General information regarding parallel imported goods in Japan

Trademark:

1. Trademark Law

   Parallel importation falls within the definition of infringement, since Trademark Law provides the trademark owner with the exclusive right to use the mark on the goods designated in his or her trademark registration.

   Therefore, theoretically parallel imports were considered to be unauthorized use of registered trademark, if used without the trademark owner’s consent. However, the courts found some time ago that genuine parallel imported goods do not constitute trademark infringement, as explained below.

2. Court cases

   After the first Supreme Court decision regarding parallel importation, “Parker case” rendered on February 27, 1970, parallel imported goods were generally approved and were not considered to infringe trademark rights as long as the indications of origin of imported goods were deemed to be identical to the genuine goods.

   On February 27, 2003, a remarkable Supreme Court decision (Fred Perry Case) was made regarding the same issue and slightly modified the judgment criteria. After that, the practice regarding parallel imported goods became stricter than before.
In the Supreme Court case on FEBRUARY 27, 2003 (Fred Perry case), the court prescribed three conditions which needed to be fulfilled for imports of genuine goods not to amount to trademark infringement in Japan.

(1) Lawful affixation of trademark
   The trademark must have been lawfully affixed on the parallel imported goods by the foreign brands owner or its licensee.

(2) Substantial identicalness of origin of goods
   The trademark owners (both in exporting country and Japan) must be the same legally or economically.

(3) Substantial identicalness of quality of goods
   The Japanese trademark owner has a right to exercise quality control, thus it can be assumed that there is no difference in terms of quality between the imported goods and the Japanese goods.

   In summary, the Supreme Court relied on the “function theory” of the trademarks and considered that, when these three conditions are met, neither the source function nor quality function is harmed, and thus no trademark infringement exists.

   Therefore, in order to prevent parallel imports, it is necessary to prove that the imported goods do not fulfill the above requirement (1), (2) and (3) as shown in the above.

**Patent:**

In Japan, basically, parallel imports of genuine products produced in a foreign country do not infringe the patent on the grounds of an implied license by the patentee.

Specifically, the supreme court holds that when a Japanese patentee or an equivalent thereof sells a patented product outside Japan, the patentee cannot enforce the patent to the patented product in Japan against a purchaser of the patented product unless (i) the patentee has an agreement with the purchaser to exclude Japan from areas for sale or use of the patented product and (ii) the above agreement with the purchaser is explicitly indicated on the patented product against a third person (subsequent purchaser) who purchases the patented product from the purchaser and a person who acquires the patented product afterward (see the BBS parallel import case, H7(O) No. 1988 (July 1, 1997)). That is, when the above requirement (i) or (ii) is met, a parallel
import of a genuine product infringes the patent.

According to the administrative notice, a stamp, seal, tag, or label on the product itself or the package may be used as a form of the indication as long as the above agreement is recognized with an ordinary care. Also, it is not necessary to describe the indication in a particular language, such as Japanese or English, as long as it is recognized with an ordinary care. The indication may include, for example, “Not for sale in Japan,” on a commercial invoice and on a package of a product.

In view of above, parallel imports are basically allowed. However, parallel imports can be prohibited when the above requirement (i) or (ii) is met.

Copyright:

In Japan, except for a few exceptions explained below, parallel importation of copyrighted work is legitimate under Item 5, Paragraph 2, Article 26-2 of the Copyright Act.

Exception 1: commercial phonogram

Under Paragraph 5, Article 113 of the Copyright Act, importing commercial phonograms sold abroad into Japan is considered copyright infringement if (i) the commercial phonograms sold abroad are identical to those sold in Japan; (ii) Japan is

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1 "Phonograms" means records, audio tapes, CDs etc., on which sounds are fixed. "Commercial phonograms" means copies of phonograms made for the purpose of sale to the public.
the first country where the commercial phonograms are distributed; (iii) the importer knowingly of above (i) and (ii) imported the commercial phonograms into Japan; (iv) distribution in Japan of the commercial phonograms sold abroad is likely to unreasonably adversely affect the profits of the copyright holder; and (v) the commercial phonograms are imported within four (4) years from the first distribution of the commercial phonograms in Japan.

Exception 2: cinematographic work

Item 5, Paragraph 2, Article 26-2 of the Copyright Act does not provide whether importation of cinematographic work is legitimate or not. It is left to the interpretation of the Copyright Act. There is no Supreme Court decision on this issue.

The only decision dealing with this issue was rendered by the Tokyo District Court on July 1, 1994 ("101 Dalmatians" case). In the decision, the court held that unless the license to distribute the video cassettes of the cinematographic work in the U.S. includes a license to distribute them in Japan, the distribution in Japan of the video cassettes sold in the U.S. infringes the copyright on 101 Dalmatians.

Discussion:

• Does your country recognize the concept of exhaustion of IP rights of commercialization/first sales doctrine - i.e. once an IP protected product is released upon the market by the IP rights owner or with his consent by way of sales or marketing, his IP rights of commercialization over that product can no longer be enforced by the IP rights owner in the subsequent open market.

⇒ Yes, there is concept of exhaustion of IP rights (patent, trademark and copyright) under domestic IP practice. However, in recent court cases regarding “parallel importation”, this concept was applied in neither an explicit nor a positive way.

• identify the industry specific agencies both public and private that may assist in the prevention of parallel imports in your country; nature and type of assistance such agencies are able to provide.

⇒ Customs will assist in the prevention of parallel imports under limited conditions explained hereunder.

• what sort of sustained efforts can an IP owner take to educate consumers about the dangers of parallel imported goods. In this regard arguments may be advanced for and against parallel imports from (i) consumer interest and protection point of view as well as from (ii) the point of view of IP rights owners.
Some brand owners display a cautionary notice on their website to alert customers not to buy non-genuine goods. Some other brand owners do not provide consumers with after-the-sale services regarding parallel imported goods.

- what type, degree and materiality of differences must there be between the domestic goods and the parallel imported goods bearing the same trademark before the IP owner is entitled to take action against the parallel imported goods.

This point is a controversial issue after a Supreme Court decision was rendered (for a detailed explanation, please see below) on February 27, 2003 (“Fred Perry” case).

- to what extent has the advent and advancement of digital technology and the internet rendered IP laws against parallel imports in your country (if any) ineffective.

Due to development of the Internet, it has become easier for customers to purchase parallel imported goods at lower cost than the genuine goods. Practically speaking, it is difficult for trademark right holders to have such goods seized by Customs unless they succeed in proving that the parallel imported goods fulfill some requirements suggested by the above Supreme Court case.