

# ROUTE TO JAPAN

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Japan is the centre of new trends and creativity and is a coveted testing ground for new products. A survey of foreign affiliated firms in Japan conducted by JETRO (Japan External Trade Organisation) in early 2008 indicated that one in five of these companies see Japan as a centre for research and development, as well as being a base for business activities in Asia.

Today, increasing numbers of companies around the world are partnering with Japanese companies to develop products and services, create innovative technologies, and conduct R&D projects.

## JAPAN – A MARKET OF ENORMOUS POTENTIAL

Japan is an enormous market – one of the world's largest in terms of economic scale. Japan's regions also offer an attractive market and extensive business opportunities.

## SOPHISTICATED CONSUMERS WITH HIGH PURCHASING POWER

In addition to possessing high purchasing power, Japanese consumers are early adapters and move quickly to stay on the cutting edge of the latest technologies.

Many global products have originated in Japan or have gained a competitive edge by being developed in Japan. Japan is often seen as a superb test market for the introduction of new global products and services. Japan's figures for final household consumption expenditure are among the highest for the major developed nations. The level of discretionary expenditure is high, and consumer demand is substantial, with a significant share of expenditure occurring in the areas of education and entertainment, transport and communications.

Japan's 120 million citizens hold personal financial assets of approximately

1,500 trillion yen, adding up to considerable potential buying power.

The coming retirement of Japan's baby boom generation will boost the ranks of the nation's active senior citizens seeking to make the most of their new lives, and is expected to result in the creation of new leisure industries targeting seniors, as well as the formation of a thriving market for high quality goods and services.

## THE BURSTING OF THE BUBBLE

The global financial crisis that we are still enduring is very different to the bursting of the 'bubble economy' at the beginning of the '90s. The key distinction is that the adverse impact of the bursting of this 'bubble economy' was felt more acutely by Japan, and less so by other countries around the globe. This meant that there was capacity for foreign buyers to later come into Japan after the market collapse, and snap up distressed assets.

This time around, however, the financial crisis is truly global in nature, and while Japan is impacted to some extent, Japan's exposure is relatively limited compared to the tumultuous market conditions for many other jurisdictions. Coupled with the rapid rise in the value of the yen versus most other currencies, and the fact that Japanese companies and financial institutions have worked hard over the last 15 years to strengthen their balance sheets, the financial crisis is expected to lead to a lot more outbound acquisitions.



Japan External Trade Organization



## BANKING AND FINANCE ANDERSON MORI & TOMOTSUNE

Duke T. Fujiyama, Senior Foreign Counsel  
T: +81-3-6888-1206  
duke.fujiyama@amt-law.com  
www.amt-law.com

## ANDERSON MŌRI & TOMOTSUNE

Anderson Mori & Tomotsune (AM&T) is a Japanese full-service business law firm with offices in Tokyo (principal office) and Beijing, with more than 300 Japanese lawyers as well as approximately 10 lawyers qualified in other jurisdictions.

According to Duke T. Fujiyama, senior foreign counsel at the firm, AM&T negotiates and documents the full range of finance transactions at the highest level, in both English and Japanese.

Mr. Fujiyama noted: "Our regulatory group advises on questions, both novel and routine – a task for which they are uniquely well-suited as several members have been, and are, seconded to regulatory agencies and stock exchanges and have had a key role in drafting the relevant legislation."

"For example," he added, "in a transaction that won the 2010 ALB Japan Real Estate Deal of the Year, we helped our client to create an acquisition structure involving a type of SPC called a Tokumei Mokuteki Kaisha that issued secured bonds. This structure was the first of its kind in Japan and, as part of the structuring, our firm also prepared a trust deed for which there was no precedent."

Meanwhile, overall levels of activity for Japan have recently recovered from the initial drop following the March 11 Earthquake and Tsunami, with several aggressive players taking advantage of the opportunities they have identified in the market.

When asked if Japan is still attractive to foreign investment, Mr. Fujiyama went on to explain that clients have recently completed transactions and are presently looking for more, especially within the technology and materials segments.

"We think that Japan remains an attractive destination for investment capital," he said. "AM&T has also remained resilient and still routinely

advises on the largest and most novel cross-border transactions, inbound and outbound. Meanwhile, inbound matters – typically from the United States and Europe – are thriving and have recently been focused on the areas of technology, materials, and fund formation."

Aside from the possible language barrier of many domestic agreements being in Japanese, clients who wish to enter regulated industries such as banking and finance invariably need some time to become comfortable with the relevant regulations. According to Mr. Fujiyama, AM&T has addressed many of those concerns for past matters and is therefore well-positioned to provide timely and cost-effective advice in that regard.

He concluded: "Each jurisdiction has its own set of challenges, but we are fortunate to have an informal network of excellent local firms to help us overcome them."

"As regards the effects of the economic downturn on Japan's banking and finance sector, the volume of real estate financings – as opposed to refinancings of existing transactions – and of consumer loan securitisations has gone down. The former is due to the Lehman Shock and the March 11 Earthquake and Tsunami while the latter is due to regulatory changes affecting the consumer lending industry. Financing for acquisitions by private equity funds seems to still be available; however, the size of the deals has gotten smaller."



## TRADEMARK LAW ISHIOROSHI & ASSOCIATES

Masaki Ishioroshi - Attorney at Law  
T: +81-45-444-2455  
info@ishioroshi.com  
www.ishioroshi.com



Ishioroshi & Associates specialises in providing legal counsel to corporate clients concerning the following matters: contractual and business transactions, both domestic and international; IP law including patents, trademarks and copyrights; competition related laws, such as unfair competition prevention laws; technology related laws; as well as IT or Network Related Laws.

In addition, the firm is proficient in the drafting and review of written contracts or agreements, as well as in the translation of written agreements, legal opinions and other legal documents.

When asked to characterise the trademark / copyright law systems in place in Japan, Masaki Ishioroshi, attorney at law, noted: "Japan's copyright law system is designed to be harmonised with international treaties. Japan is a contracting party of Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, Agreement on Trade-Related Aspects of Intellectual Property Rights, World Intellectual Property Organization Copyright Treaty."

Therefore, copyrighted works developed in most countries or regions in the world are thought to be protected in Japan. In Japan, copyrights are protected by the Copyright Act and partly by the Unfair Competition Prevention Act.

Meanwhile, trademark law systems vary from one country to another. "Firstly," said Mr. Ishioroshi, "in Japan you need to register your trademark at Japan's Patent Office if you wish to have your trademark right legally protected. Secondly, a trademark does not have to be in use in order to be registered in Japan, provided that the trademark owner has the intention of using the trademark in the future.

"Thirdly, there is a first-to-file rule concerning applying for registration. Fourthly, categories of trademarks that can be registered are categorised as follows: a trademark consisting of characters; consisting of devices or symbols; consisting of characters and devices/symbols; and/or a three-dimensional trademark. But, unlike within the US and some other countries, a trademark consisting of one colour or a combination of colours, consisting of sounds, and/or consisting of smell or odor, cannot be registered so far."

Ishioroshi & Associates provides trademark advice for corporate clients in many business areas, including international fashion brand houses, manufacturers of many kinds of products, chain-style franchise businesses, restaurants, confectionery stores, e-commerce, record company, publishers or other retailers.

Mr. Ishioroshi concluded: "Typically, our duty is to protect our clients' trademark rights or related interests by drafting license agreements, providing advice regarding trademark protection strategy, as well as organising negotiations and lawsuits in case infringements occur.

"As regards our recent case work, one of our clients designs, manufactures and sells bags, the design of which is very distinguishing and characteristic. The client's designs have attracted female customers all over the world, but have also attracted competitors and imitators. Therefore we have, on our client's behalf, issued warnings based on the relevant laws – especially the Unfair Competition Prevention Act – to such imitating companies or infringing companies, consequently obtaining protection for the designs in question."



## IP LAW NAKAMURA & PARTNERS

Kazuhiko Yoshida - Partner  
T: +81-3-3211-1037  
law@nakapat.gr.jp  
www.nakapat.gr.jp

## NAKAMURA & PARTNERS PATENT TRADEMARK & LEGAL AFFAIRS

**Nakamura & Partners, established in 1914, is a leading international patent and law firm in Japan. The firm provides a wide range of services in the field of IP, inside and outside of Japan – and is home to 180 staff members including approximately 70 patent attorneys and approximately 20 lawyers serving diverse industries.**

According to Kazuhiko Yoshida, partner, the patent attorneys group and the lawyers group of Nakamura & Partners provide clients with a wide range of specialist services, primarily within the field of IP. These range from those related to acquiring exclusive rights, through to those related to enforcing exclusive rights and dealing with the legal work relating thereto.

Mr. Yoshida noted: "Between the two groups in our firm, a close and effective cooperative relationship has been established, which enables us to render services of incomparable quality as well as enabling the two groups to simultaneously provide their services complying with the requests of clients."

In enforcing IP rights internationally, the firm utilises a wide network of associate patent and law firms based all over the world, which the firm has established over the years.

This network has proven to be invaluable as the economic downturn has increased the number of companies that have limited themselves to working with just one IP firm. "Fortunately," said Mr. Yoshida, "along with this trend, some clients have drastically increased the number of patent applications that they have entrusted to said firms. In this regard, we have retained a high number of such clients and so the economic downturn has had a favourable influence on our firm so far."

IP is one of a company's main assets. Mr. Yoshida added that most companies enforce their IP rights in order to hold a leading position or to strengthen a competitive position in the relative market. Also, some companies grant third parties with a license to use their technology, or to sell such technology after they have lost a competitive position in the relative market.

He concluded: "In order for a company to have a competitive advantage in a relevant field, it is sometimes useful to enforce IP rights in a number of countries at the same time. In such a case, it is necessary to strategically determine the course of actions to be taken in each country – after carefully considering the worldwide patent portfolios of the company and its competition, and comparing the differences between the legal systems in various countries."

**"As regards Nakamura & Partners' own plans for the coming months, we would like to continue to provide the highest possible level of professional services in IP rights and legal matters – drawing on our global capabilities where necessary to meet the needs of our existing and potential clientele."**



## PATENT LAW UCHIDA & SAMEJIMA LAW FIRM

Masahiro Samejima - Partner  
T: +81 3 5511 6211  
samejima@uslf.jp  
www.uslf.jp



Located in Minato-ku in the centre of Tokyo city, Uchida & Samejima Law Firm, which is a ten minute walk from the Tokyo court, is home to 11 attorneys – making the firm mid-sized according to Japanese legal firm standards.

A key differentiator of the firm is that the majority of its attorneys have technological backgrounds in diverse areas, ranging from life sciences to electronics. These areas encompass chemical, material, engineering, mechanics and computer science.

In addition, some of the firm's attorneys have business experience in large manufacturing companies. "We have previously acted as engineers, patent attorneys and consultants," noted partner Masahiro Samejima. "This is a rather rare feature as far as Japanese standards of legal firm attorneys are concerned."

In addition, Uchida & Samejima's attorneys practise IP as follows:

### LITIGATION

The firm's background in technology ensures its status as a skilled law firm within the field of patent litigation and other litigation pertaining to technology. Such litigation includes software copyright, Internet disputes as well as product liability.

Typically, it is the larger corporations that take advantage of these particular services. Since Uchida & Samejima does not charge for technology comprehension – such a charge is not necessary considering the firm's background – the total cost charged to clients may be less than half of what larger Japanese legal firms charge.

"Uchida & Samejima proceeds with its legal work very efficiently for the respective client, taking full advantage of our technological backgrounds."

### CONSULTATIONS

Moreover, the firm's background within the IP area enables its attorneys to be skilled consultants when clients' technology businesses are concerned – particularly in regards to aspects of combination law and IP.

"In Japan, it is not unusual for clients to seek advice from both a dedicated legal firm, as well as a dedicated patent filing firm.

"However, since Uchida & Samejima maintains five attorneys with patent filing and prosecution experience, we can combine these two professions in order to provide one unique, consolidated service. Typically, it is the relatively smaller firms, as well as the venture companies, that will take advantage of this service wherein we make a consultation to the client based on our experience with patent filing and prosecution."

### ONGOING CASE WORK / FUTURE HORIZONS

In regards to the firm's recent and ongoing case work, Mr. Samejima added that,

at present, the firm is representing large manufacturing companies that have suffered attacks made by "patent trolls".

Mr. Samejima explained: "We have many foreign clients that suffer IP infringement in Japan. Such works are typically conducted in English – with which we seldom have any problem – including conversation by telephone calls and face-to-face meeting."

He added that Japan is the only country in Asia that has been protecting IP for more than 100 years. Similarities with German patent law are more notable than similarities with US law. "Meanwhile," he said, "Japanese IP laws have influenced a significant amount of legislation pertaining to the other Asian countries.

"Japan has been supporting these developing countries in introducing IP systems for many years. I personally have participated in some of these works as a civilian representative of the Japanese government."

Meanwhile, Japan has not gone unaffected by recent economic strife. Japanese manufacturers have been losing market share for some 20 years, and Japan is now facing a hardship to maintain its business and competitiveness, which was further exacerbated by the region's recent earthquake and strong JP Yens.

Mr. Samejima concluded: "We, as professionals within the area of IP, are still learning how to restore competitiveness through utilising IP."

**"MOREOVER, JAPANESE PATENT LAW WILL SEE AMENDMENTS NEXT SPRING, WHEN VARIOUS NEW SYSTEMS WILL BE INTRODUCED. ONE IMPORTANT AMENDMENT IS A BROADER GRACE PERIOD. JAPAN USED TO HAVE A GRACE PERIOD OF SIX MONTHS; HOWEVER, THIS WAS LIMITED TO SUCH CASES WHEREIN THE ASSIGNEE HAS DISCLOSED THE INVENTION BY WRITTEN REPORTS AND SOME OTHER OCCASION. HOWEVER, THERE WILL BE NO LIMIT ACCORDING TO THE AMENDMENT – AS LONG AS THE PRIOR DISCLOSURE IS PROVED TO BE MADE BY THE ASSIGNEE HIMSELF."**