January 1994


Andrew Thorson

Follow this and additional works at: http://digitalcommons.law.scu.edu/chtlj

Part of the Law Commons

Recommended Citation
Available at: http://digitalcommons.law.scu.edu/chtlj/vol10/iss1/4
INTRODUCTION

The expansive growth of computer technology and software applications has brought to modern society new and better products, as well as more efficient work tools and an enhancement of our ability to access fresh and accurate information in real time. However, these changes have also caused confusion in the legal world. They have instigated a rethinking of basic copyright concepts. In the United States, as well as in other countries, scholars, politicians and industry experts are grappling with new legal policies regarding the legal status of computer software copyrights. The delineation of copyright authorship rights remains central to these issues.

Japan enacted a copyright system in the nineteenth century\(^a\) that remained in effect until the enactment of the Copyright Act of 1970.\(^b\) Because advancements in computer technology are quickly outpacing legal theories on the subject there as in the United States, the Discussion of Joint Research and Investigations of Copyright Problems Relating to Computer Programs was established in 1987 to interpret

---

Copyright © 1994 Andrew Thorson.

† Associate, Dickinson, Wright, Moon, Van Dusen & Freeman in Detroit, Michigan; J.D. Boston University 1993; B.A. Michigan State University, James Madison College. Mr. Thorson wishes to thank the Kyoto Comparative Law Center staff in Kyoto, Japan, for all their assistance in connection with this publication and especially Professor Zentaro Kitagawa of the Kyoto University School of Law. Mr. Thorson also thanks Mr. Naoki Ikeda, LL.M. University of Michigan 1993, LL.B. Tokyo University 1985, for his comments on the translation.


(Note: alphabetic footnotes in this article are those of the author/editor; numeric footnotes are those of the Japanese Agency for Cultural Affairs.)

\(^b\) Copyright Act, Law No. 48 of 1970 (Jap.).
Japanese copyright law and discuss its application. This investigation of computer software and works-of-legal-persons was carried out on thirteen occasions up until March of 1989. In March 1992, the Japanese Agency for Cultural Affair's Joint Discussion on Computer Software, chaired by Professor Zentaro Kitagawa of the Kyoto University School of Law, released its Written Report. In the Written Report, both industrial and legal experts provided an outline of current issues within the specialized copyright field of copyrights authored by legal persons.

The following report, translated from Japanese, outlines pertinent issues regarding the copyrighted works-of-legal-persons. As explained below, the state of the law on many tangential issues remains in flux and some theoretical differences of opinion exist regarding the issues touched upon in this report. While in the United States, "author" has been simply explained, for example, as "he who actually creates the work" or "the person who translates an idea into a fixed, tangible expression entitled to copyright protection," as L.J. Kutten explains in Computer Software, standard substantive copyright definitions often beg the question in the computer software field of "who created it?" Many engineers often work together to develop programs. They might work under contract, or as regular employees. Authors of programming languages produce works that program authors later use to create applications that ultimate users employ in their expressive creations. Copyright law must develop to delineate the authorship rights of the various parties connected with a legal person's development of computer software. The authors of this Written Report address some of these issues, and outline current thoughts and legal theories on the subject.

The report, as published below, has been altered for ease in reading and for the purposes of journal publication. As far as is possible, its content has been kept in the original format. This translation has not been acknowledged or otherwise approved by the Agency for Cultural Affairs.

c. Participants in the Joint Research and Investigation are listed in Appendix A.
e. Id.
g. Id.
1. Works-of-Legal-Persons (Hojinchosaku)

(1) Works-of-legal-Persons Under Japan’s Copyright Law

The existing copyright law defines “author” as the original creator of works of authorship (chosakubutsu). The act of giving shape to the arrangement and combination of feelings and ideas in an original presentation is called original creation (sosaku). Although only natural humans can in fact carry out such an act, under regular conditions, Article 15 regards legal persons and other employers as authors (chosakusha). Legal persons include unincorporated associations that represent endowments, and appointed administrators. The work of a legal person is generally referred to as hojinchosaku (or as shokumuchosaku for works for hire).

The rules and provisions under the prior copyright law regarding legal persons as authors were not as precise as those under the present law. Although there was disagreement as to whether a legal person is capable of becoming an author, under the existing law and under the realities of the creation of today’s works of authorship, rules and regulations provide many examples where it is suitable to recognize the act of authoring carried out by legal persons.

(2) Treaty Treatment of Works-For-Hire (Shokumujo No Chosakubutsu)

Neither the Berne Convention nor the Universal Copyright Convention enacted definitions or rules concerning authorship. In re-
gards to whether, under the Berne Convention, the term "author" indicates only natural persons (shizenjin) or whether it also includes bodies of legal persons (hojin), the 1963 Expert Committee that examined the clause of the revised Stockholm Text opined that this problem is best considered as a matter of domestic laws and ordinances.  

The issue of whether the Universal Copyright Convention implies authorship to bodies of legal persons is understood to depend upon the positions established under each country's domestic laws and ordinances.

(3) The Treatment of Works-For-Hire Under the Laws and Ordinances of Several Countries

The treatment of works-for-hire is not uniform among countries. The precise legal terms vary even among the countries that allow, under fixed conditions, the copyrights of works created by a person engaged in the business of a legal person to vest in the legal person.

For example, in England and France, rights are allowed to originally vest in the employer. In contrast to French law, where it is

administered by the United Nations Economic and Social Council (UNESCO), is one of the international copyright treaties to which the United States and Japan are signatories.


6. Regulation of Works-for-Hire in Other Countries:

1. An example where there is no recognition of the original reversion of copyrights to legal persons:
   GERMAN COPYRIGHT ACT of 1965 as amended:
   Article 2(2), a work, under the meaning of this law, is limited to personal and intellectual creations.

2. An example of the recognition of the original reversion of copyright rights to a legal person:
   AMERICAN COPYRIGHT LAW of 1976:
   Section 101: A "work made for hire" is—
   (1) a work prepared by an employee within the scope of his or her employment; or
   (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work (shichokakubutsu), as a translation, as a supplementary work, as a compilation (henshu), as an instructional text (kyokasho), as a test (shimon), as answer material for a test (shimonkaitorisho), or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or as-
settled that ownership includes moral right of authors (chosakujinkakuten), England does not go so far as to include moral rights. The United States considers the employer an author who, in principle, possesses all rights included in a copyright. In the United States, except for copyrighted works of visual art, copyright law does not recognize a moral right of authorship. Even among countries that follow this kind of primitive reversion of the copyright in the employer, the manner in which our country, although clearly recognizing the moral rights of authors, regulates the legal person itself as an author has evolved.

Furthermore, countries such as Germany limit authorship to mental and spiritual creations and do not accept the primitive reversion of copyrights to the employer. Still, many countries have not established express regulatory provisions, and therein the treatment of works-for-hire remains unclear.

In the Directive Concerning the Legal Protection of Computer Programs adopted May 14, 1991, at the EC Meeting of the Directors and Cabinet Members, the issue of recognizing legal persons as author(s) in the use of the other work, such as forwards, afterwards, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Section 201:
(b) Works Made For Hire. In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

U.K. COPYRIGHT DESIGNS AND PATENT ACT 1988:
Section 11(2): Where a literary, dramatic, musical or artistic work is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work subject to any agreement to the contrary. Section 178: In this Part— "employed," "employee," "employer" and "employment" refer to employment under a contract of service or of apprenticeship.

FRENCH COPYRIGHT ACT of 1957 as amended:
Article 9 para. 3: In works created and based upon an agreement of natural and legal persons, publishing under those directions and names, and issuing as a publication and the separate contributions of the authors participating in that production, in regards to the entire work the non-bestowment of the separate rights to each author for creating the contributions, (the fusion of the works into one body), is a collective work.

Article 13: Except where there is contrary evidence, the collective work remains among the possessions of the legal person or natural person under whose name it was disclosed.
thors was entrusted to the legislation of the several countries. In addition, it has been decided that, in the case of works-for-hire and programs that employees create while executing duties or while under an employer's direction, unless special contract terms exist, the authority for using the economic rights with respect to the program belong to the employer. The moral right of authors is not specially regulated.

(4) Works-For-Hire Under Other Legislation Related to Intellectual Property Rights

Under non-copyright intellectual property law, rules concerning the treatment of the intellectual creations called works-for-hire have been established; however, their treatment is not uniform. For exam-


The Council Directive of the EC Meeting of Cabinet Members indicated, in a determination that the Cabinet Members based upon the EEC Treaty, that the final forms and processes therein should be carried out by the several national agencies of each participating EC community.

The Directive Concerning the Legal Protection of Computers was under the support of the investigation based on the June, 1988 EC Committee's report “Green Paper On Copyright and the Challenge of Technology—Copyright Issues Requiring Immediate Action.” It was reviewed by the EC Committee and the European Parliament, and was settled by a meeting of the Cabinet Members on May 14, 1990. It was concluded that the EC Government Agency must revise laws, rules, and also government regulations contrary to this directive by January 1, 1991.

Under this directive, the program works-for-hire are regulated as paraphrased below.

Article 2: Authorship of Computer Programs

1. The author of a computer program shall be the natural person or group of natural persons who has created the program or, where the legislation of a Member State permits, the legal person designated as the rightholder by that legislation. Where collective works are recognized by the legislation of a Member State, the person considered by the legislation of the Member State to have created the work shall be deemed its author.

2. In respect to a computer program created by a group of natural persons jointly, the exclusive rights shall be owned jointly.

3. Where a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract.

8. The following are some of the main non-copyright law regulations, related to intellectual property, and concerning the creation of semi-conductor integrated circuits by legal persons:

**Act Concerning The Circuit Layout Of A Semi-conductor Integrated Circuit (Law No. 43 of 1985)**

Article 5: Regarding the circuitry designs that an employed person of a legal person or other employer's business created for hire, to the extent that there are no provisions to the contrary under contracts, work provisions, or other provisions existing at the time of creation, legal persons and other employers are deemed to be the creator of the concerned circuitry design.

**Patent Law (Law No. 121 of 1959)**

Article 35: Employers include legal persons and national or local public agencies (herein referred to collectively as employers), and employees include offi-
ple, the law concerning the circuit layout of semiconductor integrated circuits\(^9\) instructs that, where fixed conditions are fulfilled, legal persons and other employers can be circuit layout creators. In the rules of legal bodies and national or local public employees (herein referred to collectively as employees), and others of that nature are within the scope of the concerned employer’s business. Moreover, works for hire (shokumu natsumei) includes the process leading to an invention which receive a patent related to the invention and which are included in the duties carried out in the employee’s past and present activities at the employer. Regarding employee-inventions, the employer who inherited the right to receive a patent at the time of the employee’s acquiring a patent will possess the normal right of enforcement.

2. Regarding employee inventions, and excluding cases where the invention is an employee-invention, the preselected employer’s right to acquire a patent, the inheritance of a patent, a contract which establishes the creation of the exclusive right of enforcement for the employer, work regulations, and other terms and clauses of regulation are invalid.

3. Depending upon the contract, work regulations and other provisions permitting the inheritance of an employer’s right to acquire a patent (tokkyo o ukeru kenri) or the patent right (tokkyo kenr), an employee possesses the right to receive proper payment of consideration at the time a right of exclusive enforcement was created for the employer.

4. The amount of consideration in the clause above is something that must be established in consideration of the amount of profit the employer received due to the invention and also the degree of the employer’s contributions to the development of the invention.

UTILITY MODEL’s Act (Jitsuyo Shin’an Ho) (Law No. 123 of 1959)  
Article 9, Clause 3: The regulation in Art. 35 of the patent law (work for hire), applies to designs by employees, officials of legal bodies, and national and local public servants.

DESIGN LAW (Ishouho) (Law No. 125 of 1959)  
Article 15, Clause 3: The rule in Article 35 of the patent law (development at work) applies to the design creations of employees, officials of legal persons, and national or local public servants.

PLANT LAW (Shubyoenho) (Law No. 89 of 1978)  
Article 8: Regarding breeds bred by employees, the employees in the business of the legal person, officials of the legal persons, and national or public servants ("employees"); and the breeding by employers in the nature of legal persons, and national or local government agencies ("employers" or shiyosha); excluding cases where the practice of breeding was included in the employee’s duties ("varieties-bred-for-hire" or shokumutaiseihinshu); in cases where the prior employer acquired an application under regulation of the prior Article 12, title 4, no. 1, the modification in that person’s name to that of the employer, or by means of any other article or clause in employment regulations is invalid.

2. An employee, when under contract or as established in other work regulations at the time the employer applies under the above Article, Title 1, regarding the breeding of a variety for hire, or in cases where the employee acquired a variety registration under Article 12, No. 4, title 1, at the time that person’s name is altered to be that of the employer’s, the employee can demand of the employer, the payment of consideration related to the amount of profit that the user received from the breed-for-hire and in consideration of the degree of the employer’s contribution to the production of the breed for hire.

concerning works-for-hire (shokumuhatsumei), patent law\(^\text{10}\) bestows only the regular enforcement right upon the employer, although employers by contract can reserve the succession of patent rights or establish the exclusive right of enforcement (sen’yo jishiken). However, employers cannot become inventors (hatsumeisha). This differs from copyright law wherein a legal person becomes an author.\(^\text{11}\) Likewise, under the Plant Act\(^\text{12}\) and the regulations concerning species cultivated during employment (shokumu ikuseihinshu), clearly a legal person cannot become a creator, but the employer can determine in advance that he should apply for registration of the variety or that he may change the name in the variety registration (hinshutoroku no shutsu-gan) to that of the employer.

2. Requirements for Computer Software Works-of-Legal-Persons

Generally, in the evolution of computer programming, a program passes through the defining process (yokyuteigi), system designing (system sekkei), basic designing (kihonsekki), and program designing (program sekkei). Materials, such as program manuals, are prepared during the course of this process. Thereafter, demand specifications, system design specifications, program design specifications, including the flowchart, and the variety of so-called documents in the program manuals, together with the computer programs, are included in what can be called computer “software.” The author of this software is the creator. However, there are many cases where a large number of people created the software. Sometimes these individuals are all affiliates of the same legal person, but in many cases individuals are not an affiliate of the concerned legal person. In such cases, it is necessary to examine their relationship by applying the rules under Article 15 of the Copyright Act of 1970, as amended. Article 15, paragraph 1 states that:

where the concerned party is engaging in the business of a legal person and those works, excluding the program works, were initiated by the original ideas of the legal person or other employer, unless otherwise provided in contract or in working regulations or other which is in effect at the time of the creation of such work, the

\(^{10}\) Law No. 121 of 1959.

\(^{11}\) Even in regards to works-for-hire, there are various ways that countries cope with this issue. The German legal process reverts the patent rights to the inventor and the formation of transfers is taken up. But in England and France, excluding the inventor’s right to publication, the legal person has authority from the beginning.

\(^{12}\) Law No. 89 of 1978.
legal person is treated as the author of the work that is to be made public under the name of the legal person itself.

Furthermore, paragraph 2 states:

unless otherwise provided for by contract or in working regulations effective at the time of such work’s creation, the legal person is treated as the author of a copyrighted program created by a person engaged in the business of a legal person and initiated by the original ideas of the legal person.

Thus, in the case of software that does not include a program, in order to be able to say that the author is the legal person, under Article 15, paragraph 1, the following five elements must be satisfied: (1) the work must be based upon the original ideas of the legal person; (2) the work must be created by a person employed in the legal person’s business; (3) the person employed must have created the work during employment; (4) the work must be published under the legal person’s name; and (5) contract provisions or working regulations must not provide otherwise.

In the case of programs, under Article 15, paragraph 2, it is only necessary to satisfy elements (1), (2), (3), and (5).

(1) The Original Ideas of the Legal Person

Where the legal person plans the production of the work, conceives it, or expressly orders its preparation, or where the employee receives the legal person’s permission and prepares the work, there will usually be no opposition to treating the work as the legal person’s original idea.

Situations where the employee prepares a work without express directions or permission from the legal person are less clear. Because the regulations for works of legal persons are based on the preconditions of the legal person’s specifications, when the legal person gives no concrete orders or consent, on the one hand it can be said that there is no original idea of the legal person present. On the other hand, one may argue that original ideas can be indirect. In other words, where the preparation of a literary work was expected in the execution of the employee’s duties, it can be said that the element of the legal person’s original idea is fulfilled even in the absence of concrete directions and consent from the legal person.

If original ideas can be indirect, it becomes necessary to analyze the next element of “person employed in the legal person’s business.” Persuasive arguments for recognizing the legal person’s original idea exist where there are employment relations between the legal person and the persons engaged in its business and where the preparation of
the literary work was expected, even without concrete orders and consent from the legal person regarding the employee’s execution of the business.

(2) Employment in the Legal Person’s Business

Seemingly, no problems with this element exist where persons have employment relations with the legal person. Since this rule is premised upon the existence of an employment relationship, it will not apply where the concerned persons have no employment relationship with the legal person.

The traditional interpretation remains that the scope of this rule is limited because it is an exception to the general rule. Because this rule is premised on the establishment of employment relations, it is traditionally believed that it cannot be applied where the concerned persons have no employment relationship.

However, there is an influential interpretation that dispatched employees (hakenrodosha) should qualify as persons employed in the dispatcher’s business (rodohaken kigyo) because the aforementioned explanatory note was written prior to the law’s enactment, and because the relationship of the commands and orders (and subordination) between dispatchers and dispatched workers can be regarded as similar to an employment relationship.

This argument extends not only to affiliates, but also to such contractees as dispatched workers, contractors (ukeoi), and delegates (inin) who, at times, exercise their own discretion. Between the contractee (chumonsha) and the contractor (ukeoinin), cases exist where the contractees work in principle under their own discretion—it is not unusual that no commanded or ordered relationship exists. However, if substantial and material commands, orders and relations were con-

---

14. Id. at 18.
16. Law No. 88 of 1985 relates to the assurance of the proper administration of businesses dispatching labor (rodoshahakenjigyo) and the preparations of employment terms for dispatched labor.

Article 2: The significance of each of the following terms depends upon the indications under each concerned title.

(1) Dispatched workers (rodoshahaken) - workers, under the concerned labor relations, who receive the directions and orders of another person, means the employment of labor for another person, not including the promise of the concerned party to employ the concerned employee.

(2) Dispatched Laborers- are the employed laborer of an employer, and the subject of labor dispatchment.
cluded provisionally between the contractee and the contractor, it is argued that the rule should be applied in the same manner with dispatched workers. On the other hand, there is the argument that the issue of the reversion of rights among legal persons and contract problems between legal persons are essentially different problems. According to this argument, the scope of the works-of-legal-persons becomes too broad if we extend the boundary of works-of-legal-persons to independent contract relations in addition to employment relations.

(3) Creation During Employment (shokumujo)

This element includes the actions normally anticipated during the course of performance, in addition to those duties that were directly ordered of the practitioner. It is judged on a case-by-case basis according to the employed person’s authority, rank, and employment type within the legal person. It is believed that a copyrighted work prepared only derivatively in connection with duties does not fulfill this requirement.

Where the act of preparing a work is not a “duty,” but is founded upon the knowledge acquired in employment, it is argued that it is not a creation during employment, even if the employee made the work during work hours with machinery at the workplace. In contrast, where a work is prepared under a “duty,” it will be considered a creation during employment, even if the preparation was not done during work hours and was prepared outside of the workplace (for example, work brought home and prepared).

(4) Publication Under the Legal Person’s Name

This element only applies to non-program works; it is not necessary to satisfy this element for program works.

Controversy persists over the status of unpublished works, and works published anonymously or under another legal person’s name.

i. Unpublished Works

It is generally understood that unpublished works (mikohyo no chosakubutsu) are not defined as published works (happyoshitamono) but as works to be published (happyosurumono) and include works planned to be published under the legal person’s name. Furthermore, it is argued that to expand the definition to works not yet planned to be published but only provisionally published under the legal person’s name stretches the letter of the law. However, there is a persuasive theory that this element is fulfilled if, at the time of publication, the
provisional publication has the characteristic of being published under the legal person's name, regardless of a plan to publish or not to publish.  

**ii. Works Published Anonymously or Under Another Person's Name**

One cannot easily argue that works published anonymously, or under another legal person’s name—even when they possess the characteristics of works published under a legal person’s name—are included in the works of legal person insofar as the legal person itself intentionally published them under a name different from its own. This element is thought to be unfulfilled in cases where the legal person intentionally publishes under the name of another person or anonymously, when analyzed under the contrary interpretation generated by the restructuring of Article 15, paragraph 2, carried out for the clarification of legal interpretations.

In contrast, it is argued that the issue of legal ownership of the copyright is not settled by the name under which the work is published. According to this theory, a copyright and the rights of authorship are generated simultaneously at the moment of creation. Whether a publication under the name of the legal person occurs at the time it is created, or whether it is published anonymously or under another person’s name, the element is satisfied under the broad theory regarding the requirement for publication under the author’s name.

One’s theoretical approach to this issue will influence the determination of legal rights of the software developed by independent contractees (itakukaihatsu). Whichever approach is taken, in cases where publication occurs under another name without the legal person’s knowledge, the work of the legal person can still be established.

---

17. Regarding works not planned to be published, there is the theory that when the element of publishing under the name is not satisfied because of secrecy and business protection, the copyrights in such cases are bestowed upon the employee engaged in the development. The determination of the right to publish the work’s contents are held by the same person. Generally, under business secret protections wherein publication is not planned, fundamentally contradicting, inconsistent, and absurd conclusions are derived. But where the work will temporarily be published in the legal person’s name, there is the judgment that this will be regarded as a publication. The *Nigata Iron Case*, Judgment of Dec. 4, 1985 (Tokyo High Court) 1190 HANRI.

18. This regulation rigorously applies the requirement of the publication of the name.

19. The theory that broadly applies the requirement of the publication of the name.

20. This publication at 4(2)(iii).
(5) No Contrary Contract Provisions or Working Regulations

This element limits the legal person's ability to become an author only when other provisions exist such as: a contract in force at the time of the work's creation, work regulations, or the absence of other existing instructions regarding the works of employed parties. For example, even in cases completely fulfilling the five requirements (excluding (4) in the case of programs), if there are other provisions concerning the employed party's work under an employment contract, the person complying with the concerned party's intentions becomes the author.

In cases not satisfying the above five elements (excluding (4) in the case of programs), the legal person cannot become the author, even if special contractual provisions regard the legal person as the author. Whether or not a legal person can receive the transfer of a copyright based upon another special contract is a separate issue.21

3. The Distinction Between Programs and Other Software

Written documents such as specifications and manuals are not program works under the copyright law, but are treated as works of languages or drawings even though both are called "software" in copyright law.22 However, in recent years, programs are being developed to generate programs automatically from specifications created from flowcharts and tree-branch charts, and to unite programs and documents.

Provisions concerning the works-of-legal-persons are applied differently to program and non-program works. The fourth element, requiring publication under the legal person's name, is unnecessary for programs. Thus, when considering the elements of the works-of-legal-persons it is necessary first to investigate the program's composition.

The written specifications employed in automatic programming are entered into the computer using automatic programming manuals that are closer to natural language than to higher-level languages

21. In the case of works-of-legal-persons, and where the expectation of the legal person is to become author, in contrast to the ability of the employer to become author by terms of contract, and where the invention occurs during employment (shokumuhatsuumei), and the employer plans to revert only the normal right of enforcement, the contractual creation of exclusive licenses can be carried out by contract. In short, in the establishment of contracts, in contrast to cases of works-of-legal-persons reducing the rights of the legal person, cases of invention-for-hire achieve the completely opposite function of broadening the rights of the employer.

22. Article 1 of the above EC Cabinet Member's Council Directive, under the same directions, includes the materials for preparatory program designs of computer programs.
They are described in the form of charts and diagrams. There is no adjustment in any process of creation and they are automatically transformed into COBOL or C language by a compiler. However, this program’s written manual, so far as it is capable of automatically changing into a program, itself is “an expression of the compilation of commands so as to obtain a result by functioning a computer.” Even though it can be described as closer to natural language expression than previous program languages, the written manual can be regarded as a source program described in the new language developed for automatic programming. These written program specifications have two co-existing characteristics: both are program works, and languages or diagrammed works. However, saying that a work has two faces, a drawing and a work of art, is not something new. As long as a work falls into the category of “program works,” the special regulations of Article 15, paragraph 2 concerning copyrighted programs can be applied.

The language employed in the description of program specifications used in the modern practice of automatic programming, when compared to previous high-level languages, may be expressed in terms closer to real language. However, its limitations are also numerous and it can be regarded as another form of programming language different from natural language. Depending upon the advancement of technology, however, only if that natural language is to some extent regulated so as not to become ambiguous, it is believed that descriptions in natural language will become possible. Therefore, the possibility exists for a compilation of computer commands written in natural language. There is also the method where authors first describe the information in documents and source programs in a unified manner and then use it after separating documents from source programs through a filter. The unified works of the source programs and documents that are described for using this method can be thought of as having the dual characteristics of being both a program and a literary work in the same manner as the written program specifications described above.

It is now appropriate to investigate the distinctions between programs and software, as well as the other special rules concerned with programs, by considering the applied processes of program production: the actual uses of programs and other software.

(1) Situations in Which the Issue of Works-of-Legal-Persons Do Not Arise

Whether the author is a legal person or a person engaged in the business determines whether the work satisfies the requirements of Article 15. However, even when a work does not fulfill the elements of a work-of-a-legal-person, there are cases in which a legal person wants to treat the work as its own. For this reason, with regard to works prepared within a legal person, there is also the practice of exchanging contracts that convey the copyrights between legal persons and those engaged in its business, in addition to compliance with copyright law regulations regarding the works-of-legal-persons.

There are methods for obtaining permission from the copyright holder in order to use another’s work, and for receiving the conveyance of rights from a copyright holder. Regardless of which method one chooses, both the legal person and the employees—as authors—must come to an agreement. It is assumed that too few legal persons have established methods for managing works not falling into the category of works-of-legal-persons. However, in some cases, the rights of the works prepared while employees are engaged in the legal person’s business do revert to the legal person in blanket under terms determined in employment handbooks. With regards to employment handbooks, there is the view that problems exist with establishing provisions transferring, unilaterally and wholly to the employer, the rights of the employee’s works not originally falling under the category of works-of-legal-persons. Aside from situations where the employment handbooks for new employees make indications in advance, the view is that cases modifying the employment handbooks so that the rights revert to the legal person are sometimes problematic. On the other hand, with regards to the conveyance of copyrights to the legal person, non-problematic cases include practices wherein the legal person, at the occasion of proposing the project to the employed person individually, provide for the reversions of copyrights. Similarly, facile cases include those wherein the choice of whether to convey wholly to the legal person the rights of the copyrighted works developed within the legal person depends upon the employed person’s own free will.

There are also cases in which terms in employment handbooks or employment regulations deny exercising copyright’s moral right of authorship. This problem is similar to that of other copyrights.

Modifications of the moral right such as the right to preserve and protect the work’s character are recognized under Copyright Law Article 20, clause 2, number 3. These cases are usually unproblematic
except for cases of changes for the worse. Regarding the right of publication and the right to publish one's name, at the time of contract, no problems will generally arise if there is agreement as to the method of publication and the method of indicating authorship. In cases where the copyright right-to-publish (happyoken) is conveyed, the agreement to publish is presumed to be an exercise of copyright under Article 18, clause 2, number 1. At times when there is no fear of harm to the benefits of the author's moral rights, and limited only to cases which are not unfair practices, the right to publish one's name can be omitted as permitted by Article 19, clause 3.

(2) Copyright Issues in Software Development by Consignment

i. Contents of Contracts for Software Development

Usually in cases of software development by consignment, the consignor's works as a legal person are not established. The consignee will possess the copyright, as well as the moral right. However, a contract between the parties may accomplish a conveyance of the entire bundle or a mere portion of copyrights, as well as the moral rights, or may determine the methods for exercising moral rights or copyrights. In reality, depending on such things as the consignor's intended uses, contractual provisions vary, as in the practice where the consignor receives only a reproduction of the software and all of the rights are reserved by the developer or consignee, or in the practice where all copyrights belonging to the received software are conveyed to the consignor.

Regarding the treatment of the author's moral right (chosakushajinkakuken) and copyrights for software development by consignment, any variety of terms are possible under the freedom of contract principle so long as an agreement exists among the concerned parties and the contract does not violate public policy and good custom. However, it is necessary for us to fully investigate what kind of circumstances will be given rise to under such contracts.

In cases where a conveyance of the copyright is not carried out at all, because the consignee is the copyright owner, copyright law does not limit its use of the concerned software. However, the consignor is limited within the sphere of permission received under the contract. In cases where there are no contractual terms, the rights recognized in the consignor become only those uses permitted within the field of copyright law.

In cases where all of the rights of the received software (including the rights regulated under Copyright Law Article 27 and Article
are conveyed to the consignor by contract, excluding moral rights, copyright law does not provide any limitations in regards to the consignor's software use. On the other hand, the consignee—or developer—cannot use the concerned software without the consignor's consent.

ii. The Treatment of Modules

There are cases where programs are newly created from the first. Recently, however, the practical uses of existing programs, especially uses of modules which are created by division of programs by function and modified for general applications (including routine and subroutine modules), are largely increasing. These modules are prepared in great numbers and by incorporating these modules into programs, one can promote efficiency in program development. These modules can be thought of as program copyright works to the extent that they can be said to exist as a unified expression of an idea. Regarding complete programs built via the combination of existing programs or modules, there is the theory that these would usually be protected as copyrighted compilations under Article 12, section 1, which regulates compilations which have originality or creativity in their selection or arrangement of materials. On the other hand, there is an opinion that there are few cases where they are protected as copyrighted compilations (henshubutsu) with a creative aspect that depends upon the selection of materials and its arrangement, but in many cases, the modules are reproduced in one part of a program and comprise a "collective work" (shugobutsu). Few cases exist where the production of programs is simply by assembly. Once part of these program modules, however, are reproduced in this way and the theory exists that such compositions of tangible objects constitute collective works.

Regarding programs produced by the use of modules in this way, contracts are sometimes concluded that convey to the consignor the copyrighted work of copyright and make no mention of these modules. In many cases the copyrights of these modules are also conveyed together with all of the rights of the program. Therefore, after the conveyance of the copyrights, the consignee cannot use the modules without the consignor's permission. This situation is contrary to the original purpose of the production of modules, which aimed at incorporating them into a large number of programs. In contrast, the transfer of copyrights to the consignor, not including those of the module, leave the module's copyrights with the consignee. In such cases, because the consignor's utilization of the reproductions of the received program includes the reproduction of modules, excluding the
limits provided under copyright law, it can be thought that the consignor cannot carry out reproductions without the consignee’s permission. Consequently, contracts can permit the consignee’s reproduction of modules that accompany reproductions of the program received by the consignor, as well as third parties to which the consignor lends permission, in order for the consignee to be able to make practical use of the modules thereafter, and also in order for the consignor to be able to make free use of the received program, together with the reserving of the module’s copyrights in the consignee.

iii. The Treatment of Programs and Attendant Documents

In the development of software by consignment, there are cases where the consignor orders the preparation of programs and attendant documents from one or several consignee legal persons, and these products are published in the name of the consignor. [Notice, as mentioned in (i) above, here the issue of whether the consignee’s work-as-a-legal-person is established is dealt with under the premise that the consignor clearly does not establish a work by a legal person.]. In this case, regarding the program, because the name publication is excluded from the requirements for works-of-legal-persons, presuming that the work of the legal person is produced in the consignee’s company, it is better if the consignor and consignee establish their rights relationship by a contract.

On the other hand, regarding the documents attendant to programs, because Article 15, § 1 is applicable, as mentioned in 2(4)(ii) above, the issue of interpretation arises.

If we interpret the requirement of name publication broadly, regardless of whose name is published in fact, and if the works at the point of creation possessed the character of having the required publishing under the consignee’s name, it can be thought that the work-of-a-legal-person is established in the consignee’s business; and if the rights relationship between the consignor and consignee concerning the documents and also the programs are controlled by contract, there will be no problems.

However, if one applies the name requirement unmodified, if the work is created in the consignee’s business, and if the requirement of the legal person publishing in its own name is not fulfilled because the documents are not published under the consignor’s name, then it is the several individual employees, not the consignee, who will become the authors. Consequently, in order for the consignee company to manage these copyrights relating to the documents for the consigning com-
pany, it is necessary that the consignee company receive a conveyance of rights from each individual employee. This will not be a problem, however, if an arrangement for conveying rights exists between the consignee and its employees. Limited to the cases where the program and the production of the related documents takes place at the same company, even though there exists no such clear relationship, the relationship between the program and the documents are evaluated as a unit. In such cases, there exists an influential opinion that, where the programs fall into the category of a work-of-a-legal-person, the reversion of rights to the consignor should take place in regard to attendant documents as well.

(3) Additional

This issue of retired employees is connected with the works-of-legal-persons. Recently in the software industry, mobility in the labor market is increasing, and accompanying this is an increase in cases in which employees who participated in software development developed software after retirement based upon the knowledge acquired during employment.23

Copyright law protects expression, but ideas in the background of the expression and the theory are not protected. For that reason, the employee’s original and new productions of software based upon ideas acquired during employment will not give rise to problems under copyright law in principle.

However, because there are in fact cases where it is not easy to judge whether the newly produced software is a reproduction of pre-existing software, an adaptation or an individual original and new

23. Regarding contracts forbidding competition, exceeding the reasonable limits of restrictions, the obligor’s choice of unreasonable restrictions of the obligor’s (saimusha) employment choice freedom, and cases threatening the same person’s life, those limitations can be said to be opposing public order and morality and thus invalid. However, there is the judgment that the reasonable spheres, the spheres of employment which is the object of the limitation, and in regards to the existence and non-existence of consideration, from these three vantage points a prudent investigation is needed: the claimant’s interest (protection of business secrets); the respondent’s suffering (restriction on freedom for changing occupation of employment); and the social interest (fear of monopoly and centralization, and consumer losses). Yugen Kaisha Forseco Japan, Ltd. v. Okuno and Daimatsu, 13 HANREI JHO (No. 624) 78, 3 KOKUSAITORIHII HANREISHI 550 (Nara Dist. Ct., Oct. 23 1970).

The law reforming a section of the Law Protecting Against Unfair Competition Relating to Trade Secrets (Law No. 14, 1934 as amended) was executed on June 15, 1991 and the practice of a retired employee leaving with trade secrets became strictly regulated. This law established, among others, the right to demand in court the prohibition of the theft of technology managed as a secret, and non-publicly known useful information in business, as well as incidences where one uses such data oneself or carries out an unjust conveyance of such information to another person.
work, issues in copyright law concerning the relationship to the participation in software development during employment arise.

Chiefly, based upon trade secrets or a primary factor of business, there are cases where contracts that are concluded with the employee at the time of retirement prohibit competition for a fixed period of time. The establishment of clauses and terms under this type of contract for preventing problems in copyright law are conceivable as discussed above. From now on, because the increase of problems with retirees can be anticipated to increase, there was the opinion that a further investigation is necessary, from the point of view of copyright law, regarding the existence of contract competition prohibitions and retired employees.
APPENDIX A

PARTICIPANTS IN THE JOINT RESEARCH AND INVESTIGATION

Abe, Koji  Professor of Setsuman University, and Professor Emeritus at Okayama University
Ishida, Haruhisa  Professor at Tokyo University
Inomata, Katsuhiko  President & Chairman of the Board of Directors, CREO Co., Ltd.
Kitagawa, Zentaro  Professor at Kyoto University (Chairperson)
Saito, Hiroshi  Professor at Tsukuba University
Nakamura, Kaoru  Head of Information Services Industry Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry (June 1990-)
Kondo, Takahiko  Former Head of Information Services Industry Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry (Dec. 1987 - June 1988)
Hayashi, Ryozo  Former Head of Information Services Industry Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry (June 1988 - Dec. 1990)
Handa, Masao  Professor at Aoyama University
Fujimoto, Kazuro  President, Nisshin Product Co., Ltd.
Matsumda, Masayuki  Attorney-at-Law
Miki, Shigeru  Attorney-at-Law
Mizuno, Yukio  Vice President, NEC Co., Ltd.
Mitsugi, Mamoru  Advisor, Fujitsu Co., Ltd.
Monya, Nobuo  Professor at Seikei University