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Japan: Trends & Developments
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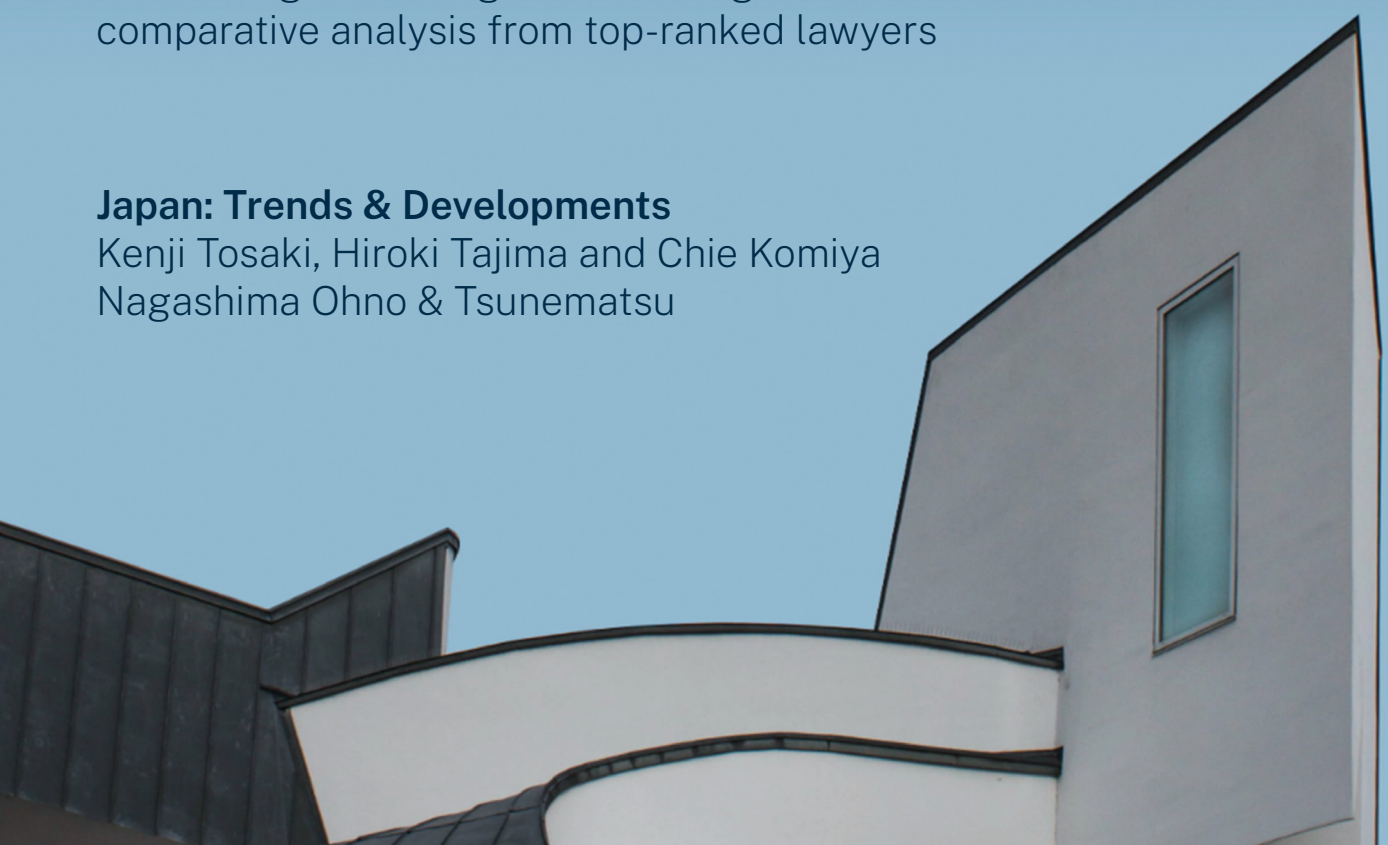

JAPAN

Trends and Developments

Contributed by:
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Trade Marks

The Geographical Indication Protection System and the Regional Collective Trade Mark System

The Geographical Indication Protection System ("GI system") is a system for protecting the names of products as intellectual property, whereby the quality, reputation and other established characteristics are essentially attributable to their geographical origin (eg, "Kobe Beef"). In the context of business, GI systems increase the strengths and attractiveness of products, such as their qualities, manufacturing methods and reputations that are linked to factors unique to the region. Under GI systems, products are registered as GI products, and businesses can affix the GI mark on such products so that they appeal to consumers more and gain the trust of consumers by serving as a means of explanation and proof of the quality of the products.

In Japan, the Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs ("GI Act") entered into force in 2015. Through the GI system, the Ministry of Agriculture, Forestry and Fisheries protects the names and brands of GI products by implementing anti-counterfeit measures domestically and internationally, and it has established "GI Brands" by enhancing the degree of recognition of GI through the development and marketing of successful cases.

The requirements for the GI registration (before the update) in relation to the products are as follows:

- the products must be agricultural, forestry and fishery products, foods and drinks, etc;
- such products must have characteristics that are essentially attributable to the place of production;
- the characteristics and method of production of such products must be clearly stipulated at the time of the application and, after the GI registration, the registered group of producers must implement management of the production process so that they can confirm whether the produced goods satisfy these requirements; and
- such products must have a production record of approximately 25 years throughout which the characteristics of such products have been maintained.

The Regional Collective Trade Mark System enables businesses to apply for the registration of the name of a regional brand as a trade mark and to use it exclusively after the registration. A combination of the name of the region and the

common name of the goods (services) can be registered as a regional collective trade mark; however, such a trade mark cannot be registered as a regular trade mark.

The requirements for the registration are as follows:

- the applicant must be a certain type of entity set forth in the Trade Mark Act of Japan (corporations are ineligible);
- the applicant must intend to allow its members to use the trade mark;
- the trade mark must be well known among consumers;
- the trade mark must consist solely of the name of the region and the name of the goods or services; and
- the name of the region identified in the trade mark must have a close relationship with the goods or services.

Although both systems protect the names of regional branded products, the basic purposes thereof are different. The purpose of the GI system is to register the names of agricultural, forestry and fishery products, etc, that have characteristics linked to the producing area, along with standards for production methods, etc, in order to protect the name of products as common properties of the area, and the government is expected to control unauthorised use of the registered GI. On the other hand, the purpose of the Regional Collective Trade Mark System is to protect names that have become widely known as names used by local organisations, and local organisations themselves are expected to monitor any unauthorised use and enforce their rights against infringers by means of claiming for an injunction and compensation of damages in accordance with their own brand strategies, as other trade mark owners do. Given the differences, it is desirable to choose either one of the systems or to combine both based on the circumstances surrounding the product.

Recent developments of the GI System

In November 2022, the ministerial ordinance for the enforcement of the GI Act and the administrative guidelines for the examination of applications under the GI Act were amended. Based on the amended guidelines for the examination, in April 2023 the Ministry of Agriculture, Forestry and Fisheries released "Guidelines for the Use of Geographical Indications", which aim to clarify the standards of interpretation of the GI Act – in particular, the scope of a "GI" and the "Indication Similar to the GI", which cannot be affixed on a product that is within the same category as the product for which the GI registration was made, except when the producers of the product for which the GI registration was made affix such mark on the product.

The key points of the above amendments and guidelines can be distilled into three elements.

- Revision of the guidelines for the examination of an application for GI registration: before the guidelines for the examination were amended, a product was required to have a production history of approximately 25 years throughout which the characteristics of such product were maintained in order to obtain a GI registration. Under the amended guidelines for the examination, even if the production run is less than 25 years, the product can be registered by taking other factors into consideration, such as the name recognition of the products. In light of the amended guidelines for the examination, the government will be flexible in assessing various characteristics of the regional products that are unique to the region.

- Reduction of the burden on the producers: before the amendment of the guidelines for the examination, it was unclear whether the name that goes between the registered name (for example, if "Tokyo Apple" is registered as a GI, "Tokyo XXX Apple" would be the expression containing the name that goes between the registered name) could be used as the GI by the relevant producers after the GI registration. If such names could not be used, the producers would have been forced to select a name of the united product for the GI application, which prevented them from reaching a consensus on making an application. To solve this problem, under the amended guidelines for the examination the registered group of producers can continue to use the name that goes between the registered name as the GI. In addition, the matters to be observed by the group after registration have been simplified by the amendment of the guidelines for the examination.
- Actions to increase the presence of GIs in the market: the amended guidelines for the examination clarify the rules for the use of GIs in relation to processed GI food products and encourage the promotion of GI products and the GI system, such as collaborative products or services with other industries. Such clarifications in the rules and promotion of GI products and the GI system are expected to lead to the effective use of GIs. The Guidelines for the Use of Geographical Indications in 2023 also facilitate the use of GI.

Amendment of the Trade Mark Act

The Trade Mark Act of Japan was amended in June 2023, with the following key points of amendment, which will come into force on 1 April 2024:

- the introduction of the consent system (trade marks similar to a previously registered trade mark of another person may be registered if, in addition to the consent of the right holder in relation to such previously registered trade mark, confusion over the origin thereof does not arise between the two trade marks); and
- the relaxation of the registration requirements for trade marks containing another person's name (trade marks containing another person's name can be registered even if consent is not obtained from the person having such name, unless the name is known among consumers to a certain degree, etc).

The amendment of the Examination Guidelines for Trade Marks to administer these points is under discussion by the Industrial Structure Council of the Ministry of Economy, Trade and Industry, and will be published by 1 April 2024.

Copyright

Amendment of the Copyright Act of Japan

The amended Copyright Act of Japan was enacted on 17 May 2023 and promulgated on 26 May 2023. On the basis of the "First Report on Approaches to Copyright Systems and Policies Responding to the Age of Digital Transformation (DX)" prepared by the "Copyright Subdivision" of the "Cultural Council" in 2023, the amendment covers the following three points:

- the establishment of a new compulsory licence system for the exploitation of copyrighted works;
- the establishment of measures to enable public transmission, etc, of copyrighted works by legislative and administrative bodies; and
- modification of the method for calculating damages for copyright infringement in order to provide more effective remedies for damage caused by pirated goods.

Of these points, the first and third are considered to have a significant impact in practice, and will therefore be explained in detail below.

Establishment of a new compulsory licence system for the exploitation of copyrighted works

Under the pre-amended Copyright Act, in cases where the copyright owner is unknown, a person who intends to exploit the copyrighted work can apply to the Commissioner of the Agency ("Commissioner") for Cultural Affairs for a compulsory licence, and can exploit the work in accordance with the terms and conditions of the compulsory licence determined by the Commissioner after depositing compensation for the copyright owner in an amount deemed by the Commissioner as equivalent to the ordinary rate of royalties.

Prior to applying for a compulsory licence, the applicant must make a considerable effort to contact the copyright owner. For example, if the applicant finds the copyright owner's email address and sends the owner an email but does not receive a response, the applicant cannot obtain a compulsory licence.

The new compulsory licence system allows the applicant to exploit a copyrighted work for which the intention of the copyright owner as to whether to authorise the exploitation or the conditions of the exploitation cannot be found, by applying for and receiving a compulsory licence decision from the Commissioner and depositing compensation for the work for the period of time (up to three years) specified in the decision. The new compulsory licence system enables the applicant to facilitate its exploitation of works through simpler procedures.

The new system also gives consideration to protecting the rights and interests of copyright owners. The Commissioner can revoke a decision granting a compulsory licence based on a request from the copyright owner if the copyright owner takes necessary measures to enable the person who received a compulsory licence decision to reach out to the copyright owner. When the Commissioner revokes a decision granting a compulsory licence, the copyright owner may be reimbursed the deposited compensation corresponding to the period from the date of the decision granting the compulsory licence to the day of revocation. This amendment will come into force within three years from the date of promulgation (26 May 2023), with the specific date to be designated later by a Cabinet Order.

Modification of method for calculating damages for copyright infringement

The key points of the amendment to the method for calculating damages for copyright infringement are:

- modification of the calculation method based on the number of products sold by the copyright owner; and
- clarification of the factors to be considered upon determining the amount of the reasonable royalty.

Regarding the first point, this amendment enables courts to award compensation for damages, even when it is determined that the number of infringing products sold by the infringing party exceeds the number of products that would have been sold by the copyright owner had the act of infringement not occurred, on the basis of loss of licensing opportunities for the number of excess products, in addition to the lost profit calculated by multiplying the profit per product sold by the copyright owner by the number of products that would have been sold by the copyright owner.

Before the amendment, it was unclear whether courts could award compensation for damages in relation to the excess products. This amendment clarifies that courts can award compensation for such damages. Therefore, if the infringing party sold a significant number of pirated goods and the copyright owner could have sold only a small number of its copyrighted works had the infringing party not sold the pirated goods, there is a possibility that the overall amount of damages would increase.

With regard to the second point, the amendment added a paragraph stipulating that, when determining the amount of a reasonable royalty, the court may take into consideration the amount of money that the copyright owner would hypothetically receive from the infringer if they reached an agreement based on the premise that the copyright had been infringed. The amount awarded by the courts as a reasonable royalty is expected to increase due to the amendment.

These amendments came into force on 1 January 2024. To address the same issues, the Patent Act was amended in 2019 and the amendments came into force on 1 April 2020. The amendment of the Copyright Act was preceded by the amendment of the Patent Act.

Trends in Japan regarding copyright issues related to artificial intelligence (AI)

The "Intellectual Property Strategy Headquarters" of the Cabinet set up the "Commission on Intellectual Property Rights in the age of AI" to discuss the risks of infringement of copyright or other intellectual properties caused by the development or use of generative AI and measures that can be taken to minimise such risks. Meetings have been held by the Commission since October 2023.

In addition, the "Legal System Subcommittee" of the "Copyright Subdivision" of the "Cultural Council" has been discussing various viewpoints in connection with "AI and copyright" since July 2023. In January 2024, the Subcommittee prepared a preliminary draft of a report titled "Viewpoints regarding AI and Copyright", which provides a summary outline of the viewpoints at present. On the whole, copyright issues related to AI arise in two stages: the AI training process and the AI output generation and use. Therefore, an outline of the preliminary draft will be provided by discussing these two stages separately.

With regard to whether copyright infringement occurs in the AI training process, the Copyright Act provides that a work can be exploited without the need to obtain a licence to the extent considered necessary if the person exploiting the work does not intend to personally enjoy or cause another person to enjoy the thoughts or sentiments expressed in that work. It is often said that a "non-enjoyment purpose" is required for the exploitation of a work without obtaining a licence. The key issue is whether a "non-enjoyment purpose" is found when the work is exploited for informational analysis, including AI training. According to the preliminary draft, where both a "non-enjoyment purpose" and an "enjoyment purpose" exist, and if there is at least one "enjoyment purpose" among the multiple purposes for which a copyrighted work is exploited for AI training, the exploitation does not fall under the category of a "non-enjoyment purpose" under the above provision.

The above provision also provides that, if an act of exploitation would unreasonably prejudice the interests of the copyright owner in light of the nature or purpose of the work or the circumstances of its exploitation, the work cannot be exploited without obtaining a licence, regardless of the purpose of the exploitation.

What is currently under discussion are the specific examples where the criterion that the "act of exploitation would unreasonably prejudice the interests of the copyright owner" is met. The preliminary draft states that the generation of AI outputs that are merely similar to an existing work in idea such as art style does not constitute copyright infringement, and does not meet the above criterion even if there is a possibility that the market in which the specific creator operates may risk being under economic pressure due to the generation of many outputs that have similarity in idea to the existing work.

However, the preliminary draft also states that, when an AI user additionally trains the AI by only using the specific creator's works as training data, and those works have a common art style, it can be regarded that the works have a common essential characteristic of expression. From the statement, the preliminary draft also acknowledges that there are some cases that constitute copyright infringement when machine learning is based only on the specific creator's works.

Next, with regard to whether copyrights are infringed by the generation and use of AI outputs, there is a problem in terms of how to evaluate the reliance (one of the elements for copyright infringement) based on the use of generative AI, when an AI output is similar to an existing work. The preliminary draft classifies cases based on whether or not an AI user had knowledge of an existing work and states that, even if an AI user did not have knowledge of an existing work (the content of its expression), in the case where the generative AI was trained using the work, the generation of an AI output that is similar to the work may constitute copyright infringement because it is deemed that the AI user had access to the existing work. However, the preliminary draft also states that, if an AI user proves that technical measures to avoid generating creative expressions of works used for training of the AI when generating outputs are taken, the user's reliance on the existing work may not be found. Accordingly, based on the preliminary draft, whether an AI user is found to have relied on the existing work depends on the specific details of the generative AI.

In addition to the above, there are many other issues under discussion, such as how a copyright owner can take countermeasures against copyright infringement related to AI and the issue of who is the infringer of a copyright if infringing AI outputs are generated (AI user, AI developer or AI service provider?). The issue of whether AI outputs should enjoy copyright protection is also currently under consideration.

As stated above, copyright issues related to AI are widely discussed. The "Legal System Subcommittee" of the "Copyright Subdivision" of the "Cultural Council" requested public comments from mid-January to early February 2024, and will finalise the report in March 2024 based on the discussion by the Subcommittee and comments from the public. In light of the increasing use of generative AI and the various emerging copyright issues related to AI, attention will continue to be paid to future discussions and developments regarding generative AI.

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