

# Legal Liability for Indirect Infringement of Copyright in Japan

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## Introduction

In most jurisdictions, indirect infringement of copyright gives rise to liability for issuance of an injunction as well as liability for damages, subject to certain requirements. In Japan, however, indirect infringement of copyright does not entitle copyright owners to injunctive remedies, but only to monetary remedies of damages.

To augment the unfair consequences arising from indirect infringement of copyright, Japanese courts have expanded the scope of the concept of direct infringement under the so-called Karaoke Doctrine. While this concept has made injunctive remedies available for some kinds of indirect infringement of copyright, it has resulted in the unfair contradiction that even in cases where reproduction is lawful, inducement of or assistance to such lawful reproduction may be held illegal under the Karaoke Doctrine.

This chapter discusses why the Japanese courts deny injunctive remedies against indirect infringement of copyright, explains the Karaoke Doctrine, and analyzes instances when inducing or assisting lawful reproduction may be held to be illegal.

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## Injunctive Remedies against Indirect Infringement of Copyright

### Remedies for Copyright Infringement

Under German law, which Japan originally introduced into its laws, Article 97 of the German Copyright Act entitles copyright owners to damages and injunctive relief. In Japan, damages and injunctive relief also are available against copyright infringement, although such remedies are provided for under different laws.

Damages for copyright infringement also are awarded under the general tort theory in accordance with Articles 709-724 of the Civil Code of Japan. Only monetary remedies are available in the case of torts. Article 709 of the Civil Code of Japan provides that "any person who intentionally or negligently infringes another person's right or legal interest shall be liable to compensate the damage caused thereby".

Article 719(2) of the Civil Code expressly sets forth that the tort law also applies to indirect infringement, stating that "provisions of the preceding paragraph [liability of joint tortfeasors] shall apply to any person who incited or was an accessory to the perpetrator, by deeming [him] to be one of the joint tortfeasors".

The Japanese Copyright Act has some provisions to implement the general tort theory under the Civil Code. In addition to the general rule for calculation of damages, Article 114 of the Copyright Act sets forth three alternatives: the volume of infringing products sold by an infringer may be considered as the volume lost by the copyright owner; the profit earned by an infringer may be presumed to be the profit lost by the copyright owner; and reasonable royalty may be claimed instead of lost profits. Injunction orders are granted only under Article 112 of the Copyright Act. Article 112(1) of the Copyright Act states:

"Against those who infringe or are likely to infringe moral rights, copyright, right of publication, moral rights of performers, or neighboring rights, the authors as well as the owners of these rights may make a demand for cessation or prevention of such infringements."

Court cases have construed the concept of infringement in Article 112(1) as direct infringement only.

### **No Injunctive Relief for Indirect Infringement**

Unlike Article 97 of the German Copyright Act, Article 112 of the Japanese

Copyright Act is generally construed to apply only to direct infringers. There have been several court cases that denied injunctive remedies against indirect infringement of copyright.

In one such case, a user of an online posting service copied and uploaded a copyrighted work in a thread. The copyright owner made several demands that the provider of the posting service delete the thread. As the provider refused the demand, the copyright owner filed a copyright infringement suit to claim damages and an injunction order against the provider. The Tokyo District Court denied the plaintiff's claim for an injunction with this reasoning:

"Article 112(1) of the Copyright Act provides that copyright owners may demand cessation or prevention of infringement against those who infringe or are likely to infringe their copyrights. The provision sets forth the right to claim a certain act for cessation or prevention of infringement when normal dominance over the copyright is injured or likely to be injured so that they may complete their enjoyment of the copyright, and entitles copyright, [which is a] quasi-real right, to claim rights equivalent to possessory rights. Therefore, it is reasonable to construe that the defendant of the claim under the provision should be limited to those who actually infringe or are likely to infringe the copyright.

"(a) It is because the right to preservation held by a real rightholder under the Civil Code may be exercised against those who currently control the act that causes the infringement and, therefore, the injunction under copyright also may be exercised only against those who actually infringe or are likely to infringe the copyright.

"(b) Although patent rights and trade mark rights also are considered as quasi-real rights, it is generally understood that injunction may not be granted against acts that induce, assist, or provide means to infringe the rights, and therefore the Patent Act and the Trade Mark Act . . . statutorily deem only certain categories of such acts as infringement of rights and make them subject to injunction (see Article 101 of the Patent Act, Article 37 of Trade Mark Act . . .).

"(c) If injunctions were to be available without similar statutory provision against acts that induce, assist, or provide means to infringe copyright, it would be inconsistent with the law that injunction may not generally be granted for torts.

"(d) If injunctions were to be available without similar statutory provision

against acts that induce, assist, or provide means to infringe copyright, it might cause injunctions to be allowed against any party, without limit, which might threaten free expression. Accordingly, an injunction against acts that induce, assist, or provide means to infringe copyright must not be allowed at all."<sup>1</sup>

According to this example of case law, the current law is that copyright holders may not claim injunctive relief, but may claim damages against indirect infringers. However, claiming damages does not function as a preventive measure against many copyright infringers such as individuals or small businesses, but against only a small number of copyright infringers such as big businesses.

## Argument for and against Current Case Law

### Opposition

The current court position, as reflected in the reasoning of the Tokyo District Court in *Shogakukan*, is widely supported by scholars in Japan. They seem to consider that while infringement itself is illegal, inducement or assistance to infringement is not, unless otherwise statutorily prohibited.

Although the current court position is dominant in Japan, there is strong opposition against it and the reasoning of the Tokyo District Court in *Shogakukan*. This minority opinion considers that indirect infringement, such as inducement or assistance to infringement, also is illegal and subject to injunction, as long as it has a reasonable causation with direct infringement, and that Article 112 of the Copyright Act should be construed to include indirect infringement that has a reasonable causation with direct infringement.

### Illegality of Indirect Infringement

The reason why the majority considers that inducement or assistance to infringement is not illegal in itself is based on the interpretation of Article 719(2) of the Civil Code, which makes inducement or assistance illegal even

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<sup>1</sup> Tokyo District Court judgment of 11 March 2004, *Hanrei Times* Number 1181-163 (2 *Channel vs. Shogakukan*).

when it is otherwise lawful. On the other hand, the minority considers that inducement or assistance is a kind of infringement of rights, which is illegal under Article 709 of the Civil Code, and Article 719(2) of the Civil Code makes an indirect infringer jointly liable with the direct infringer.

Supreme Court decisions<sup>2</sup> that inducement to infringement should be liable solely under Article 709, without considering Article 719(2), may support the latter interpretation.

#### Analogy with Possessory Rights

In *Shogakukan*, the Tokyo District Court judgment states:

"... the right to preservation held by a real rightholder under the Civil Code may be exercised against those who currently control the fact that causes the infringement, and therefore the injunction under copyright also may be exercised only against those who actually infringe or are likely to infringe the copyright."

This ruling is criticized by the minority opinion. In the context of copyright infringement, the posting service provider was not a direct infringer but an indirect infringer with regard to the infringing content that had been posted. Even so, the posting service provider (or only the posting service provider, in some cases) can control the fact that causes the infringement, as it can maintain or delete the posted infringing contents. Accordingly, the analogy with possessory rights is not persuasive.

#### Analogy with Patent Rights

The Tokyo District Court judgment states:

"Although patent rights and trade mark rights also are considered as quasi-real rights, it is generally understood that injunction may not be granted against acts that induce, assist, or provide means to infringe the rights, and therefore the Patent Act and the Trade Mark Act . . .

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<sup>2</sup> Supreme Court judgment of 22 March 1974, *Minshu* Number 28-2-347; Supreme Court judgment of 22 January 1987, *Minshu* Number 41-1-17.

statutorily deem only certain categories of such acts as infringement of rights and make them subject to injunction . . . "

This ruling also is criticized by a minority. While patent laws in most countries have statutes to regulate indirect infringement of patents,<sup>3</sup> injunctions against indirect infringement of copyright are granted under case law or statutory provisions in most countries.<sup>4</sup> This shows that statutory regulation of indirect infringement of patents does not imply any such rule that injunction may not be allowed against indirect infringement of copyright without statutory authorization. Accordingly, the analogy with patent law is not persuasive.

#### Injunction under Tort Theory

The Tokyo District Court judgment says that "[i]f injunctions were to be available without similar statutory provision against acts that induce, assist, or provide means to infringe copyright, it would be inconsistent with the law that injunctions may not generally be granted for torts".

This ruling also is criticized by the minority opinion. The minority opinion does not allege that an injunction should be granted as the effect of a tort, but that indirect infringement is the same kind of infringement as is direct infringement, and therefore an injunction should be granted under Article 112(1) of the Copyright Act. Accordingly, the analogy with patent law is not persuasive.

#### Threat to Free Expression

The Tokyo District Court judgment says that injunctions were to be available without similar statutory provision against acts that induce, assist, or provide means to infringe copyright, it might cause injunctions to be allowed against any party, without limit, which might threaten free expression".

This ruling also is criticized by the minority opinion. The minority opinion alleges that indirect infringement subject to injunction should be limited to the same scope of reasonable causation as damages in torts, and therefore

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<sup>3</sup> Such as the US Patent Act, Section 271; the UK Patent Act, Section 60; and the German Patent Act, Section 10(2).

<sup>4</sup> Such as the German Copyright Act, Section 97.

there should be no concern with regard to undue expansion. Accordingly, the analogy with patent law is not persuasive.

### Legislative Development

In 2005, the Japanese government set up a Judicial Remedy Working Team (WT) within the Subcommittee For Legislative Issues under the Copyright Council of the Agency for Cultural Affairs to study the issue of injunctions against indirect infringement of copyright and to provide direction for legislation on this issue.

In May 2010, the Headquarters for Intellectual Property (IP) Strategy established by the government published the IP Strategic Program (the Program). The Program proposed that provisions on the indirect infringement of copyright should be introduced in the Copyright Act in order to promote "desirable copyright systems corresponding to the era of digitization and networking".<sup>5</sup>

This proposal was reviewed by the WT, which invited interested parties to a hearing on this issue. At this hearing, participants discussed three specific sets of provisions that should be included in the amended legislation: provisions specifically designed or applied for copyright infringement; provisions for copyright infringement with knowledge thereof or the reasons therefor, without taking reasonable measures to prevent such copyright infringement; and provisions that specify active inducement to copyright infringement.

The WT proposed to clarify the scope of indirect infringement, so that indirect infringement of copyright would generally be included in the scope of direct infringement. The WT also has proposed the abolishment or limitation of the Karaoke Doctrine after the legislation of the provisions on indirect infringement.

In 2012, the WT submitted to the Copyright Council a final report based on the minority opinion. The Copyright Council discussed the issue raised in the report, but could not reach a conclusion, as the concerned parties were divided into the same majority opinion and minority opinion.

### *Winy Case*

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<sup>5</sup> Intellectual Property Strategy Headquarters, *Intellectual Property Strategic Program 2010* (21 May 2010), at p. 22.

In this criminal case, the defendant developed a file-sharing software named Winny, which makes it difficult to identify content uploaders. Many people illegally used Winny to share unlawfully made copies of musical works. Public prosecutors filed a criminal action against the defendant as an accessory to copyright infringement.

The Kyoto District Court affirmed the charge, holding that the developer assisted such illegal transmission knowing that it would broadly be used for copyright infringement.<sup>6</sup>

The Osaka High Court denied the charge, holding that software may be used not only for lawful transmission but also for unlawful transmission; its distribution is illegal only if unlawful transmission is the sole or main usage of the software, and that unlawful transmission was not the sole or main usage of Winny.<sup>7</sup>

The Supreme Court also denied the charge, but disagreed with the reasoning of the High Court, holding that:

"Considering that newly developed software may not only be variously valued in a society but also requires speed for its development and that effort should be made to avoid causing excessive chilling effect for the development of the software, providing the software will not be instantly construed to constitute an accessory to a copyright infringement merely because:

- (1) There is a general possibility that the software would be used for a copyright infringement;
- (2) The provider is knowing and affirming such general possibility; and
- (3) A copyright infringement is actually committed using such software.

In order for provision of such software to constitute an accessory, it is required that there be a situation in which infringement will take place as a specific possibility rather than general possibility and that the defendant knows and affirms the situation.

In other words, making such software available to the public is construed to

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<sup>6</sup> Kyoto District Court judgment of 13 December 2006, *Hanrei Times* Number 1229-105.

<sup>7</sup> Osaka High Court judgment of 8 October 2009, Westlaw, 2009 WLJPCA (008600).

constitute an accessory only when a party makes such software available, knowing and affirming specific infringement to be made and such specific infringement has actually been committed, or when:

- (1) Such situation is highly expected, on the ground of characteristics of the software, objective circumstances of its usage, the manner of distribution and others, that an unexceptional number of people who obtain the software will use it for copyright infringement;
- (2) The party makes such software available knowing and affirming the situation; and
- (3) Infringement has actually been committed using such software."<sup>8</sup>

In this case, the Court found that approximately forty per cent of people who obtain the software will use it for copyright infringement and considered this an unexceptional number of people, but stated that Winny's developer did not know or was not aware of the infringement and may not be held an accessory to copyright violation. The dissenting judge was of the opinion that the developer was aware of the infringement and will be guilty while agreeing to the rule established by the majority.

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## Development of Karaoke Doctrine

### *Club Cat's Eye Case*

The case concerned a karaoke night club called Club Cat's Eye, which was equipped with karaoke machines that guests used to sing copyrighted songs. Article 22 of the Copyright Act provides that "[t]he author shall have the exclusive right to perform his work for the purpose of making a work seen or heard directly by the public". The Japanese Society for the Rights of Authors, Composers, and Publishers (JASRAC) sued the owners of the night club for copyright infringement.

In 1988, the Supreme Court held that the owners of the Club Cat's Eye were direct infringers of the performance right to the copyrighted songs, explaining that:

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<sup>8</sup> Decision of the Supreme Court of 19 December 2011, *Keishu* Number 9.

"According to the facts established by the High Court, the petitioners equipped their jointly owned snack bars and others with karaoke machines and cassette tapes therefor, which recorded copyrighted musical works whose copyright ownership or performance right ownership is entrusted to and managed by the Respondent [JASRAC], and had their hostesses and other employees handle the machines, hand guests song lists and microphones, and induce guests to sing their selected songs in front of other guests with the karaoke machines, often together with the hostesses, aiming to create an atmosphere to attract guests and to make profits. Under the above facts, in the case of singing not only by the hostesses but also by the guests, the petitioners exploited copyrighted works, and the performances were public and intended to increase profits. This is because the purpose of the singing by the hostesses or the guests is obviously to make a work seen or heard directly by the public. In the case of singing only by the guests, the guests did not sing independently of the petitioners but it is understood that they sang under the control of the petitioners, and on the suggestion of their employees, a selection of songs limited by the karaoke machines prepared by the petitioners, and with karaoke machines handled by their employees. Further, the petitioners aimed to create an atmosphere of a karaoke snack bar by introducing guests' singing as their operational strategy to attract guests who favor such an atmosphere and to increase profits. In conclusion, such singing by the guests may be considered to be the same as singing by the petitioners themselves.

Therefore, as the petitioners had the hostesses and other employees and the guests sing, without authorization, the songs and musical works controlled by the respondent, the petitioners shall be held to have infringed the right of performance, a branch of the copyright to the musical works, and therefore be liable in tort as the subjects of the infringement."<sup>9</sup>

In short, the Court held that a person who has control over direct infringement by others and makes a profit through such direct infringement

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<sup>9</sup> Supreme Court Decision of 15 March 1988, 42 *Minshu* Number 3.

will be considered to be a direct infringer by law. This case law is generally called the Karaoke Doctrine in Japan.

The Karaoke Doctrine is similar to the doctrine of vicarious liability. Under the American doctrine of vicarious liability, a person is liable for copyright infringement when he has the right and ability to control the infringing activity and also has a direct financial interest in such activities. However, the Karaoke Doctrine considers a person who has the right and ability to control the infringing activity and also has a direct financial interest in such activities to be a direct infringer, while the doctrine of vicarious liability considers such a person to be an indirect infringer. Unlike the doctrine of vicarious liability, the Karaoke Doctrine may not require the fact that the other person's activity constitutes direct infringement.

The Karaoke Doctrine also is similar to the doctrine of indirect principal. Under the doctrine of indirect principal, a person is considered to be the principal of infringement when he can control a direct infringer's activity or when he uses another person as his tool to achieve his purpose. In the *Club Cat's Eye* case, as the guests were free to choose whether or not they wanted to sing, however, they were not under the petitioners' control but were influenced by the petitioners.

## Later Developments

### Karaoke Box Cases

A karaoke box is a room equipped with a karaoke machine and rented to an individual or a small group to enjoy singing within the privacy of the room. No other guests can hear their singing. JASRAC sued the owner of a karaoke box for copyright infringement. In 1997, the Osaka District Court held that the owner was the direct infringer of the performance right to the copyrighted songs under the Karaoke Doctrine, stating:

"As established above, guests sang under control of the defendant, and the defendant made profits by providing the guests with space and equipment for singing. Accordingly, the defendant should be considered to have sung himself, according to copyright law.

As the defendant is the subject of guests' singing in the karaoke box and the guests are obviously unspecific persons to the karaoke box, it is held

that the defendant exploited the musical works by performance in the manner of singing for the purpose of making the works heard by unspecified persons or the public."<sup>10</sup>

There is no direct infringer here. The guests here may not be direct infringers as they have no purpose of making the works heard by the public, a requirement under Article 22 of the Copyright Act. Accordingly, the Karaoke Doctrine is clearly different from the doctrine of vicarious liability.

In other Karaoke Box cases,<sup>11</sup> all the courts held the respective owners to be direct infringers, applying the Karaoke Doctrine.

### *StarDigio Case*

A communication satellite broadcaster provided services named StarDigio and transmitted sound recordings to subscribers through a communications satellite. The subscribers reproduced the sound recordings on minidisc (MD) recording media, as suggested by the broadcaster. Several recording companies sued the broadcaster for copyright infringement.

One group of the recording companies filed for an injunction against the broadcaster, alleging that the broadcaster was an indirect infringer because of its inducement to reproduce copyrighted works and that an injunction against an indirect infringer should be allowed under Article 112 of the Copyright Act. Another group of the recording companies also asked for an injunction against the broadcaster, alleging that the broadcaster was a direct infringer under the Karaoke Doctrine.

The Tokyo District Court denied both allegations.<sup>12</sup> It denied an injunction on the basis of indirect infringement, declaring that Article 112 of the Copyright Act only applied to direct infringers. It also denied the application of the Karaoke Doctrine, reasoning that the subscribers had discretion as to whether or not they reproduced the transmitted contents and

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<sup>10</sup> Osaka District Court judgment of 12 December 1997, *Hanrei-Jiho* Number 1625-101 (*Karaoke Room Network* case).

<sup>11</sup> Tokyo District Court judgment of 27 August 1998, *Hanrei-Jiho* Number 1654-34 and Tokyo High Court judgment of 13 July 1999, *Hanrei-Jiho* Number 1696-137 (Big Echo case); Tokyo District Court judgment of 26 December 2000, *Hanrei-Jiho* Number 1751-128 and Tokyo High Court judgment of 18 July 2000, *Hanrei-Jiho* Number 1750-153 (*Japan Machine* case).

<sup>12</sup> Tokyo District Court judgment of 16 May 2000 *Hanrei-Jiho* Number 1751-128 (*StarDigio* case).

therefore were not "under the control" of the broadcaster.

### *File Rogue Case*

File Rogue is a file sharing service similar to Napster. The service provider of File Rogue operated an index site for file sharing and distributed client software by which users could share files with other users through the index site. In spite of JASRAC's requests, the provider did not delete the related index listing files uploaded without authorization. JASRAC filed a copyright infringement suit against the provider and asked for an injunction order. The Tokyo District Court found that the users sharing such files through File Rogue infringed the right to transmission owned by JASRAC.

Notwithstanding, the Tokyo District Court handed down an injunction order against the provider as a direct infringer, finding that the provider had control over users' file sharing and profited from the file sharing.<sup>13</sup>

In this case, the provider was obviously an indirect infringer. As the Karaoke Doctrine makes the provider a direct infringer, it is definitely different from the doctrine of vicarious liability. It is obvious that the doctrine of indirect principal may not apply to such a case because the users in this case were definitely direct infringers.

### *MYUTA Case*

A storage service provider operated a cloud storage server called MYUTA for cell phone users and provided users with client software and storage services for placeshifting of contents. The service allowed users to upload music contents from a CD to the storage server and download the contents to their mobile phones.

JASRAC threatened to sue the storage service provider, claiming that MYUTA was in violation of music copyrights. The storage service provider filed a suit against JASRAC for a declaratory judgment that the service was lawful. The Tokyo District Court held that the provider was a direct infringer of reproduction rights and transmission rights, finding that the provider had control over reproduction of musical works on the storage server and

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<sup>13</sup> Tokyo District Court intermediate judgment of 29 January 2003, *Hanrei-Jiho* Number 1810-9; Tokyo District Court final judgment of 17 December 2003, *Hanrei-Jiho* Number 1845-36; Tokyo High Court judgment of 31 March 2005 (*File Rogue* case).

transmission of musical works from the server to unspecified users or the public, as well as profiting from the service.<sup>14</sup>

In this case, the users were not direct infringers of the reproduction right and the transmission right. With regard to the reproduction right, Article 30(1) of the Copyright Act provides for a broad limitation for private reproduction, stating:

"It shall be permissible for a user to reproduce by himself a work forming the subject matter of copyright . . . for the purpose of his personal use, family use, or other similar uses within a limited circle (hereinafter referred to as 'private use') . . . ."

Accordingly, the users did not infringe the reproduction rights. With regard to transmission rights, Article 23 (1) of the Copyright Act provides that "[t]he author shall have the exclusive right to make the public transmission of his work (including making his work transmittable in the case of interactive transmission)". As the users did not transmit the works to the public but only to themselves, the users did not infringe transmission rights.

In such a case, the Karaoke Doctrine may cause originally lawful activities to be illegal. This conclusion may not result from the doctrine of vicarious liability or the doctrine of indirect principal.<sup>15</sup>

### *Pandora TV Case*

In this case, the defendant, Pandora TV, was a provider of a video hosting service similar to YouTube. Many of the videos hosted there included musical works owned by JASRAC. JASRAC demanded that the provider delete those videos, but the defendant declined. JASRAC filed a copyright infringement suit against the defendant and asked for an injunction order under the Karaoke Doctrine.

The Tokyo District Court held that the provider was a direct infringer of reproduction rights and transmission rights, finding that the provider had control over reproduction of the infringed musical works on the hosting server

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<sup>14</sup> Tokyo District Court judgment of 25 May 2007, *Hanrei-Jiho* Number 1979-100 (*MYUTA* case).

<sup>15</sup> This issue is further discussed in the section "Private Reproduction Exception and Indirect Infringement", below.

and transmission of musical works from the server to the public, as well as profiting from the service.<sup>16</sup> In 2010, the Intellectual Property High Court affirmed the Tokyo District Court decision and held:

"As pointed out earlier, however, the service has a high possibility to be used for infringement of the copyright in nature, and an appellant corporation is the subject that controls and manages the service by developing, maintaining and operating the system of the service. The appellate corporation does not pay consideration for postings to users. By obtaining video files free of charge, storing them on the server, making them transmittable to the public, and providing users, who access to the Server, the opportunities to browse them, the appellate corporation gains profit from advertisement revenue.

In this way, the infringing rate in the service with respect to only the administered works is 49.51 per cent, reaching almost 50 per cent even if underestimated. It is obvious that the appellant corporation can predict, and actually knows, the possibility of such copyright infringement through the actual situation of its video-sharing website and its deleting activities of adult videos. However, with such knowledge, the appellate corporation has not taken any effective action for circumvention measures or removal measures against such video files.

Accordingly, it is considered that the appellate corporation itself has reproduced the videos using user's reproducing act as it provides the service, induced users to reproduction for the purpose of gaining economic profit in the service controlled and managed by it, actually knew that many videos which would infringe the reproduction right to the administered works would be posted on the server, took no preventive measures against infringement, and stored them on the site."

In the *Pandora TV* case, the users directly infringed the reproduction and transmission rights to the musical works, and the provider was obviously an indirect infringer. As application of the Karaoke Doctrine makes the provider a direct infringer, it is definitely different from the doctrine of vicarious liability.

It is obvious that the doctrine of indirect principal will not apply to this

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<sup>16</sup> Tokyo District Court judgment of 13 November 2009, *Hanrei-Jiho* Number 2076-93 (*Pandora TV* case).

case, because the users were neither under the control of the provider nor were they used by the provider as tools to achieve its purpose.

## Recent Supreme Court Decisions

### *Maneki TV* Case

A third party manufactured and distributed to the public a certain equipment named Location Free, which could receive and digitalize broadcast television programs and transmit the digitalized data to a computer through the Internet at the request of the computer user. The defendant, Maneki TV, provided the public with space for Location Free, provided utilities to receive broadcast signals, connected to the Internet, and maintained the equipment.

Alleging that the defendant was a direct infringer of transmission rights and uploading rights under the Karaoke Doctrine, television broadcasters filed a copyright infringement suit against the defendant, requesting an injunction order. The Tokyo District Court and the Intellectual Property High Court denied the claim, finding that each Location Free device could transmit data only to a specific computer and not to the public and therefore concluding that using it did not constitute transmission of works to the public.<sup>17</sup>

However, the Supreme Court held that even if each Location Free device could transmit data only to a specific computer and not to the public, using it constituted transmission of works to the public as long as the provider used Location Free for unspecified persons. It also held that the provider was a direct infringer of transmission rights, explaining:

"Interactive transmission is on the premise that it uses equipment which has the function of automatically transmitting inputted data upon a request of recipient. Considering this fact, it is reasonable to construe that the subject of interactive transmission is the person whose activity makes the equipment available for automatic transmission upon a request of recipient and that the person who inputs data into the equipment is the subject of transmission where the equipment is connected to the

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<sup>17</sup> Tokyo District Court order of 4 August 2006 and Intellectual Property High Court decision of 22 December 2006; Tokyo District Court judgment of 20 June 2008 and Intellectual Property High Court judgment of 15 December 2008, *Hanrei-Jiho* Number 2038-110 (*Maneki TV* case).

telecommunication network available to the public and data is continuously inputted."<sup>18</sup>

This case focused on which of the two, a user or the provider, finally controls the outcome. The case law established here, referred to as the Maneki Doctrine, is that even if a user may have the final one-click option to reproduce or transmit, a person who enabled the reproduction or transmission other than the final one click that controls the outcome should be considered to be the subject of the reproduction or transmission.

The Maneki Doctrine may be in harmony with the doctrine of indirect principal. Both focus on who subjectively controls the outcome. From the same viewpoint, the Karaoke Doctrine can be understood to be consistent with the doctrine of indirect principal and the Maneki Doctrine, as the requirements of control and profits listed in the Karaoke Doctrine are elements to be considered under the doctrine of indirect principal in application to a specific case.

#### *Rokuraku II Case*

The defendant in this case manufactured and distributed to the public certain equipment called Rokuraku II, which received and digitalized broadcast television programs and transmitted the digitalized data to another Rokuraku II device through the Internet at the request of the user with the other Rokuraku II device. The defendant provided the public with space for Rokuraku II and utilities to receive broadcast signals, connected to the Internet, and maintained the equipment.

Alleging that the defendant was a direct infringer of the reproduction rights under the Karaoke Doctrine, television broadcasters filed a copyright infringement suit against the defendant, requesting an injunction order. The Tokyo District Court approved the plaintiffs' allegation,<sup>19</sup> but the Intellectual Property High Court denied the allegation.<sup>20</sup>

However, the Supreme Court held that the defendant was a direct infringer of the reproduction rights, explaining:

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<sup>18</sup> Supreme Court judgment of 18 January 2011, *Minshu* Number 65-1-121 (*Maneki TV* case).

<sup>19</sup> Tokyo District Court order of 30 March 2007; Tokyo District Court judgment of 28 May 2008 (*Rokuraku II* case).

<sup>20</sup> Intellectual Property High Court judgment of 27 January 2009 (*Rokuraku II* case).

"When the service enables users to obtain copies of broadcast programs, the provider of the service inputs received broadcast signals into equipment whose function is to reproduce such signals (reproduction equipment) under its management or control, and the reproduction in the reproduction equipment can be automatically made upon instruction for recording. Thus, it should be construed that the provider of the service is the subject of the reproduction even if the user gives the instruction for recording."<sup>21</sup>

This case law seems to be the same as the Maneki Doctrine. Even if a user has the final option (final one click) to reproduce or transmit a work, the person who enabled the reproduction or transmission other than the final one click controls the outcome and should be considered to be the subject of the reproduction or transmission.

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### Private Reproduction Exception and Indirect Infringement

Article 30(1) of the Copyright Act of Japan provides for a broad limitation to private reproduction.<sup>22</sup> The private reproduction of a work is generally permitted through an unlawfully made copy or through a lawfully made copy bought or rented from a third party.

In the *StarDigio* case, the communication satellite broadcaster transmitted sound recordings to subscribers and suggested that subscribers reproduce transmitted sound recordings on MD recording media. The reproduction by the subscribers under these circumstances would be lawful, as the private reproduction limitation under Article 30(1) of the Copyright Act would apply. As it is generally lawful to induce lawful activities, the communication satellite broadcaster's inducement would be lawful in accordance with the general theory of "subordinate illegality".

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<sup>21</sup> Supreme Court judgment of 20 January 2011, *Minshu* Number 65-1-399 (*Rokuraku II* case).

<sup>22</sup> The Copyright Law, Article 30(1), has been quoted in the subsection "The *MYUTA* Case", above.

Considering the justification for copyright limitation or exception,<sup>23</sup> however, the limitation to private reproduction here is based on market failure in petty license transactions by private individuals as transaction costs are too high to succeed in transactions.

Although private reproduction in such cases is illegal, the illegality is not severe enough to incur sanctions. If so, inducement to engage in private reproduction also would be illegal, and the issue at this stage would be whether the illegality of the inducement is of sufficient severity to be penalized.

The communications satellite broadcaster induced many individuals to engage in private reproduction for profit (following the adage "many a little makes a mickle"); at the same time, there is no market failure for the broadcaster, as transaction costs for it are large enough to succeed in the transaction. Accordingly, the author believes that the illegality of inducing private reproduction by the communication satellite broadcaster in the *StarDigio* case was serious enough to incur sanctions.

In the author's opinion, among the limitations and exceptions that apply to protection of copyrighted works, there are instances of use of copyrighted works for one's own use that may exclude the application of the general theory of subordinate illegality to indirect infringers ("Personal Exemption").

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## Conclusion

In conclusion, Japanese copyright law has not permitted injunction against indirect infringement of copyright. Such incomplete remedy against indirect infringement of copyright had not resulted in serious inconvenience until digital technology recently enabled individuals to instantly make clone copies of works.

Such incomplete remedy against indirect infringement of copyright also has been eased by the Karaoke Doctrine that deemed certain cases of indirect infringement to be direct infringement. On the other hand, the Karaoke Doctrine demonstrated its unreasonableness in the *MYUTA* case. It may be considered inducement or assistance of even lawful reproduction of a work to be illegal while such inducement or assistance also is lawful under the theory

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<sup>23</sup> Yamamoto, "How to Approach the Limitations in Digital Network Environment", International Literary and Artistic Association (ALAI) Congress (Budapest, 2003), at p. 311.

of subordinate illegality.

This issue raised a question of whether inducement or assistance of lawful reproduction of a work is always lawful or whether there is no exception to the theory of subordinate illegality. Where market failure justifies exempting private reproduction from copyright infringement liability, such exemption should be personal and not be subject to the theory of subordinate illegality, and therefore, inducement or assistance of a lawful reproduction of a work for profit or business should be illegal.

The incomplete remedy against indirect infringement of copyright and the Karaoke Doctrine are peculiar issues in Japan, but the last issue of the personal exemption may be shared by all countries.