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## ARTICLES

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### Revision of the Patent Law to Simplify Verification of Patent Infringement and Corporate Response\*

The First Subcommittee  
The Second Patent Committee

#### (Abstract)

The Consultation Group on Intellectual Property Litigation was held under the Office for Promotion of Justice System Reform to consider each of the points of argument, specifically, the relationship between judgments on invalid patents in patent right infringement lawsuits and decisions in trials for invalidation, introduction of expertise in intellectual property lawsuits, and measures to simplify verification of infringement. A bill for the "Law for Establishing the Intellectual Property High Court" and a bill for the "Law for Amending a Part of the Court Organization Law," both of which are compiled based on the result of the consideration, were approved and became law in the Diet on June 11, 2004 and will come into force on April 1, 2005.

This report summarizes the key points of revision of the Patent Law while focusing attention on the revision that directly affects judicial practice, specifically, development of in-camera proceedings and protection of trade secrets in infringement lawsuits, both of which are related to the simplification of verification of infringement. This report also examines practical problems when utilizing the systems newly introduced this time and compares these systems with the systems of European countries and the United States.

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#### 1. Introduction

The Recommendations of the Justice System Reform Council was published in June 2001. In the recommendations, the reinforcement and speeding up of intellectual property lawsuits was positioned as part of an international strategy under the title of "Strengthening of Comprehensive Response to Cases Related to Intellectual Property Rights," and it was also positioned as one of the most important issues on which the whole government should work. Based on this point of view, a bill concerning (i) planned proceedings for advancing lawsuits as planned, (ii) expansion of procedures for collection of evidence before institution of a lawsuit, (iii) expert commissioner system in which experts are involved in trials, and (iv) concentration of jurisdiction to establish substantial "patent courts" for intellectual property lawsuits were approved

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and became law on July 9, 2003 for the purpose of reinforcing and speeding up civil procedure in general. The law has been in force since April 1, 2004 (Law for Partial Amendment of the Code of Civil Procedure, Etc. (Law No. 108 of 2003)).

On the other hand, the Strategic Council on Intellectual Properties established under Prime Minister Junichiro Koizumi decided the Intellectual Property Policy Outline in July 2002. The outline also advocates the strengthening of protection of intellectual property, and it states that the Government of Japan will consider ideal court procedures from a variety of viewpoints, including measures to achieve dispute settlement in single proceedings, to ensure reasonable dispute settlement and will draw a conclusion by the end of 2004. The outline also states that the Government of Japan will draw a conclusion relating to the new judicial system in which experts participate in judicial proceedings, including expansion and clarification of the role of court research officials, by the end of 2004, and that the Government of Japan will take necessary measures by the end of 2005 for further enhancement of the procedures for collecting evidence in accordance with the characteristics of intellectual property-related lawsuits, including protection of trade secrets.

To realize matters advocated in the recommendations and outline, the Consultation Group on Intellectual Property Litigation was held in October 2002 under the control of the Office for Promotion of Justice System Reform, and the consultation group considered each of the points of argument, specifically, the relationship between judgments on invalid patents in patent right infringement lawsuits and decisions in trials for invalidation, introduction of expertise in intellectual property lawsuits, and measures to simplify verification of infringement. Bills based on the results of those considerations were approved and became law in the Diet on June 11, 2004, and were due to become effective on April 1, 2005 as the Law for Establishing the Intellectual Property High Court (Law No. 119 of 2004) and the Law for Amending a Part of the Court Organization Law (Law No. 120 of 2004).

This report considers the means of practically utilizing the new systems in patent disputes and measures for responding to the systems from the standpoint of patentees and suspected infringers, while focusing attention on the revision

that directly affects judicial practice, specifically, development of in-camera proceedings and protection of trade secrets in infringement lawsuits, both of which are related to verification of infringement. Through the revision of this time, the Unfair Competition Prevention Law and other laws were revised in the same way, but this report conducts examination with a focus on the cases of patent right infringement lawsuits.

The following summarizes the key points of the revision of the Patent Law and describes practical problems to be considered when utilizing the newly-introduced systems and the result of comparison between these systems and the systems of European countries and the United States.

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## **2. Order for the Production of Documents in Infringement Lawsuits**

It is often difficult for patentees who are plaintiffs in patent infringement lawsuits to verify the fact of infringement and the damages because information necessary for verifying the fact of infringement by defendants is unevenly distributed. For example, with respect to technology related to a manufacturing method that is used only in factories, it is hard to capture infringement in the public domain. For software-related technologies, even if a plaintiff was able to acquire the suspected infringing products, it is difficult to analyze them.

Consequently, in patent infringement lawsuits, defendants assume the obligation to deny infringement with reasons, i.e. obligation to clar-

ify relevant act in a concrete manner (Section 104bis of the Patent Law (hereinafter referred to as "PL")), and plaintiffs are allowed to file an application for order for the production of documents prescribed in the general provisions of the Code of Civil Procedure (Article 220, Item (4) of the Code of Civil Procedure (hereinafter referred to as "CCP")) as well as an application for order for the production of documents for the purpose of verifying the damages (Section 105 of the PL). If an application is accepted, the court will issue an order for the production of documents to a person subject to the application (defendant in a patent infringement lawsuit: hereinafter the same), and information owned by the defendant will be produced to the court. However, since the fact remains that plaintiffs have a burden of verification of patent right infringement, exploratory applications that are easily filed without such verification are not accepted. Therefore, plaintiffs are required to file an application after collecting the information about the defendant's products that is necessary for verifying patent right infringement or if the relevant information cannot be acquired for asserting infringement by the defendant, then collecting surrounding facts that suggest patent right infringement from the information in scientific papers or on websites.

In relation to the issuance of an order for the production of documents, if a person subject to the order has to disclose his trade secrets in the course of determining the existence of the disputed infringement, the business activities of the person subject to the order can be expected to lose their advantage, for example, in the case where know-how, which is irrelevant to the technology belonging to the technical scope of the relevant patented invention, but is inseparable from the issue in dispute, is used.

In such a case, whether or not the person subject to the order can refuse to produce the documents containing trade secrets depends on whether or not there is a "legitimate reason" in relation to Section 105 of the Patent Law, whether or not the trade secret falls under the matters on "technological or professional secrets" in relation to Article 220, Item (4) of the Code of Civil Procedure, or whether or not the document subject to the application falls under the "document to be offered only for the use of a holder of the document."

With respect to "legitimate reason" and "technological or professional secrets," according to judicial precedents and common belief, not all trade secrets are exempted from the obligation to produce, but the advisability of refusing production of a document is determined with respect to each specific case through weighing the damages that may be incurred by the holder of the document due to disclosure of the trade secrets and damages that may be incurred by the parties to the lawsuit due to non production of the document. Regarding a "document to be offered only for the use of a holder of the document," a document falls under such a document if the following conditions are satisfied: (1) the document is not planned to be disclosed to outsiders, (2) disclosure is regarded as likely to cause considerable damages to the holder of the document and (3) there is no special reason.

If the court determines that there is no legitimate reason (Section 105 of the PL and Article 220, Item (4) of the CCP) in relation to an application for order for the production of documents, it will issue an order for the production of documents. If a person subject to the order is dissatisfied with the order, he may file an immediate Complaint (Article 223, Paragraph 7 of the CCP).

The Code of Civil Procedure provides that if the person subject to the order does not comply with the order, the court may admit the truth of the assertion of the applicant relating to a statement of the document (matters relating to indication and purport) (Article 224, Paragraphs 1 and 2 of the CCP). Furthermore, the Code of Civil Procedure also stipulates that the court may admit the truth of the assertion of the applicant relating to the facts to be verified by the relevant document, i.e. facts that must be verified, when it is deemed proper, provided that certain requirements are fulfilled (Article 224, Paragraph 3 of the CCP). It is necessary to pay special attention to the application of Paragraph 3 since it may cause serious consequences directly connected to the loss of a lawsuit or a large compensation for damages.

### **3. Development of In-Camera Proceedings**

According to the provision relating to ap-

plication for order for the production of documents under the Patent Law (Section 105(1) of the PL), the court may, upon the request of a party, order the other party to produce documents necessary for the “verification of alleged infringement” or the “assessment of the damages caused by the infringement,” and the party subject to the order may refuse to produce the documents when having a legitimate reason. In response to this provision, Section 105(2) of the Patent Law stipulates, in the same way as the provision of the Code of Civil Procedure, that the court may determine through in-camera proceedings whether there is a legitimate reason for refusing the production of the documents in accordance with Section 105(1) of the Patent Law.

However, since the plaintiff side cannot directly see evidence presented by the defendant side and thus cannot become involved in determining whether there is a legitimate reason, there has arisen a sense of mistrust of in-camera proceedings. Consequently, the necessity of developing in-camera proceedings has been pointed out.

To ensure the transparency of the procedure taken by the court to determine the existence of a legitimate reason, the Patent Law was thus revised to enable the court to disclose documents subject to in-camera proceedings to the person who filed the application for the order for the production of documents at its own discretion (Section 105(3) of the PL). Documents are disclosed to “parties, etc., process attorneys or assistants.” Parties, etc. here refers to parties (officer representing a legal entity in the case of a legal entity) or representatives of the parties (excluding process attorneys and assistants), employers and other employees.

On the part of persons who file an application for order for the production of documents, they can dispel mistrust of the in-camera proceedings through an opportunity to directly express their opinions on the existence of a legitimate reason, while the court will become able to determine the existence of a legitimate reason in a prompt and precise manner after listening to the opinions of both sides.

On the part of the holders of documents, it is necessary for them to assert and verify the existence of a legitimate reason for refusing production of documents in a way that is impervious to counterarguments by the applicants.

## 4. Protection of Trade Secrets in Infringement Lawsuits

### 4.1 Order to Keep Secret and Cancellation Thereof

#### (1) Order to Keep Secret (Section 105quater of the PL)

The handling of trade secrets disclosed through in-camera proceedings has become an issue during discussions on in-camera proceedings by the Consultation Group on Intellectual Property Litigation. In addition, it has been difficult, in some cases, in the past to collect or produce evidence that contains trade secrets. For example, there have been cases where the defendant refuses to produce documents against an application for order for the production of documents filed by the plaintiff on the grounds of the existence of trade secrets or where the plaintiff cannot actively make a plea for prior use.

Therefore, provisions concerning orders to keep secret and other related matters were newly established in order to facilitate production of documents containing trade secrets in the procedures for collecting evidence by securing the protection of trade secrets in in-camera proceedings through development of a means of protecting trade secrets. A person who receives an order to keep secret is prohibited from using trade secrets for purposes other than pursuing the relevant lawsuit and from disclosing the trade secrets to those who are not subject to the order until the order is cancelled (Section 105quater(1) of the PL). The violation of this provision is subject to punishment (Section 200bis of the PL).

Subject to an order to keep secret are trade secrets contained in documentary evidence, including preparatory documents (including those previously produced), documents subject to an order for the production of documents that were disclosed in in-camera proceedings, and documents disclosed in closed examination. An order to keep secret is issued only for the trade secrets, which parties, etc. could know first in the process of relevant lawsuit (proviso of Section 105quater(1) of the PL).

“Trade secrets” refer to production methods, sales methods and other technological or business information that is useful for business activities, which are managed as secrets and not

known publicly (same as in Article 2, Paragraph 4 of the Unfair Competition Prevention Law). Not all trade secrets are subject to an order to keep secret, and the fulfillment of requirements under Section 105quater(1)(ii) of the Patent Law is necessary.

Subject to an order to keep secret (addressees) are parties, etc., process attorneys and assistants. Generally, subject to an order to keep secret are plaintiffs in court but a defendant may become subject to an order to keep secret if preparatory documents produced by a plaintiff describes trade secrets.

It is not necessary to describe trade secrets themselves in an application, and it is enough to describe the fact sufficient to identify relevant trade secrets, for example, "... described in line XX on page XX of Ko Evidence No. XX" (Section 105quater(2)(ii) of the PL).

It is possible to file an application for an order to keep secret before or at the same time of producing documentary evidence, but an application should be filed before production of documentary evidence to ensure the effectiveness of protection of trade secrets.

If an order to keep secret is issued, the court will send a written decision to the person subject to the order (Section 105quater(3) of the PL), and the order will become effective when the written decision is sent (Section 105quater(4) of the PL). An applicant may make an immediate Kokoku-appeal against the dismissal of an application (Section 105quater(5) of the PL).

#### (2) Cancellation of an Order to Keep Secret (Section 105quinquies of the PL)

If an order to keep secret is issued, it is not possible to directly appeal against the order but it is possible to make an application for cancellation of the order (Section 105quinquies(1) of the PL).

A "person who applied for or received an order to keep secret" can file an application for cancellation. An application for cancellation is filed with a court that has the record of proceedings (the court that issued the order to keep secret if there is no court having the record of proceedings). For cancellation, an applicant has to verify, as a reason, that the order to keep secret lacks or has come to lack requirements (Section 105quater(1) of the PL).

Specifically, the reason must be that there is already no risk that disclosure of relevant trade secrets will obstruct the business activities of a party based on the trade secrets.

If a court decision was made with respect to an application for cancellation, the court will send a written decision to the applicant and other party (Section 105quinquies(2) of the PL). Parties may make an immediate Complaint against the court decision (Section 105quinquies(3) of the PL), and the court decision becomes effective when it becomes final (Section 105quinquies(4) of the PL).

If the court makes a decision to cancel an order to keep secret, the decision will be notified to those under the order to keep secret (Section 105quinquies(5) of the PL). The purpose of this provision is to prevent leakage of trade secrets to a person who is not subject to an order to keep secret anymore by notifying other addressees of the cancellation, because if the order to keep secret against the person is cancelled, disclosure to that person, which has been legitimate before the cancellation, will become illegal.

#### 4.2 Notification of Request for Inspection of the Record of Proceedings and Suspension of Disclosure of Examination of the Parties

##### (1) Notification of Request for Inspection of the Record of Proceedings (Section 105sexies of the PL)

Article 92, Paragraph 1 of the Code of Civil Procedure is a provision that restricts those who can request inspection, etc. of parts stating secrets to parties. However, the provision does not prohibit employees who are not the addressees of an order to keep secret from requesting inspection, etc. as a party. The purpose of the provision of Section 105sexies is to notify a person who filed an application for restriction of inspection (Article 92, Paragraph 1 of the CCP) that a request for inspection was made to give the person who received the notification, an opportunity to file an application for an order to keep secret.

If the following requirements are fulfilled, a court clerk will send a notification immediately after receiving a request for inspection (Section 105sexies(1) of the PL).

1) The record of proceedings is related to a lawsuit for which an order to keep secret (Section 105quater of the PL) was issued.

2) A decision under Article 92, Paragraph 1 of the Code of Civil Procedure has been made.

3) A request for inspection, etc. of the part stating a secret has been made.

4) A person who conducted the procedure for the request has not received an order to keep secret.

Section 105sexies(2) of the Patent Law stipulates that a person who made a request under Subsection (1) should not be allowed to inspect the part stating a secret under Subsection (1) until two weeks have passed since the request was filed. Parties concerned who received a notification may file an application for an order to keep secret in accordance with Section 105quater of the Patent Law. If an application for an order to keep secret is filed, the inspection of the part stating a secret will be prohibited until a court decision on the application becomes final (in parentheses of Section 10sexies(2) of the PL).

## (2) Suspension of Disclosure of Examination of the Parties (Section 105septies of the PL)

This provision stipulates requirements and procedures for suspending disclosure in a lawsuit over trade secrets within the scope of the principle of public trial prescribed in Article 82 of the Constitution of Japan.

The requirements for suspension of disclosure are as follows:

1) A lawsuit is related to the infringement of a patent right or exclusive license;

2) A matter serves as a basis for determining the existence of the infringement;

3) A matter falls under trade secrets owned by a party;

4) Parties, etc. undergo examination as the principal, legal representative or witness;

5) Parties, etc. cannot make sufficient statement about the relevant matter since it is clear that a statement on the matter by a party, etc. in court will considerably obstruct the business activities of the party based on the relevant trade secret; and

6) Due to the lack of the statement, the court cannot conduct a fair trial over the existence of infringement of a patent right or exclusive license with other evidence alone, which

should be determined based on the relevant matter.

In such a case, the court may conduct an examination on the relevant matter privately by a unanimous ruling of judges (Section 105septies(1) of the PL).

In addition, the Patent Law provides for the procedure for suspending disclosure as follows.

1) The court has to hear the views of the parties, etc. before making a decision under the preceding subsection (Section 105septies(2) of the PL).

2) Where deemed necessary in the case of the preceding subsection, the court may invite a party, etc. to present the document describing the summary of matters to be stated. In such a case, no person may request the disclosure of the document presented (Section 105septies(3)).

3) Where deemed necessary to disclose the document under the last sentence of the preceding subsection and hear views of parties, etc., process attorneys or assistants, the court may disclose the relevant document to the parties, etc., process attorneys or assistants (Section 105septies(4)). Incidentally, the document is subject to application for an order to keep secret.

4) When the court privately carries out an examination on the relevant matter under the provision of Subsection (1), it shall indicate such with reasons before directing the public to leave court. The court shall invite the public to enter the court after completing the examination on the relevant matter. (Section 105septies(5) of the PL).

## 5. Practical Problems to Be Considered

Figures 1 and 2 show operational flows in the case where an order to keep secret and cancellation thereof are issued in procedures for in-camera proceedings, inspection of the record of proceedings and suspension of the disclosure of examination of parties. These operation flows were prepared by the Second Patent Committee based on lectures given by judges. Please note that they are subject to change depending on the status of operation in the future.

The following part describes practical problems to be considered when using the systems newly introduced this time, including in-camera proceedings, orders to keep secret and cancellation thereof.

(1) Relationship between an Order to Keep Secret and Legitimate Reason

It is not true that the fact that a document contains a trade secret immediately falls under a legitimate reason (proviso of Section 105(1) of the PL) and that all trade marks are exempted from the obligation to produce documents. The court determines whether there is a legitimate reason for refusing production with respect to each specific case through weighing of damages that may be incurred by the holder of a document due to disclosure of trade secrets and damages that may be incurred by the parties to the lawsuit due to non production of the document.

In this regard, there has been a case in which the court determined that the fact that a document contains a trade secret is not a legitimate reason for refusing production of a document if an application for an order for the production of documents was filed for the purpose of assessing damages. This is probably because the court determined the existence of a legitimate reason with more emphasis on the verification of damages than the protection of trade secrets since discussion shifts in general to damages after thorough proceedings of infringement.

On the other hand, in the case of an order for the production of documents for verification of infringement, the existence of infringement itself is disputed, and the status of interests in this case is different from in the above-mentioned case where the impression that infringement is highly likely to exist has already formed and proceedings for infringement have been thoroughly conducted. The issuance of an order for the production of documents should be carefully determined in this case.

Through the latest revision, damages incurred by the holder of a document due to disclosure of trade secrets were eliminated by the systems of orders to keep secret and punishment. It is also possible to say that weight on the protection of trade secrets in determining the existence of a legitimate reason was reduced.

However, it is essential for the holders of documents to develop a system to monitor com-

pliance with an order to keep secret, and even if there are punishments, the holders of documents may incur irremediable damages once their trade secrets are leaked. In addition, it is not clear whether deterrence by criminal punishment is effective.

It is desired that the court preside over proceedings in sufficient consideration of damages incurred by the holders of documents, in terms of the issuance of an order for the production of documents and an order to keep secret.

The court has also presided over proceedings to avoid the unnecessary disclosure of trade secrets in the past, which has been effective. Therefore, it is considered appropriate to adopt an operation based on the combination of an order to keep secret subject to the latest revision and conventional operations.

(2) Problems to Be Considered in Relation to Those who Receive Disclosure in In-Camera Proceedings

Although the court makes the final determination of who receives disclosure in in-camera proceedings at its own discretion, the defendant who is the holder of documents and discloses information should make a request to the court for restricting the disclosure of the information for which leakage cannot be monitored or verified. For example, if materials are disclosed to several persons, even if the content disclosed is formally protected by an order to keep secret, in reality, there is a higher possibility of leakage of the content disclosed. In addition, to prevent leakage, the defendant side has to bear increasing burden of monitoring, and even if the content disclosed is leaked, it will not be possible to identify who leaked the content and it will be hard to verify that the plaintiff leaked the content.

On the other hand, the problem of those who receive disclosure is how to select those who receive disclosure. In the case that a party is a legal entity, if an excellent employee receives disclosure and is exposed to the trade secrets of the other party as a representative of the party, it will affect future research and development. In short, an order to keep secret is issued to the person who receives disclosure (Section 105quater of the PL), and the person will not be able to engage in research and development relating to the content disclosed for fear of constituting the

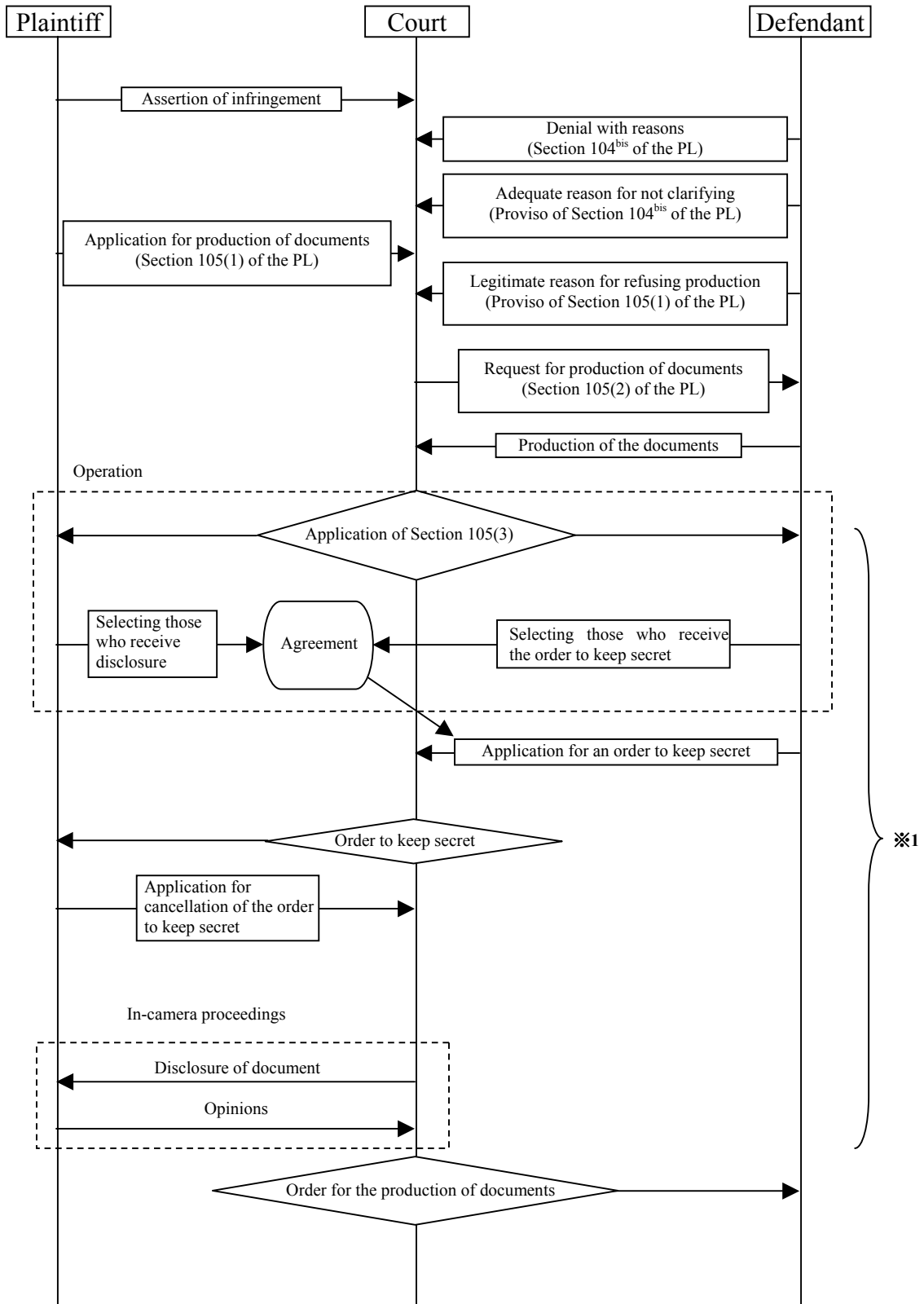


Figure 1 Operation Flow 1 (In-camera proceedings – order for the production of documents)



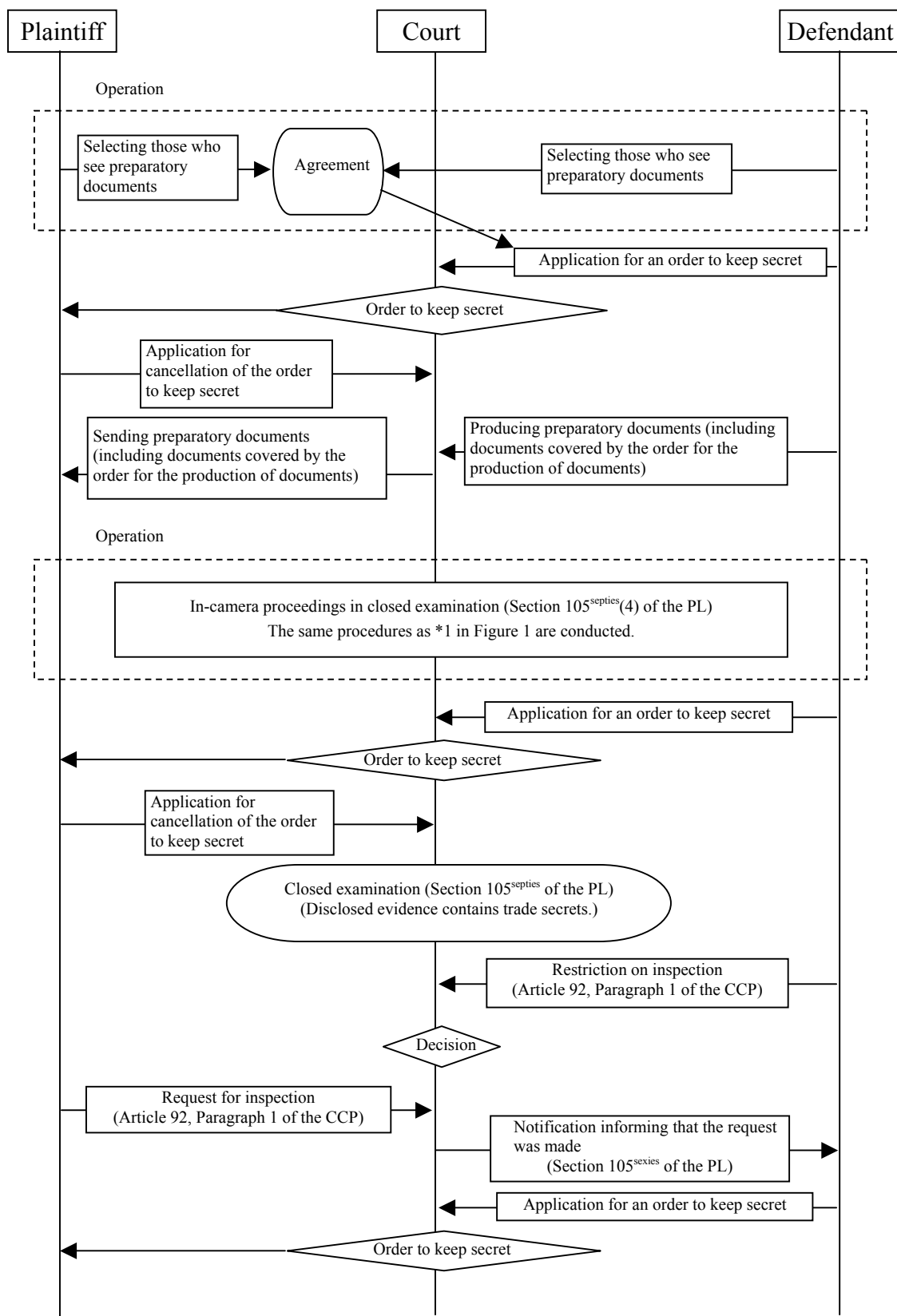


Figure 2 Operation Flow 2 (production of preparatory document – closed examination – inspection of the record of proceedings)

offence of violation of the order to keep secret (Section 200bis of the PL). Therefore, it is necessary for parties to carefully consider the level of employees who receive disclosure in the case of having them receive disclosure. For example, possible candidates are those who have come off front-line development and those who are about to retire. In addition, although an intellectual property division staff may receive disclosure instead of developers, it is also necessary to carefully consider the staff who receive the information in the same way as for developers because it will become difficult for the staff to engage in application procedures in the future.

In this regard, it is also possible to have a third party receive disclosure as a representative in order to prevent causing obstacles to research and development or filing of patent applications in the future (Section 105(3) of the PL). The first possible option is that a process attorney or assistant receives disclosure. However, considering that a person who receives disclosure has to understand the content of technology disclosed, it is in some cases hard to choose this option depending on the difficulty of relevant technology. In that case, it is possible to have third-party private expert witnesses (experts or intellectuals in the technology, for example, university professors, those who have retired from the company) receive disclosure as representatives of the parties. Since they are experts in the technology, they can understand complicated technical fields. This is considered the most prudent scheme since it causes little risk of obstructing the promotion of development in companies.

However, the parties have to take responsibility for leakage of secrets by private expert witnesses since private expert witnesses are their representatives (Section 201(2) of the PL). Therefore, the parties should select reliable persons as private expert witnesses.

Based on the above, it is desired that the court adopts an operation in which documents are disclosed in stages depending on the difficulty of the content thereof (for example, documents are disclosed at first only to a process attorney, and if it is difficult to determine, the documents are disclosed to a private expert witness familiar with the relevant technology who is a representative of the party) and operation in which the period of disclosure can be flexibly changed for difficult materials. Incidentally, a

similar consideration is necessary for in-camera proceedings (Section 105septies(3) and (4) of the PL) for suspension of disclosure of examination of the parties.

### (3) Problems to Be Considered in Relation to Those who Should Receive the Order to Keep Secret (Addressee)

It is clear that those who receive the order to keep secret are those who receive disclosure of documents in in-camera proceedings. On the other hand, for preparatory documents or examination in closed proceedings, a party who files an application for an order to keep secret has to decide in advance those who receive disclosure (addressees) through negotiations with the other party since it is not clear who will see preparatory documents or will witness examination on the side of the other party. Based on this agreement, the applicant writes the names of addressees (who receive the order to keep secret) in the application.

There may be cases where the party subject to the order wants to have an employee who has not received the order to keep secret participate in discussions relating to trade secrets. In that case, the employee who has not received the order should inspect preparatory documents and other documents after making a request for inspection under Section 105sexies of the Patent Law and receiving an order to keep secret.

On the side of the party who files an application for an order to keep secret, the only means of restricting the other party making a request for inspection is concluding an individual contract. Therefore, it is desired that the court preside over proceedings in relation to the issuance of an order for the production of documents in the manner that will not cause excessive damage to the party who produces documents.

### (4) Problems to Be Considered in Relation to Cancellation of an Order to Keep Secret

The validity of an order to keep secret continues up until when the cancellation thereof becomes final. However, the problem is that it is necessary to file an application for cancellation of an order to keep secret even if relevant trade secrets have become publicly known in advance of the cancellation of the order. Since trade secrets that have become publicly known are not

trade secrets anymore (Article 2, Paragraph 4 of the Unfair Competition Prevention Law), there may be no problem even if a relevant order to keep secret has lapsed when the trade secrets become publicly known. However, a person may be accused of leaking secrets because the order to keep secret remains effective until the cancellation thereof becomes effective after the final decision of cancellation.

Although whether a lawsuit is actually instituted is another matter, the fact of being accused may become a problem in some cases. Therefore, the party who received the order to keep secret should promptly file an application for cancellation of the order if the requirements for the order are no longer fulfilled.

#### (5) Problems to Be Considered in Relation to the Description of a Written Decision

As another problem, although restriction on inspection under Article 92 of the Code of Civil Procedure is considered effective also in the case where a written decision contains the part stating a secret, the court cannot issue an order to keep secret to those who inspect the written document since trade secrets described in the written decision sent are not subject to an order to keep secret. For effective protection of trade secrets, it is desired that the court adopt the operation in which a written decision is described without citing trade secrets or the operation in which two kinds of written decisions are prepared for those who have received the order to keep secret and those who have not.

On the other hand, descriptions in preparatory documents are often cited in written decisions, so parties should present trade secrets only as evidence without describing them in preparatory documents wherever possible.

## 6. Comparison with the Systems of European Countries and the United States

### (1) Characteristics of Collection of Evidence and Protection of Secrets under the Justice Systems of European Countries and the United States

The Consultation Group on Intellectual Property Litigation also studied the procedures for collecting evidence and protection of trade

secrets while referring to the procedures of other countries. However, it is necessary to pay attention to the following principle differences between common law (United Kingdom, United States, Canada, etc.) and continental law (Germany, France, Japan, etc.). Common law takes a stance of conducting a fair trial by having parties disclose documents in hand to other parties and allowing inspection thereof by other parties regardless of their own advantage or disadvantage, while continental law takes a stance that no one is obliged to provide evidence that is disadvantageous to oneself.

Under common law, parties may, in principle, mutually request provision of information or discovery, and the requested party is obliged to disclose relevant information in principle regardless of whether disclosure is advantageous or disadvantageous. However, in the United States, there is the system of protective order for disclosed trade secrets, and judges and process attorneys generally have an obligation to keep secrets. In the United Kingdom, trade secrets are protected through issuance of an instruction to prohibit use outside a relevant lawsuit or by a restriction on the scope of people who receive disclosure and imposition of a confidentiality obligation on those people. According to judicial precedents, closed proceedings are admitted for the cases in which trade secrets become an issue, and there is the tendency of protecting trade secrets wherever possible. Under common law, punishments such as dismissal of an assertion, a fine due to contempt of court and detention are imposed in the case of violation of an order for the production of documents while punishment for the offence of contempt of court is also imposed in the case of violation of an order to keep secret.

On the other hand, there is no system resembling discovery in the continental law system adopted by Germany and other countries. However, an order for the production of documents and an advance expert opinion in writing are available, though they are not binding, when a judge considers them necessary and useful. Although the parties, assistant participants, expert advisers to the parties can witness closed proceedings based on the principle of trial open to the parties, trade secrets are protected through imposition on those in court of the obligation to keep secret at the court's discretion without re-

quiring an argument or a statement of reasons. Furthermore, in Germany, punishment under procedural law is available, though it is not binding, if a person violated an order for the production of documents, and a person who violated an order to keep secret is also liable to punishment of restricted freedom not exceeding one year or a minor fine.

In this manner, common law strengthens protection of secrets based on the principle that information is disclosed while continental law tends to promote disclosure of evidence by strengthening protection of secrets. At any rate, countries are advancing various measures to expedite litigation, and they are correcting various systems by improving provisions concerning protection of secrets while giving binding power to the collection of evidence and orders for the production of documents and by providing punishments for violation of an order for the production of documents and orders to keep secret. There is compromise among their systems.

## (2) Comparison with Reform of Systems in Japan

In the latest revision of the Patent Law, Japan passed on the introduction of procedures resembling discovery in the United States and the preparatory procedures for organizing points disputed by parties and for collecting evidence as in the United Kingdom, and improvement of the obligation to produce documents was considered to be sufficient. The systems of in-camera proceedings and orders to keep secret were developed for the reason that trade secrets should also be collected as evidence, and penal provisions (criminal penalty) for violation of an order to keep secret were also established.

By using other countries' legal systems and procedures as references as mentioned above, Japan promoted the strengthening of the procedures for collecting evidence (establishment of the system of order for the production of documents and in-camera proceedings) and protection of secrets, and difference from European countries and the United States seems to have been reduced. For example, collection of evidence conducted based on Section 105 of the Patent Law, which provides that documents may be disclosed by the order of the court, is similar to motion for discovery in the United States and request for provision of further information in

the United Kingdom in the point that the court issues an order.

An order to keep secret issued based on Section 105quater to septies of the Patent Law is similar to the protective order in the United States and the court decision in the United Kingdom that information obtained through provision of further information is used only for the relevant lawsuit.

However, after the latest revision, Section 105(3) of the Patent Law stipulates "parties, etc." as the scope of those to which the court can disclose information, but there are no provisions concerning the conditions of disclosure and the scope thereof (scope of evidence and scope of those who receive disclosure). Consequently, these matters are expected to largely depend on the court's discretion, and it is necessary to pay attention to future operations.

It is desired that the court adopts an operation in which parties can set the conditions of information disclosure and the scope thereof (scope of evidence and scope of those who receive disclosure) based on mutual agreement in the same way as under the protective order in the United States and provision of further information in the United Kingdom as mentioned above.

The penal provisions for violation of an order to keep secret (Section 200bis of the PL) are different from the provisions that affect the result of a relevant patent right infringement application (for example, punishment for the offense of contempt of court), and it is necessary for a party to continuously monitor violations by the other party and file a lawsuit separately to the relevant patent right infringement lawsuit. It is thus not clear what degree of effect these provisions have for the protection of secrets. If these penal provisions do not have a sufficient effect as deterrents, it is necessary to consider establishing effective penal provisions, for example, introduction of the offense of contempt of court in the same way as European countries and the United States.

## 7. Summary

This report considered the contents of the revision of the Patent Law and corporate response with respect to simplification of verification of infringement in patent right infringement

lawsuits in fiscal 2004. Although it is obvious that the collection of evidence for verification of infringement in patent right infringement lawsuits will become easier as a result of the latest revision, it is also true that parties have to bear new burdens and pay attention to new matters. The large part of operation remains unclear because the law has not yet come into effect, but the users of the systems should actively express opinions on the operations of the systems while cooperating in the prompt proceedings by the court.

At the present moment, the effectiveness of the order to keep secret is not clear, and therefore, parties should first consider a strategy for proceeding with lawsuits in their own favor without disclosing trade secrets. It is thus considered appropriate to examine the production of evidence without disclosing trade secrets as in the past. If trade secrets must be disclosed, parties should request the court to allow them to set the scope of disclosure in a way that reduces the burden of monitoring to protect the secrets.

In addition, it is desired that legal remedies for protection of trade secrets in general will be provided not only in infringement lawsuits but also in lawsuits relating to intellectual property.

#### References: Text of the Revised Patent Law (Referential English Translation)

\*See the Japanese text for the original text.

#### (Production of documents, etc.)

Section 105(3) In the case of the preceding subsection, where it is deemed necessary to disclose documents under the provision of the last sentence of the preceding subsection and hear the views about whether a legitimate reason prescribed in the proviso of Subsection(1) exists, the court may disclose relevant documents to parties, etc. (parties (officer representing a legal entity in the case of a legal entity) or their representatives (excluding process attorneys and assistants), and employers and other employees: the same applies hereafter), process attorneys and assistants.

#### (Order to keep secret)

Section 105quater In a litigation directed to the infringement of a patent right or exclusive license, where a party made an explanation of the assertion that his own trade secret (referring to trade secrets prescribed in Article 2, Paragraph 4 of the Unfair Competition Prevention Law (Law No. 47 of 1993): hereinafter the same) falls under all of the following matters, the court may, upon the request of the party, order, by ruling, parties, etc., process attorneys or assistants not to use the relevant trade secret for purposes other than pursuing the relevant litigation or disclose it to those who have received the order concerning the relevant trade secret under the provision of this subsection. However, this provision shall not apply where parties, etc., process attorneys or assistants have obtained or owned the relevant trade secret by inspection of preparatory documents prescribed in Paragraph (i) or investigation of evidence prescribed in the said paragraph or by a means other than disclosure.

(i) A trade secret owned by a party is described in a preparatory document already submitted or to be submitted, or a trade secret owned by a party is included in the content of evidence already investigated or to be investigated (including documents disclosed in accordance with Section 105(3) or statements disclosed in accordance with Section 105septies(4)).

(ii) There is a risk that the business activities of a party based on the trade secret will be obstructed if the trade secret under the preceding paragraph is disclosed or used for purposes other than pursuing the litigation or if the trade secret is disclosed, and it is therefore necessary to restrict the use or disclosure of the trade secret to prevent that.

2 An application for the order under the preceding subsection (hereinafter referred to as "order to keep secret") shall be made by a statement describing the following matters.

(i) A person who is to receive the order to keep secret

(ii) Facts sufficient to identify a trade secret to be covered by an order to keep secret

(iii) Facts that fall under the grounds referred to in the paragraphs of the preceding subsection

3 Where an order to keep secret was issued, the court shall send a written decision thereon to a person who received the order.

4 An order to keep secret shall become effective when a written decision is sent to a person who received the order.

5 An immediate Kokoku-appeal may be made against the court which dismissed an application for an order to keep secret.

(Cancellation of an order to keep secret)

Section 105quinquies A person who filed an application for an order to keep secret or received such an order may file an application for cancellation of the order with the court where the record of proceedings exists (if there is no such court, the court that issued the order) on the grounds that requirements prescribed in Subsection (1) of the preceding section are lacking or are no longer fulfilled.

2 Where a court decision was made on an application for cancellation of an order to keep secret, the court shall send a written decision to a person who filed the application and other party.

3 An immediate Kokoku-appeal may be made against a court decision on an application for cancellation of an order to keep secret.

4 A court decision canceling an order to keep secret shall not become effective until it becomes final.

5 Where the court makes a decision canceling an order to keep secret, if there is a person subject to the order to keep secret for the relevant trade secrets in a litigation in which the order to keep secret was issued to a person other than the applicant and other party, the court shall immediately notify the person that it made a decision canceling the order to keep secret.

(Notification of request for inspection of the record of proceedings, etc.)

Section 105sexies Where a decision under Article 92, Paragraph 1 of the Code of Civil Procedure was made for the record of proceedings concerning a litigation in which an order to keep secret was issued (excluding the case where the order to keep secret was completely cancelled), if a party requested inspection of the part stating a secret prescribed in the said subsection and a

person who carried out the procedure for requesting an inspection has not received the order to keep secret in the relevant litigation, the court clerk shall notify a person who filed the application mentioned in the said subsection (excluding the person who made a request under the subsection: the same applies to Subsection (3)) of that request immediately after the request was made.

2 In the case of the preceding subsection, the court clerk shall not allow the person who carried out the procedure for request, inspect the part stating a secret before two weeks have passed since the day of the request under the said subsection (if an application for an order to keep secret was filed against the person who carried out the procedure by that date, until a court decision on the application becomes final).

3 The provisions of the preceding two subsections shall not apply where all parties who made an application under Article 92, Paragraph 1 of the Code of Civil Procedure agree to have the person who made a request under Subsection (1) inspect the part stating a secret.

(Suspension of disclosure of examination of parties, etc.)

Section 105septies Where a party, etc. in a litigation directed to the infringement of a patent right or exclusive right undergoes examination as the principal, legal representatives or witnesses with respect to a matter which serves as a basis for determining the infringement of the patent right or exclusive license and falls under trade secrets owned by the party, the court may privately carry out examination concerning the relevant matter by unanimous ruling of judges if the party, etc. cannot make sufficient statement on the relevant matter since it is clear that such statement by the party in open court will considerably obstruct the business activities of the party based on the relevant trade secret and the court deems that it cannot conduct a fair trial on the infringement of the patent right or exclusive license, which should be determined based on the relevant matter, with other evidence alone due to lack of the said statement.

2 The court shall hear the views of the parties, etc. before making a decision under the preceding subsection.

3 Where deemed necessary in the case of the preceding subsection, the court may invite a

party, etc. to present the document describing the summary of matters to be stated. In such a case, no person may request the disclosure of the document presented.

4 Where deemed necessary to disclose the document under the last sentence of the preceding subsection and hear views of parties, etc., process attorneys or assistants, the court may disclose the relevant document to the parties, etc, process attorneys or assistants.

5 When the court privately carries out an examination on the relevant matter under the provision of Subsection (1), it shall deliver such with reasons before directing the public to leave court. The court shall invite the public to enter court after completing the examination on the relevant matter.

(Offense of violation of an order to keep secret)

Article 200bis A person who violates an order to keep secret shall be liable to imprisonment with labor not exceeding three years or to a fine not exceeding 3,000,000 yen.

2 Prosecution shall not be instituted for the offense under the preceding subsection without litigation.

(Dual liability)

Section 201

Where an officer representing a legal entity or a representative, employee or any other servant of a legal entity or of a natural person has committed an act in violation of any of provisions prescribed in the following paragraphs with regard to the business of the legal entity or natural person, the legal entity or the natural person shall, in addition to the offender, be liable to the fine prescribed in the following paragraphs:

(i) Omitted

(ii) Section 197, Section 198 or Subsection (1) of the preceding section, a fine not exceeding 100 million yen

2. In the case of the preceding subsection, a litigation filed against the offender according to Subsection (2) of the preceding section shall be effective against the legal entity or the natural person, and a litigation filed against the legal entity or the natural person shall be also effective against the offender.

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