ask whether the act of transmission was under the control of the respondent (which in turn included the question of whether the equipment constituted an integrated system); that primarily important in this case was whether one-to-many transmission was ever possible; and that it was not absolutely necessary to answer the first question in order to answer the second.

It appears possible, however, to consider the transmission from each base station separately and independently only when one assumes that the multiple base stations do not constitute an integrated system or a part thereof. If one considers that the service in this case constituted an integrated system that functions as if a single server, then it would only be natural to consider that the transmission from such integrated system was to specified multiple persons (multiple users) and, if so, the entire system so conceived should be deemed to constitute an automatic public transmission server. The IPHC may have gone too far when it stated that its findings would hold true "even if the equipment, etc., were to be viewed as

an integrated system". It is therefore reasonable to assume that part of the reasoning, in which the IPHC appears to stress the one-to-one nature of the transmission, assumes as a prerequisite the lower court's finding that the equipment constituting the service could not be said to constitute an integrated system.

The major difference between the two cases lies in the degrees of control exercised by the respective service providers over the equipment and its operation. Thus, the court in the Rokuga Net Case, which involved a service provider exercising relatively closer control over the equipment, software and their operation, found that the respondent controlled the act of reproduction, whereas the court in the Maneki TV case – which involved a service provider exercising nominal control over the equipment and its operation – considered the transmission from each base station separately and accordingly held that there did not exist any public transmission, that no automatic public transmission server existed and that there could be no infringement of the right to make broadcasts transmittable. This reading allows one to consider the two decisions by the IPHC as consistent in that it applied the established case law to different sets of facts, as the IPHC itself stated in its decision disallowing a further appeal.

It is possible for a variety of similar services, with different degrees of control exercised by service providers, that fall somewhere in between the two cases. Let us hope that court decisions will further clarify what level of control by a service provider over an alleged act of infringement is sufficient to deem the service provider to be responsible.

### About the author

*Kazuo Ohtake is a partner of Nagashima Ohno & Tsunematsu (NO&T) and currently heads the IP Practice Group of the firm. His areas of practice include IP-related matters ranging from patent litigation to trademark prosecution to licensing, corporate transactions, general commercial litigation and securitizations of financial assets. Mr. Ohtake joined NO&T (then Nagashima & Ohno) in 1978 and has been a partner since 1986. After obtaining his LL.M. degree from Harvard Law School in 1983, he trained at Paul, Weiss, Rifkind, Wharton & Garrison in New York from 1983 to 1984 and then at Freshfields Bruckhaus Deringer (then Freshfields) in London from 1984 to 1985. He has helped clients win such high-profile IP cases as the Issey Miyake Pleats Please case and the iMac case. He has served twice as a temporary member of the Industrial Structure Council of the Ministry of Economy, Trade and Industry, serving on a subcommittee of the Intellectual Property Policy Committee of the Council.*

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