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Trade Marks 2022

Japan: Trends & Developments
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Trends and Developments

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Japanese Trade Mark Protection Will Cover Counterfeit Goods Sent Directly from Foreign Businesses to Individuals in Japan

Introduction

The revision of the Trademark Act of Japan was passed by the Diet of Japan on 14 May 2021 and was promulgated on 21 May 2021. Among various other matters, the revision deals with the restriction of cross-border transactions of counterfeit goods. The restriction of cross-border transactions of counterfeit goods is an issue that has been considered for some time, and there is a growing concern about the increase in counterfeit goods due to the globalisation of the economy and increase in online transactions with foreign businesses. For the purpose of addressing such concern, the Trademark Act was revised to enable Japanese Customs to confiscate counterfeit goods more effectively. This article explains the above-mentioned revision of the Trademark Act of Japan.

Procedures for Japanese Customs to enforce the restriction on counterfeit goods at borders (Identification Procedures)

In Japan, goods that infringe intellectual property rights are subject to confiscation at borders. In the case where imported goods suspected of infringing intellectual property rights are found by Japan Customs, Customs institutes proceedings (known as “Identification Procedures”) to determine whether such goods infringe intellectual property rights pursuant to the Customs Act of Japan. An overview of the proceedings is as follows.

Customs identification and actions

Once Customs detects goods suspected of infringing intellectual property rights in the

import process, Customs institutes Identification Procedures. Specifically, Customs notifies the importer and the intellectual property right holder of the institution of the Identification Procedures as well as relevant information such as the name and address of the other party. Both parties can submit their opinions and evidence within ten working days and can also inspect the goods with the approval of Customs. Customs then considers the opinions and evidence submitted by both parties and makes a decision as to whether the goods in question infringe the relevant intellectual property right within one month from the institution of the Identification Procedures and notifies both parties of the decision.

If Customs determines that the goods infringe the relevant intellectual property right and the importer does not voluntarily dispose of the goods within three months of the notice of the decision, ie, the appeal period, Customs may confiscate and destroy the goods. At any time during the Identification Procedures, the importer can voluntarily dispose of the goods in question.

Simplified proceedings

In addition to the Identification Procedures, intellectual property right holders can use simplified proceedings to deal with counterfeit goods. Intellectual property right holders can file a petition for suspension in advance to request Customs to institute the Identification Procedures when goods infringing their intellectual property rights are being imported. In filing the petition for suspension, an intellectual property right holder is required to demonstrate that infringing goods are being imported or are likely to be imported.

If a trade mark right holder files a petition for suspension, the trade mark right holder is required to demonstrate that the goods infringe the trade mark right by submitting documents or materials such as images of samples of the infringing goods. Once the petition for suspension is accepted, Customs publishes the fact that the petition for suspension was accepted. If a petition for suspension is accepted, the Identification Procedures can be simplified. Specifically, if Customs detects goods suspected of infringing trade mark rights covered by a petition for suspension in the import process, Customs undertakes simplified Identification Procedures.

In the simplified Identification Procedures, concurrently with the notification to both parties of the institution of the Identification Procedures, Customs gives the importer an opportunity to submit an objection within ten working days. If the importer does not file an objection, Customs may make a decision as to whether the goods in question infringe the relevant trade mark right based on the petition for suspension and relevant materials. If the importer files an objection, the proceedings convert from the simplified Identification Procedures to the regular Identification Procedures. Currently, about 90% of the Identification Procedures are simplified.

Problems under the current Trademark Act and overview of the 2021 revision

Should a Japanese business import counterfeit goods, such act would constitute a trade mark infringement and Customs can confiscate the goods. However, in recent years, due to the development of e-commerce and the reduction of international shipping costs, there has been a rapid increase in the number of counterfeit goods being directly imported from foreign businesses by individuals in Japan. The foreign businesses sell counterfeit goods through e-commerce websites and send them directly to the individuals by mail or courier. It is generally

understood that non-business activities do not constitute trade mark infringement and therefore the import of counterfeit goods by individuals in Japan for their personal use does not constitute trade mark infringement. In fact, individuals in Japan who import counterfeit goods increasingly assert that they imported the goods for their personal use, and it is very difficult for Customs to refute their statement that they imported the goods for their personal use unless they import a large quantity of goods at one time. As a result, counterfeit goods enter Japan lawfully.

In order to address such problem, the Trademark Act was revised to amend the definition of “import” to include acts by a person in a foreign country of causing, either directly or indirectly, another person to bring goods into Japan from a foreign country. This is somewhat tricky language, but under the revised Trademark Act, even when an individual in Japan purchases counterfeit goods directly from a foreign business through an e-commerce website and imports the counterfeit goods for their personal use, the act by the foreign business of causing the individual in Japan to bring the counterfeit goods into Japan from a foreign country constitutes trade mark infringement, thereby entitling Customs to confiscate the goods.

The revision will come into effect no later than 21 November 2022, with the specific date to be determined in due course.

Several problems will remain even after the revision

The revision is expected to decrease the number of counterfeit goods brought into Japan. However, from a practical perspective, there will be several problems that will remain even after the revision.

Circumnavigating the revision

As explained above, after the revised Trademark Act comes into effect, Customs will be able to confiscate counterfeit goods when an individual in Japan purchases counterfeit goods directly from a foreign business and imports the counterfeit goods into Japan. If the name of a business, such as the name of a company, is indicated as sender, Customs will easily be able to determine that such foreign business has caused, either directly or indirectly, any individual in Japan to bring the counterfeit goods into Japan from a foreign country. However, after the revised Trademark Act comes into effect, it is expected that foreign businesses that sell counterfeit goods to individuals in Japan will, in order to circumvent the revised Trademark Act, indicate the name of an individual, instead of the name of the business, as the sender. In that case, Customs will have difficulty determining whether it is actually a business that has caused, either directly or indirectly, any individual in Japan to bring the counterfeit goods into Japan unless Customs has the power to instruct importers to submit evidence.

The current Customs Act provides that Customs shall give an opportunity to both parties to submit opinions and evidence, however, it does not provide that Customs can instruct the importer to submit evidence on specific matters, such as the sender's information and the relationship between the sender and the importer. This situation may make the revised Trademark Act meaningless unless strong authority to collect evidence is given to Customs.

In order to avoid such unreasonable circumstances, the Cabinet of Japan proposed a bill to revise the Customs Act on 28 January 2022. The proposed revision of the Customs Act enables Customs to request an importer who argues that the goods at issue in the Identification Procedures do not fall under goods infringing intel-

lectual property rights to submit documents to prove such fact. With this in mind, close attention should be paid to the discussion about the proposed bill in the Diet. The bill was passed unanimously in the House of Representatives (the Lower House) and is now under deliberation in the House of Councillors (the Upper House) as of 14 March 2022.

Assuming that the bill will be passed by the Diet and the Customs Act will be revised in accordance with the bill, if a trade mark right holder comes to know that goods that are likely to infringe its registered trade mark are being imported into Japan, and that the importer argues that they import the goods for their personal use, and the goods were sent from a non-business individual, it is advisable to argue that the goods should be determined to be sent from a foreign business unless:

- sufficient evidence to prove that the sender is a relative of the importer, or that there is a personal relationship between the sender and the importer is submitted; and
- the evidence of a series of online communications between the sender and the importer that led to the shipping of the goods is submitted as evidence.

Further, it is also advisable to check the appearance of the package of the goods and argue that the goods should be determined to be sent from a foreign business if the invoice is printed and follows patterns common to ordinary business.

Completing an act of infringement

An act of trade mark infringement is an offence, and any person who has been found guilty of committing trade mark infringement is subject to imprisonment with work for a term up to ten years, a fine of up to JPY10 million, or a combination thereof. However, it is generally understood that an act of trade mark infringement is

completed when the customs clearance is completed, although some argue that it is completed when the goods have landed, or when the goods enter the territorial waters. According to general understanding, if the counterfeit goods are confiscated by Customs, then the act of trade mark infringement has not been completed and is instead considered an attempted trade mark infringement, which is not an offense under the Trademark Act. Thus, neither the sender nor the importer of the goods can be penalised under the Trademark Act if the goods are confiscated by Customs.

Lastly, if it is determined that a foreign business has caused, either directly or indirectly, any individual in Japan to bring the counterfeit goods into Japan, the goods can be confiscated by Customs under the revised Trademark Act even if the importer did not know that the goods are counterfeit goods. In such case, the importer cannot receive the goods regardless of having made any payment. The act of the seller will constitute fraud, however, it will be difficult to make the seller return the money. Taking this into account, it will be worth considering posting warnings to actual and potential customers about the risk of purchasing goods through non-official websites.

Conclusion

The revised Trademark Act will strengthen trade mark protections against counterfeit goods brought into Japan from foreign businesses. However, in order for Customs to effectively confiscate counterfeit goods, we should pay close attention to the discussion about the bill to revise the Customs Act in the Diet. Further, it is advisable that any trade mark right holder makes an effective argument in the Identification Procedures against importers who deny that they purchased the goods from foreign businesses. As such, Customs and trade mark right holders will need to make continuous efforts to minimise the damages resulting from counterfeit goods.

JAPAN TRENDS AND DEVELOPMENTS

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and most significant corporate, finance and real estate transactions related to Japan. The firm has extensive corporate and litigation capabilities spanning key commercial areas such as antitrust, intellectual property (IP), labour and taxation. Its IP practice covers not only IP litigation but also IP transactional matters, from the traditional IP transactions, such as licensing or research and development agreements, to complex IP M&A, IP finance, IT-related matters, or entertainment business.

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