Comparison between Personal Property and Intellectual Property*

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Intellectual property law is one of the most successfully harmonised areas in law. But as it is still a part of law, influences of general property law on intellectual property should not be ignored or over-simplified. This report examines English property law and its influence on UK intellectual property law in comparison with Japanese law. As Japan received Western legal systems mainly from Civil Law countries, there are some fundamental differences in general private law. Reflecting the contrasts in general private law between the two jurisdictions, one of the most remarkable differences can be observed in the rules on exclusive licences for intellectual property. It is true that statutes in both jurisdictions give enhanced status and powers to exclusive licensees such as a right to bring infringement proceedings. While Japanese law gives 'proprietary rights' to exclusive licensees, however, UK law denies that a grant of licence passes any proprietary right to the licensee, even for exclusive licensees. This difference can be explained from the general legal concept of licence. The consequence of this is not just theoretical but practical in that Japanese exclusive licensees can bring infringement actions against licensors and other licensees while English exclusive licensees cannot.

I. Intellectual Property as a Part of Personal Property

Intellectual property (IP) law has been internationally harmonised, arguably one of the most successful areas of harmonisation. IP scholars globally share common frameworks and terminologies. Other fields of law are not necessarily as harmonised as IP law. One of the best examples might be the idea of good faith in contract law, which is a fundamental concept in Civil Law countries (eg bonne foi in French law, Treu und Glauben in German law) and is somehow if not highly unwelcomed when it is transplanted into the UK law through European harmonisation of private law. This gap in the degrees of harmonisation might have been unnoticed and overlooked, and may result in misunderstandings, in the discussion on IP law in different countries. Or at least, because IP law is a part of domestic private law,[1] it would be expected that if we grasp the gap more precisely it would give deeper understanding of domestic IP laws and thus aid better international harmonisation.

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[1] Though IP law also has aspects of public law and criminal law.

This report examines English IP laws with other areas of private law from the perspective of Japanese law, which belongs to the Civil Law tradition. When general property law is compared between the UK and Japan, nobody can ignore the big difference both in its subject matters and its way of categorisation. For instance, English law divides property into real property and personal property, and the latter includes debts and other 'things in action', which consist of 'documentary intangibles' and 'pure intangibles,' and IP is normally seen as a part of 'pure intangibles' or at least of personal property.[2] On the other hand, Article 85 of the Japanese Civil Code provides 'The term "Things" as used in this Code shall mean tangible things',[3] and thus there is no equivalent to 'things in action' in English law. Of course Japanese law also has concepts of intangible property such as obligations (contractual rights or other claims on unjust enrichment or torts), company shares and other securities, and IP. IP laws both in the UK and Japan are largely statutory with implementations of international treaties, and thus are only partially governed by general private law. But when there is a gap in statutory IP laws general law applies to IP rights and their transactions, and the ways general property law doctrines are applied and analogised to IP are not always the same between the UK and Japan.

Therefore the objective of this research is to find potential misunderstandings in IP discussions between English law and Japanese law by observing UK IP laws in the context of general law of personal property as a whole, and to suggest that there are some points in law which look similar in both jurisdictions but are different in fact and vice versa.

II. Goods

This chapter examines the English law of tangible and moveable personal property.[4] In English law there is no equivalent concept of ownership in the sense of Japanese (or other Civil) law. Instead it has the idea of relative titles. English law also has the idea of bailment, which deals with a situation where a person (a bailee) possesses a thing not for herself but for another person (a bailor). Japanese law has no equivalent concept and deals with the same situation under the concept of possession by an agent[5] or under certain types of contracts and businesses such as deposits[6] and transportations.[7]

[2] For general categorisation, see Michael Bridge and others, *The Law of Personal Property* (1st Supp, 2nd edn, Sweet & Maxwell 2019) paras 1-007ff. Patents are defined by statute as 'personal property (without being a thing in action)', which causes a difficult theoretical problem in categorisation. See Patents Act 1977, s 30(1).

[3] If in quotation marks, translations of Japanese statutes are from the Japanese Government's project 'Japanese Law Translation' < japaneselawtranslation.go.jp/?re=02> accessed 2 March 2021.

[4] Except money.

[5] Civil Code (Act No 89 of 1896) art 181.

[6] Civil Code arts 657ff.

[7] eg Commercial Code (Act No 48 of 1899) arts 569ff.

Differences are found not only in the content and nature of the rights but also in the rules governing how they are transferred and how to decide priorities among conflicting rights in the same thing. Except where a thing is transferred by a contract of sale[8], English law requires actual delivery of the goods for title transfer[9] while Japanese law requires 'the manifestations of intention' for the transfer of a real right.[10] In principle the rule *nemo dat quod non habet* in English law does not allow a thief to transfer any title to the goods to the transferee even if she is a purchaser in good faith, for value and without notice of the defect in title, whereas Japanese law allows such a transferee to take proper ownership[11].

Title conflicts are governed in different ways. Arguably the biggest difference is from the distinction between legal interests and equitable interests in English law. A transferee of a legal interest in the goods can acquire the title without any incumbrance of preceding equitable interests in it, if she is a purchaser in good faith, for value and without notice of such equitable interests. Japanese law does not know the distinction between common law and equity, and thus all the rights and interests are prioritised in the same way.

Among the priority issues of conflicting titles and interests, title-based securities are especially troublesome. In a typical transaction, a debtor (D) transfers the title to her goods to a lender (C) but D retains possession of the goods for her business. In principle Japanese law gives priority to the possessor[12] which seems to be D, but the possession may be indirect[13] so C can secure her priority. English law too allows such a transaction under a mortgage of the goods where D as a mortgagor has the equity of redemption in the goods and C as a mortgagee has its legal title by way of mortgage. But since D keeps actual possession of the goods, a third party (T) might believe that D owns it. When T purchases it from D, T's title and C's security interest are in conflict. Does T take a title bound by C's security, or a title free of C's interest? In this respect, both Japanese law[14] and English law[15] have registration systems. But while the Japanese registration system is not actively used, it is more like mandatory registration in English law. The effect of registration also has differences.

[8] This case is governed by the Sale of Goods Act 1979, s 17. Involuntary transfers such as that through death are also excluded here.
[9] Symbolic delivery is narrowly allowed. When a thing is in bailment, attornment by the bailee is required instead of actual delivery. These rules are also not the same in Japan.
[10] Civil Code art 176.
[11] Civil Code art 192, though Article 193 allows that the true owner of the goods can recover it for two years.
[12] Civil Code art 178. Strictly speaking this Article refers to 'delivery'.
[13] eg Civil Code art 183 allows constructive transfers.
[14] Act on Special Provisions for the Civil Code Concerning the Perfection Requirements for the Assignment of Movables and Claims (Act No 104 of 1998).
[15] Bills of Sale Acts 1878 and 1882 and Companies Act 2006, pt 25. The latter also applies when a charge is created in IP rights.

III. Things in Action

This chapter examines the English law of intangible property other than IP.[16] The Japanese Civil Code excludes intangibles from the definition of 'Thing' as discussed above. A typical example of this category is a debt, which is a contractual right to receive a sum of money from another party (debtor). Common law courts did not allow the transfer of debt because a contract is personal and thus it was regarded as untransferable, but the court of equity permits and now it is also statutorily transferable. Transfers of debts and other things in action are called 'assignments', and a statutory assignment takes effects when (1) it is absolute, meaning that the right transferred vests in the transferor at the time of assignment and whole parts of the right without any conditions are transferred (neither a partial transfer nor by way of security); (2) the assignment is made in writing by the assignor; and (3) a written notice is given to the debtor.[17] Assignments can be barred by contracts. Japanese law has similar rules on 'assignment of claims'. They are assignable unless 'its nature does not permit the assignment'.[18] Assignment of a claim requires no formalities, but 'The assignment of a nominative claim[19] may not be asserted against the applicable obligor or any other third party, unless the assignor gives a notice thereof to the obligor[20] or the obligor has acknowledged the same'.[21] Thus Japanese law requires a notice to the debtor for securing priority, whereas English law gives priority to the assignee who first gives a notice to the debtor.[22]

English law generally allows a transfer of equitable interests in trust. It requires it to be made 'in writing signed by the person disposing of the' interest.[23] Priority issues are resolved under the similar rule of transfers of debts.[24] Japanese law also permits a transfer of beneficiary's interests in trust.[25] As to the priority 'Assignment of a Beneficial Interest may not be duly asserted against a Trustee or any other third party unless the assignor gives notice of the assignment to the Trustee or the Trustee acknowledges the same'.[26]

Comparing rules governing assignments of intangibles and priorities thereof, English law requires some formalities for the assignment to be effective while Japanese law does not. Both laws

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[16] Also excluded are documentary intangibles and other securities such as company shares and corporate bonds, which require different considerations.
[17] Law of Property Act 1925, s 136.
[18] Civil Code art 466(1).
[19] A nominative claim is a (usually contractual) right of an identified obligee created without any documents.
[20] This notice must be made in 'an instrument bearing a fixed date'. Civil Code art 467(2). Article 5 of the Act to implement the Civil Code (Act No 11 of 1898) provides when an instrument (document) 'bears a fixed date'. Two major ways are (1) a notary public's notarisation and (2) a content-certified mail through Japan Post.
[21] Civil Code art 467(1).
[22] Rule in *Dearle v Hall* (1823) 38 ER 475.
[23] Law of Property Act 1925, s 53(1)(c).
[24] *Dearle v Hall* (n 22) is really a case of a transfer of equitable interests in trust.
[25] Trust Act (Act No 108 of 2006) art 93(1).
[26] Trust Act art 94(1). Here again the notice must be 'an instrument bearing a fixed date'.

require notice to the debtors or the trustees for priorities,[27] but Japanese law requires the assignor to give a notice by formal process while English law requires the assignee to give a notice without any formalities.[28] While Japanese law gives priority to the later assignee whose assignment is first notified to the debtor even if the assignee knew the earlier assignment, English law does not give priority to such an assignee with notice of the earlier transaction.[29] This can be explained by principles of equity such as 'He who comes into equity must come with clean hands'.

IV. Intellectual Property

There are IP rights created by statutes and those protected by case law in the UK. English statutory IP rights share many common features with those in Japanese law.[30] IP right holders may exclude others in relation to the subject matter and those rights can be transferred and licensed.

However, licences are quite different between the two jurisdictions. In English law the idea of licence was developed in general fields of law before the same concept was used in IP. *Thomas v Sorrell*[31] is a case on a licence to retail wine,[32] but is often cited in IP cases to show the nature of a licence. Namely 'a licence, in relation to property, "properly passeth no interest, nor alters or transfers property in any thing, but only makes an action lawful which, without it, had been unlawful."'[33] Although IP statutes give enhanced status for licensees, they still have no proprietary rights. Because of this nature of a licence, an exclusive licensee of a patent for example, who can bring an infringement proceeding,[34] may not sue the proprietor of the patent for infringement.[35] On the other hand, Japanese law has no general concept of licence and thus provides a sort of *sui generis* right for each regime. For example, 'The exclusive licensee has an exclusive right to work the patented invention in the course of trade to the extent specified in the contract granting that license',[36] and this provision is interpreted to allow the exclusive licensee to sue the patentee for infringement. Whether a licensee can bring an action for infringement is important both in the UK and in Japan because patent statutes give advantages to the infringement proceedings that are not given to actions for breach of contract or for general torts. In the UK, for instance, a licensee could

[27] When the transaction is for security interests, both laws have registration systems for corporate debtors. See n 15. Again it is not said that it is actively used in Japan.
[28] When the right is statutorily assigned the notice must be in writing to be effective, but when it is equitably assigned there is no such requirement and thus a notice to the debtor can be informal.
[29] *Re Holmes* (1885) 29 Ch D 786.
[30] More or less under the international treaties (eg Paris Convention 1883 for patents and Berne Convention 1886 for copyrights) and global harmonisations initiated by WIPO or other international organisations.
[31] (1673) 124 ER 1098.
[32] Here a licence was a special permit for general prohibition imposing a criminal responsibility.
[33] Bridge and others (n 2) 746, quoting *Thomas v Sorrell* (n 31).
[34] Patents Act 1977, s 67(1).
[35] Bridge and others (n 2) para 28-017.
[36] Patent Act (Act No 121 of 1959) art 77(2).

obtain an order 'for an account of the profits derived by him from the infringement'[37], which can be more than damages recoverable for breach of contract. In Japan 'If [...] the infringer has made a profit from the infringement, the amount of that profit is presumed to be the value of damages incurred by the patentee or exclusive licensee'.[38] As Japanese law permits exclusive licensees to sue patentees for infringement, they are given more powers than in UK law.

Priority rules governing assignments and licences of IP rights are also different between UK law and Japanese law. In patent law for example, UK law gives priority to an assignee or a licensee who acquires her patent or licence in good faith, for value and without notice of earlier transactions that are unregistered.[39] This is so even if her own right or licence is unregistered, but not against later acquirers in good faith, for value and without notice of her transaction. Japanese law denies any effects of assignment or exclusive licence of a patent unless registered.[40] So there are no conflicting rights until they are registered. Priority is given to the earlier registration. Japanese law also makes non-exclusive licences binding without any formalities (including registration) on successors in title who acquire the patent or its exclusive licence from her licensor, whether with or without notice of the licence.[41]

Licences in exclusive nature are regarded as proprietary rights in Japanese law, which clearly contrasts with English law. This difference can be explained in the degrees of general principles' influences. Since Japanese law has no general concept of licence, exclusive licences of patents are defined and given effects through provisions of the Patent Act, which are provided *mutatis mutandis* in the Trademark Act[42], although not at the same level in the Copyright Act[43]. English law had a concept of licence in case law, which could be applied to IP with statutory modifications and enhancements.

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[37] Patents Act 1977, s 61(1)(d).

[38] Patent Act art 102(2). Japanese law has no monetary relief equivalent to 'account of profits' in English law, so most monetary remedies are defined as compensatory damages. This statutory provision gives a presumption that an infringer's profit is the damage to the claimant so that he can obtain the same amount as an order for account of profits in English law. But as it is only a presumption that the profits are the damage under Japanese law, it can be rebutted by evidence of no actual damage, which results in no monetary relief for the claimants.

[39] Patents Act 1977, s 33(1). This section applies to licences by virtue of subsection (3)(c).

[40] Patent Act art 98(1) (transfer of a patent) and (2) (grant and transfer of an exclusive licence).

[41] Patent Act art 99.

[42] Trademark Act (Act No 121 of 1959) arts 30 ('exclusive right to use') and 31 ('non-exclusive right to use'). Here the word 'licence' is not used but the nature of 'right to use' in trade mark is quite similar to 'licence' of a patent in Japanese law.

[43] Copyright Act (Act No. 48 of 1970). Chapter III of the Act (arts 79-88) governs 'Print Rights', which are roughly equivalent to exclusive licences for a right to copy a (usually literary) work, to issue copies of the same to the public and to communicate the same to the public under the UK CDPA, ss 3 and 16(1)(a), (b) and (d). Rules on such Print Rights are similar to those for exclusive licences of Japanese patents in that a print right holder can sue the copyright holder for infringement. Other equivalents to English licences of a copyright are called 'authorisation to exploit' and are mostly regarded as a matter of contract but with a registration system for priority contests. See Copyright Act arts 63 and 75-78. But like in patents, non-exclusive licences of copyrights are binding without any formalities on successors in title under Article 63A (or described as art 63-2), which was enacted in 2020.

V. Intellectual Property from the Perspective of Personal Property

Thus shown is that when examined with general property law principles, details of IP law might look quite different among jurisdictions. Licences are the most remarkable one of the points this report finds. There are also differences in remedies, either pre-trial[44] or post-trial[45], as well as in substantive rights. To harmonise IP law, we should not ignore the differences in general principles of law in each jurisdiction.

[44] eg so-called 'Anton Piller Orders' are not allowed in Japanese law.
[45] eg exemplary damages are not allowed in Japan; nor orders for account of profits, either, as noted in n 38.