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# **INTELLECTUAL PROPERTY ASPECTS OF THE JAPAN-EU ECONOMIC PARTNERSHIP AGREEMENT**

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## **Abstract**

*The Japan-EU Economic Partnership Agreement (JEPA) was signed on 1 July 2018 and entered into force on 1 February 2019, with Ch.14 focusing on intellectual property (IP) rights. JEPA should be hailed as a positive contribution to strengthening IP protection in the two blocs, and therefore further promoting trade and reciprocal investments. The IP Ch. of JEPA covers all IP rights, including copyright, trade marks, geographical indications (GIs), designs and unregistered appearance of products, patents, supplementary protection certificates, trade secrets and pharma test data. Given the important role that GI provisions play in JEPA, this article pays particular attention to them. During the negotiations, Japan made concessions to the EU with regard to GIs protection. Indeed the EU has a strong interest here, as its Member States (in particular the Mediterranean and southern countries, namely France, Italy and Spain, and to a lesser extent Portugal and Greece) possess a large number of geographical names in relation to foodstuff, wines and spirits, such as Champagne, Parmigiano and Feta (conversely, the number of Japanese GIs protected in the EU under this agreement is far fewer).*

## Introduction

The Japan-EU Economic Partnership Agreement (JEPA) was signed on 1 July 2018 and entered into force on 1 February 2019, with Ch. 14 focusing on intellectual property (IP) rights.<sup>1</sup> JEPA should be hailed as a positive contribution to strengthening IP protection in the two blocs, and therefore further promoting trade and reciprocal investments.<sup>2</sup>

In the context of JEPA's negotiations Japan has made concessions to the EU with regard to the most important section of Ch. 14, namely the provisions that regulate the protection of geographical indications (GIs). The EU does have here a competitive interest as its Member States (in particular the Mediterranean and southern countries, namely France, Italy and Spain, and to a lesser extent Portugal and Greece) have a large number of geographical names in relation to foodstuff, wines and spirits. These names are strongly in need of legal protection, especially in international markets. Japan has thus accepted to protect via JEPA more than two hundred European geographical names, such as Champagne wine, Parmigiano and Feta (conversely, the number of Japanese GIs protected in the EU under this agreement is far less). On the other hand, Japan mostly benefits from other non-IP parts of JEPA, for example from the removal of EU import duties on Japanese cars (it should be reminded that Japan's automobile sector is notoriously strong and that the EU is the biggest importer of road vehicles in the world). It is therefore no surprise that JEPA has been ironically labelled as the "cars-for-cheese" agreement.<sup>3</sup>

Given the important role GIs provisions play in JEPA, this article will pay more attention to them, while just a few comments will be made in relation to other IP rights, namely copyright, Trade marks, designs and unregistered appearance of products, patents, supplementary protection certificates, trade secrets and pharma test data.<sup>4</sup> Indeed, many JEPA provisions on these rights merely mirror and confirm the rules provided by the TRIPS Agreement<sup>5</sup> and other IP-related international treaties.

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<sup>1</sup> Hereinafter also 'Ch. 14'.

<sup>2</sup> See JEPA art. 14.1.

<sup>3</sup> See Cat Rutter Pooley and Jim Brunsten, EU and Japan finalise 'cars-for-cheese' trade deal, *Financial Times*, 9 December 2017 (available at <https://www.ft.com/content/b48e4f3a-dc0e-11e7-a039-c64b1c09b482>).

<sup>4</sup> No reference will be made to the enforcement measures covered by Ch. 14, either. Indeed, both the EU and Japan already provide effective regimes of IP enforcement, as mandated by TRIPS. Thus, Ch. 14 broadly reaffirm TRIPS enforcement provisions.

<sup>5</sup> WTO, *Marrakesh Agreement Establishing the World Trade Organization* (15 April 1994) Annex 1C

## Copyright and resale right

The copyright sub-section of Ch. 14 broadly reaffirms the two countries' commitments under the TRIPS Agreement, the Rome Convention for the Protection of Performers, Producers of Phonograms<sup>6</sup> and Broadcasting Organisations and the WIPO Performances and Phonograms Treaty.<sup>7</sup>

An interesting provision is art. 14.15, which states that Japan and the EU will “exchange views and information” on the issue of resale right. This right has been introduced by more than 90 countries around the world including the EU, which in 2001 adopted a Directive specifically protecting this right.<sup>8</sup> It is a compensatory right which ensures that visual artists are remunerated when their original art is re-sold at auctions or other art sales, the sum being quantified according to predetermined criteria. As mentioned, Ch. 14 leaves the terms around resale rights open to discussion between the EU and Japan.

Notably, such right is not currently available to artists in Japan but has been advocated by various EU and Japanese organizations. For example, the International Confederation of Societies of Authors and Composers (CISAC), the European Grouping of Societies of Authors and Composers (GESAC), and European Visual Artists (EVA) have spearheaded a campaign to promote international discussions around resale rights at the United Nations<sup>9</sup> and in early 2017 presented their progress to a panel of Japanese advocates at their annual resale right symposium, co-hosted with Waseda University.<sup>10</sup> More recently, in May 2019 the Asia-Pacific Committee of CISAC published a Resolution on Resale Rights for Visual Art Creators in Japan,<sup>11</sup> which raised concerns about the absence of such rights in Japan. This Resolution observes that:

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<sup>6</sup> International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (adopted and entered into force, 26 October 1961) WIPO.

<sup>7</sup> WIPO Performances and Phonograms Treaty, (adopted 20 Dec 1996) WIPO (WPPT)

<sup>8</sup> Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art.

<sup>9</sup> See <https://www.cisac.org/Newsroom/Articles/Introducing-the-resale-right-in-Japan-takes-centre-stage-at-Tokyo-academic-symposium>.

<sup>10</sup> See <https://www.cisac.org/Newsroom/Articles/Introducing-the-resale-right-in-Japan-takes-centre-stage-at-Tokyo-academic-symposium>.

<sup>11</sup> See [www.jasrac.or.jp/ejhp/release/2019/pdf/0603\\_1\\_02.pdf](http://www.jasrac.or.jp/ejhp/release/2019/pdf/0603_1_02.pdf).

- “the current situation in Japan results in a clear disadvantage and unfairness toward Japanese artists, who as a result of the absence of the right under Japanese law are denied royalties both in Japan and abroad, even in those countries that recognize the right”; and
- “the situation impacts non-Japanese creators as well, because the lack of the right denies these foreign visual artists any royalties from the sale of their works within the territory of Japan”.

Indeed, resale rights are based on the principle of reciprocity (see for example art. 7 of the EU Directive).<sup>12</sup> This means that until Japan implements analogous legislation on the resale right, the EU will not extend such right to Japanese artists as EU artists are not offered these rights in Japan.

The EU is pushing Japan to adopt a resale right regime. Such interest is unsurprising given that Europe is the largest global exporter of art.<sup>13</sup> In the first half of 2018, the UK, France, Germany and Italy alone enjoyed a combined \$2.5 billion in fine art sales and London’s market kept pace with that of New York’s.<sup>14</sup> Comparatively, Japan’s 2018 art sales reached \$122.3 million in 2018, thus growing by 31% compared with 2017, with signs that the growth will continue at a steady pace.<sup>15</sup> In 2015, art imports into Asia were recorded at 14.6% and in 1990s, when Asia’s global market share was at 24%, Japan was recorded as having imported 80% of its artwork value.<sup>16</sup> Even if that rate has dropped by 10% along with the rest of Asia’s market share, Japan still holds promise for European exporters looking to infuse the Japanese market with their

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<sup>12</sup> Article 7(1) Directive 2001/84/EC, stating that “Member States shall provide that authors who are nationals of third countries and ... their successors in title shall enjoy the resale right in accordance with this Directive and the legislation of the Member State concerned only if legislation in the country of which the author or his/her successor in title is a national permits resale right protection in that country for authors from the Member States and their successors in title.”

<sup>13</sup> Dr. Rachel A.J. Pownall, ‘TEFAF Art Market Report 2017’, *European Fine Art Foundation* (2017), 11 <<http://1uyxqn3lzdsa2ytyzjlaxmmppt.wpengine.netdna-cdn.com/wp-content/uploads/2017/03/TEFAF-Art-Market-Report-20173.pdf>> last accessed 12 Nov 2019

<sup>14</sup> ‘H1 2018 – Global Art Market Report’, *Artprice.com* (2018) Artprice.com ><https://www.artprice.com/artprice-reports/global-art-market-in-h1-2018-by-artprice-com/h1-2018-global-art-market-report-by-artprice-com>> last accessed 12 Nov 2019

<sup>15</sup> ‘Japan’s dynamic art market - and - Art Fair Tokyo’, *Artprice.com* (2019) <<https://www.artprice.com/artmarketinsight/japans-dynamic-art-market-and-art-fair-tokyo>> last accessed 12 Nov 2019

<sup>16</sup> Dr. Rachel A.J. Pownall, ‘TEFAF Art Market Report 2017’, *European Fine Art Foundation* (2017), 185, <<http://1uyxqn3lzdsa2ytyzjlaxmmppt.wpengine.netdna-cdn.com/wp-content/uploads/2017/03/TEFAF-Art-Market-Report-20173.pdf>> last accessed 12 Nov 2019

art. Naturally, in light of this data, the EU sees sense in pushing Japan to embrace resale rights as an ever increasing multitude of European artists whose works are sold in Japan would then start receiving much deserved economic recognition. Likewise, as mentioned, should this right be introduced in Japan, artists in this country would also start obtaining such compensation, not only at home, but also in the EU, as the reciprocity rule would instantly apply.

## **Trade marks, industrial design and unregistered appearance of products**

Chapter 14's provisions on Trade mark and industrial design protection also echo the main rules enshrined in the Trade mark and design-related sections of the TRIPS Agreement as well as the Paris Convention.<sup>17</sup> Trade marks are protected in both the EU and Japan – and nothing significant is added to the already solid regimes of Trade mark protection in the two commercial blocs. As far as designs are concerned, Ch. 14 requires them to be protected via registration.<sup>18</sup> Both the EU and Japan already do so under two laws specifically addressing this industrial property right (the EU Design Regulation<sup>19</sup> and the Japan Design Act).<sup>20</sup>

Chapter 14 also covers the 'unregistered appearance of products', allowing Japan and EU to choose how to protect it, namely via industrial design law, copyright or rules against unfair competition<sup>21</sup> (this form of IP protection is not explicitly regulated by TRIPS). Both Japan and the EU already protect the ornamental features of products, and therefore already comply with this provision. Japan protects unregistered designs under the Unfair Competition Prevention Act of 1993:<sup>22</sup> what is protected under this law is the "configuration of goods" or the "shape of goods and the pattern, color, gloss, and texture combined with the shape" which is "perceived by

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<sup>17</sup> Paris Convention for the Protection of Industrial Property, (adopted and entered into force, 20 March 1883) WIPO

<sup>18</sup> Art. 14.31.

<sup>19</sup> See Council Regulation (EC) No 6/2002 on Community Designs, ( 12 Dec 2001) *The Council of the European Union* <[https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/cdr\\_legal\\_basis/62002\\_cv\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/cdr_legal_basis/62002_cv_en.pdf)> last accessed 12 Nov 2019

<sup>20</sup> See Design Act No. 125 of 2014 (effective 13 May 2015), WIPO <<https://www.wipo.int/edocs/lexdocs/laws/en/jp/jp073en.pdf>> last accessed 12 Nov 2019

<sup>21</sup> Art. 14.32.

<sup>22</sup> Act No. 47 of May 19, 1993, as amended last on 23 May 2003, art. 2 (iii), WIPO <<https://www.wipo.int/edocs/lexdocs/laws/en/jp/jp055en.pdf>> last accessed 12 Nov 2019

customers when they use the goods in an ordinary way”.<sup>23</sup> The EU protects unregistered designs within the above mentioned EU Design Regulation, provided that the designs are novel and possess an individual character; such a title offering unfettered protection in all EU Member States.<sup>24</sup> The EU Regulation defines designs as

“the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation.”<sup>25</sup>

The duration of the protection is the same in the EU and Japan, i.e. three years after the design was first made available to the public (in the EU) or sold (in Japan).<sup>26</sup>

## Geographical indications

As mentioned, the most important part of Ch. 14 relates to geographical indications, in particular in relation to foodstuff and agricultural products as well as wines, spirits and other alcoholic beverages.<sup>27</sup>

The GIs provisions of Ch. 14 reaffirm the strong protection that the EU and Japan already have in connection to geographical names.<sup>28</sup> In both countries registrations are granted by

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<sup>23</sup> Act No. 47 of May 19, 1993, as amended last on 23 May 2003, art. 2 (iv), WIPO <<https://www.wipo.int/edocs/lexdocs/laws/en/jp/jp055en.pdf>> last accessed 12 Nov 2019

<sup>24</sup> See Council Regulation (EC) No 6/2002 on Community Designs, ( 12 Dec 2001) *The Council of the European Union* <[https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/cdr\\_legal\\_basis/62002\\_cv\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/cdr_legal_basis/62002_cv_en.pdf)> last accessed 12 Nov 2019

<sup>25</sup> Art. 3(a) of EU Directive.

<sup>26</sup> See Art. 11(1) EU Design Regulation; Act No. 47 of May 19, 1993, as amended last on 23 May 2003, art. 19 (1)(v)(a), WIPO <<https://www.wipo.int/edocs/lexdocs/laws/en/jp/jp055en.pdf>> last accessed 12 Nov 2019.

<sup>27</sup> Ch. 14 does not cover geographical names for industrial products, as it is indirectly confirmed by Art. 14.22(1), which mentions just wines, spirits, other alcoholic beverages and agricultural products. Therefore, as far as agricultural products are concerned, Japan and the EU are bound by the minimum standard obligations under Art.s 22-24 TRIPS.

<sup>28</sup> As far as the EU is concerned see Regulation No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs on the protection of Geographical Indications and Designations of Origin for agricultural products and foodstuffs; and Regulation 2019/787 of the European Parliament and of the Council of 17 April 2019 on the definition, description, presentation and labelling of spirit drinks, the use of the names of spirit drinks in the presentation and labelling of other foodstuffs, the protection of geographical indications for spirit drinks, the use of ethyl alcohol and distillates of agricultural origin in alcoholic beverages. As far as Japan is concerned, see the 2005 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs as well as the 2015 Notice on Establishing Indication Standards Concerning GI for Liquor. For a summary of the former, see [http://www.maff.go.jp/e/policies/intel/gi\\_act/attach/pdf/index-3.pdf](http://www.maff.go.jp/e/policies/intel/gi_act/attach/pdf/index-3.pdf). For the text of the latter, see [https://www.nta.go.jp/english/taxes/liquor\\_administration/geographical/01.htm](https://www.nta.go.jp/english/taxes/liquor_administration/geographical/01.htm).

governments after an examination is carried out that aims at checking the quality of the relevant products and the link between such quality and the geographical areas. The rationale for both legal frameworks is that favourable climate and centuries-old manufacturing techniques rooted in those areas have contributed to conferring that particular quality and building up the product's fame. In other words, GIs are industrial property rights that identify 'products with a story'. As mentioned, both the EU and Japan already have in place an advanced system of GI registration procedure, which complies with the requirements under Ch. 14.<sup>29</sup> Such system consists of steps such as:

- (1) making available to the public the lists of registered GIs;
- (2) managing administrative processes aimed at verifying that the name identifies a product as originating from the geographical area in question, where the quality, reputation or other feature of the good is essentially attributable to its geographical origin (this is the above mentioned 'link');<sup>30</sup>
- (3) (an opposition procedure that allows the legitimate interests of third parties to be taken into consideration; and
- (4) a cancellation procedure.<sup>31</sup>

Also, both EU and Japanese laws offer a wide scope of protection, which allows GIs owners to prevent others from not only exploiting the name so as to mislead consumers as to the geographical origin and quality of the product; but also from using such name in a way that does not confuse consumers, for example when it is accompanied by expressions such as 'kind', 'type', 'style', 'imitation', or the like, or when it is used in translation.

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<sup>29</sup> Art. 14.23. For a summary of the Japanese regime of GI protection, and most important aspects of GIs provisions under JEPA, see the website of the general trading company Mitsui, at [https://www.mitsui.com/mgssi/en/report/detail/\\_icsFiles/afieldfile/2019/05/30/1904c\\_matano.pdf](https://www.mitsui.com/mgssi/en/report/detail/_icsFiles/afieldfile/2019/05/30/1904c_matano.pdf). For an additional summary of the most relevant features of JEPA, see the website of the EU-Japan Centre for Industrial Co-operation, a no-profit venture between the European Commission and the Japanese government, at <https://www.eubusinessinjapan.eu/sites/default/files/geographical-indications-factsheet.pdf>.

<sup>30</sup> The requirement for a link is not always absolute. An exception for example is provided by Ch. 14 which temporarily protects European businesses that have delocalized certain unsubstantial phases of production in Japan. Art. 14.24(5) indeed provides that "for a period of seven years from the date of entry into force of this Agreement, the protection ... for a particular geographical indication of the European Union ... shall not preclude, with regard to the good identified with such geographical indication, the possibility that operations comprised of grating, slicing and packaging, including cutting into portions and inner packaging, could be carried out within the territory of Japan, provided that such good is destined for the Japanese market and not for the purpose of re-exportation".

<sup>31</sup> See again Art. 14.23.

Chapter 14 confirms wide scope of protection also for the 217 EU GIs as well as the 56 Japanese GIs included in JEPA.<sup>32</sup> As mentioned in the introduction, the EU has obtained protection of many European geographical names in Japan (this has happened through a procedure which has included publication and the submission of opinions by interested parties, and which was finalised before JEPA entered into force). Champagne, Feta, Parmigiano-Reggiano, Camembert de Normandie, Prosciutto Toscano, Scotch Whisky and Prosecco are just a few examples. Obviously, Japan has also secured protection of some of its own GIs via JEPA, ‘Kobe beef’ being the most notable example. Yet, the EU has obtained by far the highest number of protected indications. A quick look at the long list of EU protected names referred to in JEPA’s Annex 14-B, as opposed to the shorter list of the corresponding Japanese indications, is quite telling. As shown above, the EU does have 217 GIs (72 for food and 145 for wines and spirits) while Japan has just 56 (48 for food and 8 for wines and spirits).<sup>33</sup> The lists may also be amended (and possibly expanded) in the future,<sup>34</sup> leaving the EU and Japan free to decide at a later stage to protect additional GIs.

Chapter 14 provides limitations in relation to certain EU geographical names. Some of them are protected just as compound names. That means that in Japan what is protected is, for example, the indication ‘Camembert de Normandie’ (for cheese), not the sign ‘Camembert’ alone; the expression ‘Edam Holand’ (for cheese), not just the name ‘Edam’; the indication ‘Gouda Holand’ (for cheese), not just the word ‘Gouda’; the term ‘Mozzarella di Bufala Campana’, but not the terms ‘Mozzarella’ or ‘Mozzarella di bufala’; the indication ‘West Country farmhouse Cheddar cheese’, not just the sign “Cheddar”<sup>35</sup>. This entails that any person is free to use the single words which are part of the multi-component expression. Thus, for example, a cheese manufacturer based in Hokkaido (North Japan) will be free to use a packaging bearing the sign ‘Camembert de Hokkaido’ as the term ‘Camembert’ per se cannot be monopolised by anyone in Japan or Europe.

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<sup>32</sup> Art. 14.25.

<sup>33</sup> See Annex 14-B List of geographical indications.

<sup>34</sup> Art. 14.30.

<sup>35</sup> Analogous provision is contained in the EU-Canada Comprehensive Economic and Trade Agreement (hereinafter also ‘CETA’): see Annex 20 - A Part a - Geographical indications identifying a product originating in the European union.





*Figure 1 Picture taken by Luke McDonagh in a Sapporo's supermarket (Hokkaido)*

Another important aspect regulated by Ch. 14 is the relationship between GIs and Trade marks.<sup>36</sup> More precisely, Trade mark offices in Japan and the EU must refuse the registration of Trade marks the use of which is capable of misleading consumers as to the quality of the good relevant to a previously protected GI. Therefore, if for example a Japanese producer of cheese seeks to register in 2021 a Trade mark consisting of the term 'Feta', the registration will be rejected by the Japanese Trade mark office. What if a conflicting Trade mark has been registered or used in good faith before JEPA's entry into force, or anyway before a new GI is protected under Ch. 14? The latter provides in these circumstances a regime of co-existence, as it specifies that (1) the existence of such prior conflicting Trade mark would not totally preclude the protection of a subsequent GI under Ch. 14; and that (2) the eligibility for or the validity of the registration of, or the right to use, the prior contrasting Trade mark, will not be jeopardised on the basis that it is identical with, or similar to, the geographical name in question.<sup>37</sup> Thus, if for

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<sup>36</sup> See Art. 14.27 of Ch. 14.

<sup>37</sup> This is line with a finding of the WTO Panel in two cases brought by US and Australia, respectively, against EU (at that time EC) in relation to the EU regime of coexistence between earlier Trade marks and later GIs, enshrined in the EU Regulation 1151/12. See the WTO cases DS290 and DS174 EC-Trade marks and Geographical Indications. In the reports of 15 March 2005, the WTO Panel held that the EU regime of coexistence is TRIPS-compliant, as it is justified by the regime on exceptions to Trade marks under Art. 17 TRIPS. More precisely, the WTO Panel noted, the EU co-existence regime must be considered as "limited exception" under Art. 17 TRIPS, because – amongst other reasons - the geographical indications which may coexist with earlier Trade marks cover just (i) limited categories of products (food and agriculture); (ii) products that are manufactured in a specific geographical area; and (iii) only products manufactured pursuant to the GI specification. See Section 7.655 of both reports.

example a Japanese company has incorporated in its registered Trade mark a European geographical name since the 1980s, and that name is now protected as GI under JEPA, the validity of the registration and of the right to use that Trade mark cannot be objected to. The consequence of these provisions is that, as mentioned, there may be coexistence in the Japanese market of potentially confusing signs. It is probably to reduce such risk of confusion that Ch. 14 has also provided that Japan and the EU may in these circumstances “require certain conditions” for the protection of the subsequent geographical indication.<sup>38</sup> This may mean that the owners of the subsequent GI could be required to make sure that consumers are not misled as to the trade origin of the products in question, for example by inserting and making visible on the packaging specific appropriate disclaimers.

Chapter 14 also provides a regime of exceptions aimed at protecting temporarily prior uses of geographical names. More precisely, it deals with the possible coexistence between the protected GI of one of the two countries and an identical name previously used in the other state. The latter country in these circumstances will be able to allow such pre-use for a period (starting from the period of protection of the GI under JEPA in the former state) of seven years (if the GI relates to food and agricultural products) and of five years (if it relates to wines, spirits and other alcoholic beverages).<sup>39</sup> After those periods of time, the latter country must prevent the pre-use of the GI from continuing (in other words, these provisions contain a ‘sunset clause’). Thus, if for example a European meat producer has used for many years the sign ‘Kobe’ in relation to meat produced in Europe having the characteristics of tenderness, flavour and a well-marbled texture (indeed, these are the main features of this kind of meat), said producer will be entitled to keep using the Kobe indication for 7 years (to be counted from 1 February 2019, ie until 31 January 2026). After that date (in our example) the EU producer will not be able to use it any longer, as the Japanese producers of Kobe would obtain the full monopoly on the use of the protected indication in the EU. A similar scenario has happened for real in Japan. Certain Japanese cheese producers had been using the terms ‘Asiago’ and ‘Gorgonzola’ before JEPA entered into force.<sup>40</sup> These are Italian geographical indications which are now protected in Japan under Ch. 14 – but

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<sup>38</sup> See footnote 1 to Art. 14.29.

<sup>39</sup> Art. 14.29(1)-(2).

<sup>40</sup> This was confirmed by representatives of the Japanese Ministry of Agriculture, Forestry and Fisheries in informal conversations with Enrico Bonadio in Tokyo in December 2019.

pursuant to the exception in question those Japanese cheesemakers are allowed to use these European names for seven years after 1<sup>st</sup> February 2019, i.e. until 31 January 2026.

The rationale for this provision is clear. JEPA wants to make sure that businesses that – before the entry into force of this treaty – have been using a geographical name which happens to be later protected as GI under JEPA, could rely on a period of time long enough to allow them to get ready for the new phase during which they will no longer be able to use that term. Chapter 14 – again – clarifies that the country in question may determine the practical conditions under which the above temporary co-existence will take place, taking into account the need to make sure that consumers are not misled about the geographical provenance of the products.<sup>41</sup> For example, a condition of this kind could be satisfied – once more – by requiring that appropriate disclaimers are inserted and made visible on the packaging of the relevant products.

It is interesting to note that the above regime of exceptions is different from the analogous regime envisaged by the EU-Canada Comprehensive and Economic Agreement (CETA) with reference to a few EU protected geographical names.<sup>42</sup> More precisely, such treaty does not provide a sunset clause, therefore leaving producers of certain products (notably, dry-cured meats, fresh, frozen and processed meats, as well as cheeses) free to continue using certain EU GIs, provided that they have been using them for a certain number of years before CETA. Thus, if for example a Canadian producer of ham had been using the geographical name ‘Jambon de Bayonne’ in connection with its products for at least 10 years before CETA entered into force (such term being a French GI protected under CETA), the said producer will be able to keep using it without any temporary restrictions, potentially for ever. CETA therefore protects more strongly such pre-uses of geographical names.<sup>43</sup>

JEPA also regulates cases of homonymous GIs.<sup>44</sup> It provides that, if Japan or the EU want to protect (under an international agreement) a GI of a third country which is homonymous with a GI of the other party protected under Ch. 14, the former must inform the latter (no later than on the date of the publication of the opposition) on the opportunity to comment. Therefore, if for

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<sup>41</sup> Art. 14.29(3).

<sup>42</sup> Art. 20.21(4) CETA.

<sup>43</sup> In general, CETA provides more broad exceptions to GIs protection (especially those owned by EU producers), which mostly benefit Canadian businesses.

<sup>44</sup> Art. 14.26(3).

example Argentina and Japan enter into a bilateral treaty which seeks to protect the geographical indication ‘Rioja’ for wines (Rioja being an Argentinean region), Japan should give the EU (and accordingly Spain) the opportunity to give comments, Spain being particularly interested in this matter, as ‘Rioja’ is a GI protected under JEPA (the Spanish *comunidad* of Rioja is an area in north Spain which is well-known for the high quality of its wines). While such procedure does not give a JEPA party (in our example, the EU as representing Spain’s interests) a right of veto the protection of a homonymous GI by a third country (in our example, Argentina); yet the other JEPA Party (in our example, Japan) must make sure that the other Party (in our example, the EU) is enabled to give comments and thus have its voice heard in the context of such procedure.

## **Patents, supplementary protection certificates, trade secrets and treatment of test data**

Chapter 14 also covers several IP rights which protect technical outputs that are crucial to a variety of European and Japanese industries, including automotive, pharma, biotech and information technology and communication.

The subsection on patents do not introduce any new relevant substantive or procedural provisions. Patents laws in EU Member States and Japan already provide strong protection of patents. Chapter 14 merely stresses the need for co-operation between the two commercial blocs with a view to enhancing international substantive patent law harmonisation, for example on grace period and prior use.<sup>45</sup> Also, co-operation is promoted for increasing mutual use of search and examination results (for instance, based on the Patent Cooperation Treaty) so as to allow Japanese and EU applicants to secure patents in a quick and efficient way, without prejudice to their respective patent procedure.<sup>46</sup> Particularly interesting is the Ch. 14’s provision recognising:

“the importance [for both Japan and the EU] of providing a unitary patent protection system including a unitary judicial system in their respective territory”.<sup>47</sup>

Such statement is de facto exclusively addressed at the EU, as the latter has struggled with achieving the long-awaited pan-EU unitary patent regime, and still relies on the (somehow fragmented) mechanism managed by the European Patent Office under the European Patent

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<sup>45</sup> Art. 14(33)(4).

<sup>46</sup> Art. 14(33)(5).

<sup>47</sup> Art. 14(33)(3).

Convention.<sup>48</sup> The EU unitary system would mean a unique property title valid in all the participating EU countries, a single renewal fee, a single unified patent court and uniform protection, which would entail that infringement suits and revocation proceedings would be determined for the unitary patent as a whole and not for each individual country in Europe.<sup>49</sup> Japanese patent owners would cherish the idea of obtaining pan-European patents and a centralised European patent court in order to avoid the multiplication of costs derived from attacking alleged infringers in multiple European countries to defend the national portions of their patents.<sup>50</sup>

What about the protection of the so-called supplementary protection certificates (SPCs)? SPCs are legal titles that extend the term of the patent in related to specific goods, especially pharmaceutical and agricultural products, for an additional period of time to compensate for the delay in bringing the patented product to market due to regulatory assessment requirements. The policy aim is not only to protect patentees' investments and thus incentivise technological innovation in strategic fields, but also more broadly the promotion of public health and nutrition. Both Japan and the EU, clearly interested in supporting their pharmaceutical and agricultural businesses, protect these titles, the additional period of protection consisting of five years in both countries.<sup>51</sup> Chapter 14 does confirm this scheme by mentioning that the maximum

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<sup>48</sup> The European Patent Office is based in Munich (Germany), its activity, and the patents it grants, being regulated by the European Patent Convention (Convention on the Grant of European Patents (European Patent Convention) of 5 October 1973 as revised by the Act revising Art. 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000).

<sup>49</sup> The EU Unitary Patent and the Unified Patent Court are the two pillars which will eventually supplement and strengthen the already existing centralised European patent granting system. See EU Regulation No 1257/2012 of 17 December 2012 implementing enhanced co-operation in the area of the creation of unitary patent protection; and EU Regulation No 1260/2012 of 17 December 2012 implementing enhanced co-operation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements; and the Agreement on a Unified Patent Court ("UPC Agreement"), signed by twenty-five of the Member States of the European Union in early 2013. For a thorough analysis of the above pillars and its future functioning see Luke McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (Edward Elgar, 2016).

<sup>50</sup> It has been estimated that obtaining a European Patent in all the EU Member States under the European Patent Convention would cost applicants roughly €32,000, of which €23,000 would be incurred for translation fees: see data mentioned by Enrico Bonadio, *The EU Embraces Enhanced Co-operation in Patent Matters: Towards a Unitary Patent Protection System* (2011) *European Journal of Risk Regulation*, Vol. 3, p. 416.

<sup>51</sup> See for example Patent Act No. 121 (Japanese Patent Office) 1959, <<http://www.japaneselawtranslation.go.jp/law/detail/?id=42&vm=02&re=02&new=1>> last accessed 12 Nov 2019; Council Regulation (EC) No 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products <<https://eur-lex.europa.eu/legal->

compensatory term is stipulated as being five years by the relevant laws and regulations of Japan and the EU.<sup>52</sup>

Chapter 14 also covers trade secrets. The definition of ‘trade secret’ echoes the definition given by art. 39(2) TRIPS.<sup>53</sup> Yet, as opposed to TRIPS, Ch. 14’s provisions on this industrial property right include a detailed scope of protection and a range of exceptions which clarify what cannot be considered a violation of trade secrets:

- the independent discovery or creation of the information by a third party;
- reverse-engineering;
- uses of the information by third parties when this is required by laws or regulations;
- use by employees’ skills acquired during the course of their employment;
- disclosure of the information to exercise free speech rights.

The 2016 EU Directive on trade secrets<sup>54</sup> incorporated such elements, which are therefore merely reaffirmed by Ch. 14. On the other hand, Japan’s Unfair Competition Prevention Act includes a similar definition of ‘trade secret’<sup>55</sup> but falls short of explicitly providing specific exemptions from infringement (such exemptions having been developed by case law).

Unlike in other technical fields, pharmaceutical companies must go through regulatory processes before they can bring their products to market. One such process is the marketing approval procedure, which requires the manufacturer to create and provide test data to the regulator. Conducting experiments and creating such data is indeed a costly process, and the originators of such data are offered in several countries temporary exclusive rights to prevent competitors from using and relying on the data to obtain their own marketing authorisation to sell generic versions. The policy aim is to incentivise pharmaceutical companies to conduct research and development by giving them the legal tool to prevent generics’ manufacturers from

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[content/EN/TXT/?uri=CELEX%3A32009R0469](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009R0469)> last accessed 12 Nov 2019; Regulation (EC) No 1610/96 of the European Parliament and of the Council concerning the creation of a supplementary protection certificate for plant protection products < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:31996R1610>> last accessed 12 Nov 2019.

<sup>52</sup> Art. 14.35.

<sup>53</sup> See Art. 14.37 of Ch. 14.

<sup>54</sup> Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.

<sup>55</sup> A trade secret is defined by Art. 2(6) of the UCPA as any “technical or business information which is useful for commercial activities such as manufacturing or marketing methods and which is kept secret and not publicly known.”

using their safety and efficacy tests to speed up the marketing authorisation process of their own generics and quickly entering the market, which would undermine the investments made by the former. Such protection is particularly useful when the data originator cannot rely on patent protection. TRIPS has been the first international treaty protecting data.<sup>56</sup> The EU has had in place a regime of data and marketing exclusivity since 1983.<sup>57</sup>

What about Japan? In Japan the so-called re-examination procedure (which all new drugs must go through before going to the market) protects originator pharma companies in a way similar to the data and marketing exclusivity regimes under EU law. The re-examination period for each new pharmaceutical product is determined depending on the category of medicine, and during such period no applications for generic drugs are allowed.<sup>58</sup> Although such regime mainly aims to guarantee the efficacy and safety of newly approved drugs, it *de facto* provides pharma companies which originate the data in question a protection which is analogous to the data protection systems in the EU (as well as in other countries such as the US).

Chapter 14's provision on pharmaceutical products mandates that protection for test data must be provided for no less than six years. The EU is perfectly in line with this obligation as it grants 6 to 10 years of data exclusivity to medicines that have obtained marketing authorisation. Yet, the above mentioned pharmaceutical re-examination periods in Japan currently run from as short as four years, to as long as ten years,<sup>59</sup> meaning that Japanese law in theory may not be currently in full compliance with this provision of Ch. 14. To correct this, Japan will presumably either have to explicitly extend their re-examination periods for certain classes of drugs to the minimum of six years, or create new legislation specifically protecting data produced for marketing approval processes.

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<sup>56</sup> Art. 39.3 TRIPS.

<sup>57</sup> Art. 10 *Directive 2001/83* [2001] OJ L 311/75.

<sup>58</sup> Japan Pharmaceutical Manufacturers & Association, 'Drug Re-Examination/Data Exclusivity in JAPAN and Neighboring Countries', AIPPI Forum & ExCo Workshop Pharma IV (2013), 2 <[https://aippi.org/download/helsinki13/presentations/Pres\\_Pharma\\_4\\_YOkumura\\_300813.pdf](https://aippi.org/download/helsinki13/presentations/Pres_Pharma_4_YOkumura_300813.pdf)> last accessed 12 Nov 2019

<sup>59</sup> See the webpage [https://uk.practicallaw.thomsonreuters.com/6-560-2578?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/6-560-2578?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1).

## Conclusion

JEPA due to boost trade relations between Japan and the EU. The reaffirmation and strengthening of IP protection within JEPA will be crucial for such expansion in trade. Indeed, that IP protection is ancillary to promoting commercial relations and stimulating investments is confirmed by the first provision of Ch. 14, which notes that such protection “facilitate[s] the production and commercialisation of innovative and creative products and the provision of services ... and to increase the benefits from trade and investment”.

While Japanese and EU traders and other commercial operators cheer JEPA, this agreement has produced discontent in other parts of the world. For example, Australian producers of wine that used to sell in Japan Prosecco-labelled sparkling wine have lost the right to keep using such indication, exactly because of JEPA. Indeed, the latter agreement has protected in Japan the designation ‘Prosecco’ as geographical name, the registration being owned by the Italian consortium for the Prosecco wine (the name is also protected in the EU as Protected Designation of Origin). This is a big blow for Australian wine producers, which will inevitably register losses due to lost sales.<sup>60</sup>

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<sup>60</sup> Australian wine producers also firmly believe that the term ‘Prosecco’ is not a real geographic name, being instead just the name of the grape variety, which therefore should not be monopolised. See Mark Davison, Caroline Henckles, Patrick Emerton, *In Vino Veritas? The Dubious Legality of the EU’s Claims to Exclusive Use of the Term ‘Prosecco’* (2019) 29 *Australian Intellectual Property Journal*, pp. 110-126.