

Anti-Counterfeiting Measures in Japan

Historically, the production of counterfeit items and items bearing a striking similarity to existing well-known brands was a serious problem in Japan. As times changed, Japan began to adopt numerous measures in order to conform to the worldwide standards for the protection of intellectual property. Over time, Japan has become a strong proponent of strict measures in order to protect Intellectual Property Rights (IPR) domestically and internationally. While theft of intellectual property does occur in Japan, it tends to be isolated cases of Japanese attempting to import counterfeit goods/items (such as clothing apparel, watches, electronics, etc) for resale, medicines such as dietary supplements and common remedies for resale or private use, or software, audio, and video piracy (illegal downloading).

At present, Japan does not permit free trade zones nor free trade storage facilities within the country, thus, any and all imported items (also including items to be exported from Japan) are subject to all anti-counterfeit laws and statutes promulgated in Japan.

Japanese companies have voiced concern over inferior and potentially dangerous copies of their products being imported into Japan and being sold abroad. Clearly, the infringement of IPR hampers innovation and may allow a customer's private information (health, financial, etc) to be stolen by criminal entities. The Japan Patent Office¹ (JPO) and Japanese Customs have undertaken numerous initiatives and countermeasures in order to restrict the entry of counterfeit items into Japan and to eliminate the production and distribution of goods bearing a striking similarity to goods produced by Japanese companies from being sold throughout the world.

This report will analyze the causes and the damages (not limited to financial) that widespread counterfeiting has caused and causes Japanese companies. Thereafter, the laws and countermeasures used to combat the import and overseas production of counterfeit items will be described in detail.

A) The Problem

The Organisation for Economic Co-operation and Development (OECD) has estimated that worldwide damages due to counterfeiting run in excess of 250 billion USD per year, which amounts to 5-7% of world trade².

In a 2012 survey of more than 4,300 Japanese companies among the 8,000 Japanese companies filing the greatest number of patent, utility model, trademark and design applications (2007-2011), 23% of these companies stated that they had suffered from losses as the result of other entities counterfeiting their intellectual property. The majority of losses occurred as the result of infringement on a company's trademarks (57.8%), followed by designs (38%), patents and utility models (33%) and copyrighted material (16%). A large percentage of companies reported losses due to counterfeit items made in China (64%), Korea (23%), and other ASEAN countries (19%) such as Indonesia, Vietnam, Thailand, Philippines, etc. More than half of the companies experienced losses as the result of Internet piracy, which has continuously increased since 2006. More than half of the companies had implemented anti-counterfeiting procedures, many with a first focus on China. (METI: Publication of Survey Report on Losses Caused by Counterfeiting (Fiscal 2012))

According to the Ministry of Finance, in 2013, there were 28,135 cases constituting 628,187 items in which imports were seized by customs officials in Japan. In 91% of these cases, the imports were from China and 80% of the seized items were of Chinese origin. This amounted to 19.5 billion yen (approximately \$177 million US) and 95% of the seizures were due to trademark infringement. In 2012, small parcels constituted 93% of the seizures by customs officials, which suggests that the large-scale importation of counterfeit goods only accounts for a fraction of the goods being illegally imported into Japan³.

B) Countermeasures (Pharmaceutical Field)

Pharmaceutical companies have implemented numerous strong countermeasures against counterfeit pharmaceuticals, including the installation of anti-counterfeit technology to the packaging of medicines and the establishment of more oversight in all areas of the supply chain with a particular focus on markets deemed to be high risk, such as Internet sales (Yagaku Zasshi 2014: 134(2), 203-211). 16% of Japanese consumers who bought pharmaceuticals over the Internet reported slight to severe health problems after use (Yagaku Zasshi 2014: 134(2), 213-222).

The Japanese Ministry of Health, Labor and Welfare (MHLW) is active in warning the public of the potential hazards in using pharmaceuticals obtained from dubious sources. In Japan, most Internet-based pharmaceutical sales are medicines and supplements for erectile dysfunction, hair restoration, diet supplements, beauty supplies, and sleeping pills, however antibiotics and medicines for serious health conditions including allergy, cancer, diabetes, etc., may be easily procured on the Internet.

Since 2013, the JPO has operated a website which focuses on educating the public regarding how to detect counterfeit products and the websites selling counterfeit products. The JPO website explains that purchasing pharmaceuticals of questionable efficacy and safety over the Internet exposes the customer to a plethora of potential problems. The website touts that purchasing counterfeit goods/items, in the case of pharmaceuticals, carries the possibility that the pharmaceuticals purchased over the Internet are ineffective at best, and lethal at worst; infringes on the IPR and may hamper future innovation; runs the risk of the leakage of personal information (i.e., credit card and identity theft); and ultimately, buying these illegal pharmaceuticals makes the customer a willing accomplice in a criminal activity. (www.jpo.go.jp/mohouhin/28fy/campaign/)

The MHLW established a "Suspicious Drugs Reporting Network" for the public to notify the government agency of potential counterfeit medicines which are commercially

available via the Internet and other sources. In 2015, the Japan Pharmaceutical Manufacturers Association (JMPA) found that while many Japanese pharmaceutical companies do take an active role in protecting their products and IPR by "altering... products in some ways as a measure against counterfeits", 46% of Japanese pharmaceutical companies did not have a department exclusively in charge of countermeasures against counterfeit pharmaceuticals.

See: Results of the Second Survey on Counterfeit Medicines

(http://www.jpma.or.jp/english/globalhealth/fake_measures/questionnaire.html)

C) Countermeasures (Legal)

Japanese companies are not without a wide assortment of laws and regulations backing them in their fight against counterfeits. The Patent Act, Utility Model Act, Trademark Act, Design Act, Copyright Act, Customs Tariff Law and the Unfair Competition Prevention Law all contain language specifically addressing the issues of counterfeits and infringement of IPR.

The Design Law was amended in 2007 to include "acts of importing infringed goods" as an act which constitutes a violation, and the Patent Act, Utility Model Act and the Design Act all have a provision stating "holding infringed goods for purchase of assignment" is also a violation.

A 2005 amendment of the Unfair Competition Prevention Law criminalizes the use or copying of a protected item for the intention of misuse or when such copying is liable to cause confusion among consumers due to the copied item being similar or identical to another commercially available item.

Japan was the first country to ratify the Anti-Counterfeiting Trade Agreement (ACTA)⁴ which is a multilateral agreement designed to:

- 1) provide the customs agencies of signatories with the power to prevent the importation of infringing goods,
- 2) permit customs officials to conduct ex officio enforcement,
- 3) allow the intellectual property rights holder to file

- criminal charges against counterfeiters,
- 4) simplify the filing procedures for claims of infringement, and
 - 5) establish measures to combat Internet copyright infringement.

D) Countermeasures (Japanese Customs⁵)

Japan has enacted numerous countermeasures in order to prevent the importation of counterfeit goods. The first countermeasure is to have customs agents physically inspect all goods imported into Japan, including all packages (small parcels) mailed to individuals. If a customs agent suspects that the contents of the package are counterfeit or in violation of the laws and regulations of Japan, the addressee (intended recipient) is sent a postcard requesting clarification of the contents. To date, in over 99% of the cases, the addressee has not responded to the request for more information.

IP rights holders may submit an Application for Import Suspension to Japanese Customs in order to attempt to bar the importation of goods/items that the IP rights holder feels infringe on their IPR. There is no cost associated with filing such an application (other than the cost incurred by employing a Japanese attorney (bengoshi) or patent attorney (benrishi) to handle the filing of the application), and only the IP rights holder may file the application.

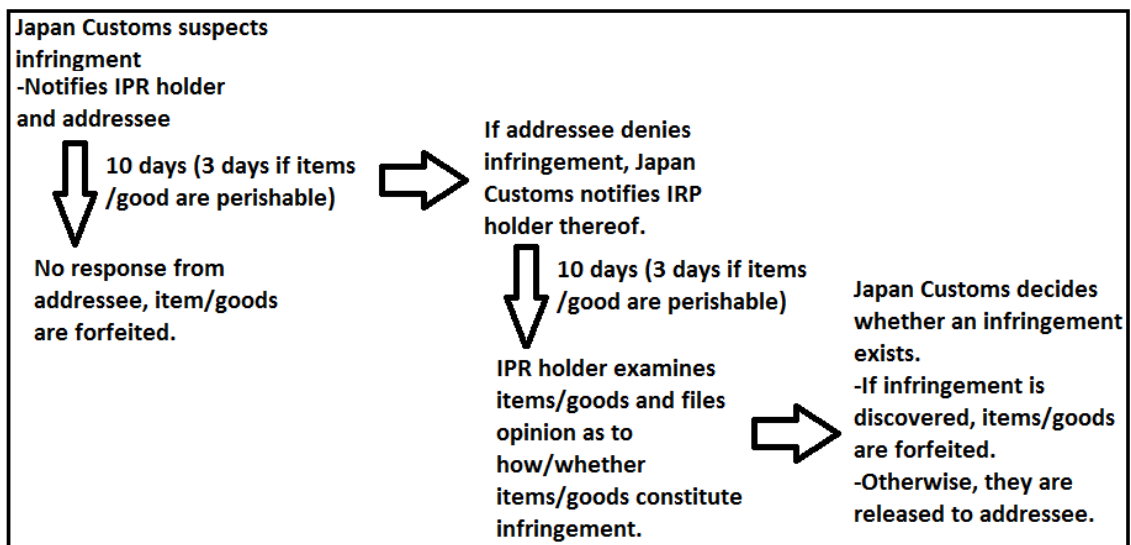
After filing of the Application for Import Suspension (Fig. 1), Japanese Customs may request an interview with the applicant in order to better understand how the counterfeit goods/items violate the IPR (i.e., how to better distinguish the real goods/items from the knock-off goods/items). Registration of the application generally requires 3-5 months and is renewable every two years. A non-Japanese company must appoint a Japanese representative (attorney or patent attorney) and issue a power of attorney.

The application which is to be submitted to one of the following customs centers in Japan (Hakodate, Kobe, Moji, Nagasaki, Nagoya, Okinawa, Osaka, Tokyo or Yokohama) should

describe the goods/items, products, inventions, etc., protected by the IPR, a list of authorized distributors and manufacturers, global licensing information, and as much information regarding known counterfeits as is known. A comparison of the authentic goods/items and the counterfeit goods/items, noting their differences should be provided, so that Japanese Customs may better distinguish the real goods/items from the knock-off goods/items.

When a potentially infringing item is discovered, Japanese Customs notifies the IP rights holder and the addressee. If the addressee does not respond within 10 working days (3 days if the goods/items are considered perishable), the goods/items are deemed to be forfeited and may be destroyed by Japanese Customs.

Should the addressee respond within the allotted time period and denies that the goods/items they wish to import are goods/items which infringe on the IP rights holder's goods/items, Japanese Customs notifies the IP rights holder thereof and provides 10 working days for the IP rights holder to examine the addressee's goods/items in order to file an opinion as to whether the addressee's goods/items constitute an infringement. Thereafter, Japanese Customs will determine whether infringement exists and will destroy the goods/items if such an infringement is discovered. If it is deemed that no infringement exists, the goods/items will be released to the addressee.



(Fig. 1) Fig. 1 is a flowchart indicating the steps taken by Japanese Customs when potentially infringing goods/items are discovered.

E) Criminal and Civil Enforcement of IP Rights in Japan

The National Police Agency (NPA) has the power to arrest sellers of counterfeit goods/items. Evidence regarding the infringement is provided to the public prosecutor, who will determine whether to proceed with criminal charges against the seller/counterfeiter.

The IP rights holder may sue to have an injunction issued against the seller, counterfeiter, or importer, and to have the infringing goods/items destroyed. The IP rights holder may also sue for financial compensation resulting from losses incurred due to the sale or use of the counterfeit goods/items. (The amount of the damages awarded in these cases is far below the amounts typically seen in the United States and the EU, although, in 2015, the JPO, the Ministry of Economy, Trade and Industry (METI), and other government ministries announced that they would commence an investigation as to whether to substantially increase the financial penalties associated with IPR infringement in Japan). (Table 1)

Type of IPR Infringement	Max. Incarceration (years)	Max. Financial (yen)
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Patent	10	10,000,000 (\$90,909)
Trademark	10	10,000,000
Design	10	10,000,000
Utility Model	5	5,000,000 (\$45,454)
Imitating Configuration	5	5,000,000

Table 1: Maximum Punishments Permitted after Conviction for Infringement of IPR

(Data obtained from NAGAHASHI, Yoshihiro "Counterfeiting and Piracy - A Global Overview" via the WIPO homepage.

www.wipo.int/edocs/mdocs/...ipr.../wipo_ipr_pnh_11_ref_t2.pdf)

Note: US dollar amounts are based on ¥110 = \$1 US (Rate as of May 2018)

Initially, a warning letter is sent to the infringing party (the seller of infringing goods/items, etc) notifying them of the infringement and that an injunction against the import, export, sale, and/or use of the goods/items is being sought by the IP rights holder. In about 70% of the cases in Japan, issuance of the warning letter itself seems to be enough to convince the infringing party to cease the import, export, sale, and/or use of the infringing goods/items. The Tokyo or Osaka District courts handle the infringement cases which are disputed by the infringing party or for which the warning letter does not deter the infringing party from the import, export, sale, and/or use of the infringing goods/items. These courts tend to take about one year to issue a decision.

F) Online Piracy

When it is determined that a website is selling counterfeit goods/items that infringe on an IPR, the IPR holder makes a direct request to the Internet Service Provider (ISP) in order to obtain the seller's information. In some cases, the ISP will not provide such information, and the IPR holder may have a court order the ISP to provide this information. The IPR holder may also request that the ISP remove the website on which the infringing goods/items are being sold.

In the case of Internet auctions, if it is determined that any of the goods/items being sold on the auction website constitute an infringement or are counterfeit, the auction site may be ordered to remove the goods/items from their website.

G) Other Strategies

The International IP Protection Forum (IIPPF) which is an organization of numerous corporations and groups dedicated to finding solutions in order to stem the rise in overseas infringement of Intellectual Property Rights is affiliated with the Japan External Trade Organization (JETRO). The IIPPF along with members of Japanese industry and trade organizations holds annual meeting with their Chinese counterparts and authorities in order to assess and discuss the current state of enforcement in both countries.

As an alternative to the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement currently being negotiated between 10 ASEAN members and six countries (Australia, China, India, Japan, South Korea and New Zealand) having other free trade agreements with ASEAN countries. Negotiations began in November 2012 and currently there are numerous roadblocks in the pathway to achieving a consensus among the participating nations. While the RCEP is mainly focused on the reduction of tariffs among the 16 nations involved, there are numerous aspects relating to the protection of IPR and combating the proliferation of counterfeits.

Japan and South Korea want any agreement to feature the strict TRIPS-style protections for intellectual property also found in the TPP. Both Japan and South Korea want the RCEP to permit ex officio action by customs officials in order to confiscate/impound infringing goods/items being imported into Japan or South Korea. Additionally, Japan and South Korea want the RCEP to include provisions by which those suspected of willful trademark and patent infringement and counterfeiting of commercial goods/items would be subject to both criminal and

civil prosecution⁶. Lastly, Japan and South Korea want the participating nations to adhere to the Union for the Protection of New Plant Varieties (UPOV) which criminalizes the ongoing use and the storage of patented seeds.

Other nations (for example, India) participating in the RCEP negotiations are unlikely to agree to many of the above demands, due to fears regarding the intellectual property provisions in the RCEP that would allow pharmaceutical corporations to continue to block access to generic medicines in regions of the world which cannot afford to pay what wealthier nations pay. Despite this, it is clear that Japan is seeking to strengthen current IPR protections and develop new strategies to combat the spread of counterfeit goods/items.

H) Notable cases

Since 2015, along with the update of the JPO/METI sponsored anti-counterfeiting webpage, Japanese authorities have taken a more proactive role in prosecuting individuals and groups engaged in procuring counterfeit goods for sale or engaging in willful violation of IPR for monetary gain. In fiscal 2015, the number of import prohibitions and seizures of goods at the Moji Customs Office (Fukuoka) increased by approximately 37% from the previous year with more than 97% of the prohibited goods coming from China. However, in 2015, the number of import prohibitions and seizures of goods/items at the Nagoya Customs Office, while still high, had declined from the same period in 2014. Most of the goods/items deemed to be counterfeit or in violation of an existing IPR originated in China, Hong Kong, and the Philippines. Most of the goods/items deemed to be counterfeit or in violation of IPR were clothing apparel, but an increase in the seizure of counterfeit pharmaceuticals was also noted. In the first half of 2016, the number of goods/items seized by Japanese Customs nationwide decreased by about 16% from the previous year with more than 98% of the goods/items seized deemed to be trademark violations (data from Japanese Ministry of Finance).

Advances in 3D printing have made it easier for people

to simply download a trademarked image and print it directly on goods. A man was arrested in September 2016 for printing the trademarked logo for the 2020 Tokyo Olympics on mugs and other goods and offering these items for sale⁷. In October 2016, two men were arrested for adding Chinese subtitles to Japanese animated films and uploading the altered films for sale on the Internet⁸.

Also in September 2016, Chiba authorities arrested a man for selling "jailbroken" I-Phones⁹ (jailbreaking allows the owner to install non-IOS programs or customize the default IOS programs). While jailbreaking an I-Phone is currently in a legal grey area (Apple seems hesitant to proceed with a test lawsuit, although jailbreaking would nullify the warrantee. In addition, due to the differences in "the way they operate, their intended purposes, and the nature of the applications they can accommodate", jailbreaking an I-Pad and other tablets is illegal in the United States), the selling of a jailbroken phone was deemed to be a violation of the Trademark Law.

I) Conclusion

The JPO and various governmental ministries have strengthened Intellectual Property and Customs laws and regulations in order to better confront and prevent the import, export and sale of counterfeit goods/items. The JPO and various governmental ministries work together with their counterparts in numerous countries to exchange information and voice concerns that various industries have regarding counterfeit goods/items and their impact on public safety, commerce and future innovation. By educating the public as to the illegality of and the dangers associated with purchasing counterfeit goods/items, the JPO and Japanese industry hope to further curtail the availability and the sale of counterfeit goods in stores and on-line.

¹ "FY2016 JPO/IPR Training Course on Anti-Counterfeiting Measures for Practitioners" from JPO home page (www.jpo.go.jp/torikumi_e/kokusai_e/training/pg_short/20170)

113_program.htm)

² "Global trade in fake goods worth nearly half a trillion dollars a year - OECD & EUIPO" OECD website (www.oecd.org/industry/global-trade-in-fake-goods-worth-nearly-half-a-trillion-dollars-a-year.htm)

³ "FY2013 Survey Report on Losses Caused by Counterfeiting was Compiled" (METI Website) (www.meti.go.jp/english/press/2014/0317_02.html)

⁴ English text of ACTA available on the Ministry of Foreign Affairs website (www.mofa.go.jp/policy/economy/i_property/acta.html)

⁵ IPR Protection The Role of Japan Customs Report on IPR Enforcement in 2009 (www.customs.go.jp/mizugiwa/chiteki/pages/ipr_p.pdf)

⁶ "Japan and Korea stake out tough anti-counterfeiting positions in proposed trade deal" World Trademark Review June 15, 2012 (<http://www.worldtrademarkreview.com/Blog/detail.aspx?g=d40eea58-6578-4f71-826a-6a6e2ef97282>)

⁷ "U.S. man arrested over Tokyo Olympic logo trademark infringement" (<http://newsonjapan.com/html/newsdesk/article/117677.php#sthash.iWXutie7.dpuf>)

⁸ "Chinese anime subbing fans arrested in Japan" Global Times September 30, 2016 (<http://www.globaltimes.cn/content/1009305.shtml>)

⁹ "Japanese man arrested for selling jailbroken I-Phones" Naked Security by Sophos September 30, 2016 (<https://nakedsecurity.sophos.com/2016/09/30/japanese-man-arrested-for-selling-jailbroken-iphones/>)