

The Japan Cabinet proposed Direction of Bill for Digital Platform Transparency Act

January 2020

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The Japan Cabinet proposed the “Approaches to a bill on improving transparency of transactions of digital platform operators (provisional name)” on December 19, 2019 (“Proposal”) and is seeking comments from the public until January 20, 2020.¹

Following the lead of authorities in the European Union, Japan has been exploring options for greater regulation of digital platforms in order to ensure fairness and transparency in their dealings with business users and consumers. On June 21, 2019, the Japan Cabinet made a decision on the growth strategy, including to maintain rules for the digital market, such as (i) to establish the Headquarters for the Competitive Digital Market (“Digital Competition Headquarters”) and (ii) to make efforts for submitting a bill on improving transparency of transactions of digital platform operators (“Bill”) at the upcoming ordinary Diet session in 2020.

In accordance with the Cabinet’s growth strategy decision, it established the Digital Competition Headquarters under the Cabinet’s organization on September 27, 2019 in order to implement competition policies for promoting competition and innovation in the digital market in a timely manner and effectively. On December 19, 2019, the Digital Competition Headquarters issued the Proposal to seek comments from the public.

The Proposal states that the scope of digital platforms to be subject to the regulation will be large-scale online malls and app stores, which the Japan Fair Trade Commission (“JFTC”) found issues previously at the surveys on online malls and app stores². The regulation will include to require (i) disclosure of information on terms and conditions, such as the scope of data for usage, (ii) ensuring fairness in operations, such as appointing an agency in Japan in order to deal with consumers appropriately, and (iii) reporting obligations.

According to the Proposal, the Ministry of the Economy, Trade and Industry (“METI”) will be the authorized agency. The METI will cooperate with the JFTC and the Ministry of Internal Affairs and Communication (“MIAC”). If there is any suspect of violating the Anti-Monopoly Act (“AMA”), the JFTC will use its authority to enforce the AMA on the issue.

The upcoming ordinary Diet Session should start this month and will last for 150 days. This year, it apparently will start on January 20, 2020. Customary bills related to the budget are submitted first and others are submitted by around the middle of March because the former needs to be approved before the beginning of the upcoming fiscal year (i.e., April). The Bill apparently will be submitted around the middle of March 2020.

The comments on the Proposal are sought until January 20, 2020.

¹ Tentative English translation is available at <https://search.e-gov.go.jp/servlet/PcmFileDownload?seqNo=0000196591>

² Tentative English translation of “Report regarding trade practices on digital platforms (Business-to-Business transactions on online retail platform and app store)” issued on October 31, 2019 is available at <https://www.jftc.go.jp/en/pressreleases/yearly-2019/October/191031.html>

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