
REQUESTS OR OPINIONS

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To: Intellectual Property Policy Office
Economic and Industrial Policy Bureau
Ministry of Economy, Trade and Industry

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Opinions Regarding a Report Made by the Unfair Competition Prevention Subcommittee*

In response to the invitation for public comments that was made by the Intellectual Property Policy Office as of December 17, 2004, we would like to state our opinions as follows regarding the report titled “Direction of the Review of the Unfair Competition Prevention Law (Draft)” (hereinafter referred to as the “draft report”).

Note

I. Strengthening of protection for trade secrets

1. General issues (page 8 and thereafter in the draft report)

(1) Definition of trade secrets

As courts have applied strict standards for determining whether or not information is “kept secret,” protection for trade secrets has been afforded only in a relatively limited number of cases. Considering such circumstances, some argue that this requirement should be relaxed. However, this requirement serves as the basis for determining the unfairness of an alleged act and also provides those who commit the act with predictability of punishable acts; relaxation of this requirement would result in excessive restriction of free access to information. For this reason, how to strengthen protection for trade secrets should be discussed in the direction of expanding the scope of protection by criminal punishment while maintaining this requirement.

We recommend that the requirement of secrecy should be relaxed upon reviewing civil arrangements to be made as appropriate based on the outcome of the protection by criminal punishment.

(2) Intention (subjective requirement)

When the aim is to strengthen protection for trade secrets by criminal punishment, due consideration should still be given to conflicts of interests (with press freedom and freedom of whistle blowing). Therefore, the subjective requirement under the current law should be basically maintained.

However, as pointed out in 4(2) below, deliberate discussion will be necessary as to

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whether or not the scope of punishment can be defined by providing that persons who have subsequently obtained trade secrets shall be punished if they have “intention of unfair competition.” In cases where a person has left or retired from his/her company and moved to another company, and employees of the second company have obtained trade secrets from that person, such subjective requirement would raise an issue when determining whether or not to punish such employees of the second company and the second company itself.

2. Illegal use and disclosure of trade secrets in Japan and overseas (page12 and thereafter in the draft report)

(1) Necessity of punishment for an act in Japan and overseas

If an act is subject to exclusion from punishment for the reason that part of the act was conducted overseas despite the act falling under all the definitions of “acts” stipulated in the items (Article 14, Paragraph 1, Items 3 to 6) of the current Unfair Competition Prevention Law, the purport of protection by criminal punishment will be effaced (even if part of the alleged act is conducted overseas, the proprietary nature of trade secrets will be lost in the same way as in the case where the whole act is conducted within Japan, so it is also necessary to restrain such act). For this reason, we agree with the imposition of punishment on the illegal use and disclosure of trade secrets in Japan and overseas.

(2) Limitation of the scope of punishment

In this case, trade secrets to be protected should be limited to those of which proprietary nature is based on qualifications for trade secrets in Japan (specific to trade secrets) as long as the protection measure is a penal statute of Japan. For this reason, we agree with the limitation of trade secrets to be protected to trade secrets kept in Japan.

3. Illegal use and disclosure of trade secrets by those who have left or retired from companies (page 17 and thereafter in the draft report)

(1) Necessity of punishment for those who have left or retired from companies

If those who have left or retired from companies are excluded from the scope of punishment, protection by criminal punishment will be lukewarm, so punishment should be imposed in principle on illegal acts concerning trade secrets that are conducted by those who have left or retired from companies.

(2) Limitation of the scope of punishment

Although those who have left or retired from companies should be included in the scope of punishment, punishment should be limited to a certain scope out of the need for consideration of the increasing mobility of employment (including consideration of cases where an employee of a company obtains and uses or discloses trade secrets gained from another person who has joined the company having brought the trade secrets from his/her former company, the company to which the employee belongs is to be punished according to dual liability).

In consideration of the nature of trade secrets, that is, having proprietary nature as long as it is kept secret irrespective of technical information or sales information, we think that it is not appropriate to limit the scope of punishment by the period of secrecy or the nature of information but is appropriate to determine the scope of trade secrets protected by punishment based on an agreement concluded between parties concerned and to limit the imposition of punishment to the cases where the relevant agreement was violated, from the viewpoint of keeping a good balance between ensuring increasing mobility of employment and protecting trade secret holders.

Although we agree with such limitation of imposition of punishment to cases where a written secrecy agreement has been concluded with the former company, we consider that

means of limitation (agreement required from a legal standpoint, etc.) should be those which companies can respond to from a practical viewpoint, with the aim of exerting the preventive effect of penal provisions for those who have left or retired from companies. Specifically, means of limitation should be those which companies can respond to and the effectiveness of the means (and whether a person who conducted the alleged act had been aware of illegality) should be decided individually depending on specific cases. For example, agreements shall (1) not be limited to those which were concluded at the time when a person left or retired from his/her company (there should be room for accepting agreements concluded during his/her time in office as valid agreements). (2) The method of identifying trade secrets shall be left to the discretion of companies as long as trade secrets subject to protection are unambiguously defined. (3) The means of conclusion shall not be limited to those for typical agreements (in writing) accepting memoranda submitted by those who have left or retired from companies to former companies, and collection of several documents by which trade secrets subject to the secrecy obligation can be indirectly identified. (4) Compensation for conclusion of an agreement shall not be required in express terms.

4. Application of punishment of a company for its employee's act (corporate punishment) for the offence of trade secret infringement (page 25 and thereafter in the draft report)

- (1) Subject of corporate punishment (propriety of application to legitimate obtainment and illegal obtainment)

We agree, in principle, with punishment of companies that have illegally obtained (used or disclosed) trade secrets (victim companies that have legitimately obtained trade secrets should not be punished) (categorized into Item 3 or 4 of the current law).

However, we believe that it is difficult to handle all companies that have illegally obtained trade secrets in an integrated fashion since the subjective modes of obtainment vary (obtained systematically or by an individual employee independent of a company's intention) and since there is difference in the room for which companies can carry out their supervisory responsibility between the obtainment stage (Item 4) and the stage of use and disclosure (Item 3) by employees.

In particular, for the acts categorized in Item 4, it is relatively difficult for companies to manage their employees' acts of illegal obtainment at the time of obtainment compared to the stage of use and disclosure after illegal obtainment. At the same time, it is also difficult to reverse presumption of negligence under provisions for corporate punishment, and the acts categorized in Item 4 are originally preliminary acts for the acts categorized in Item 3. For these reasons, we are doubtful of introducing dual liability.

- (2) Those who have obtained trade secrets

Although in principle we agree with inclusion of those who have received disclosure of trade secrets as the other party of illegal disclosure in the scope of corporate punishment, we consider it necessary to carefully examine the application of corporate punishment to subsequent obtainment through those who have left or retired from companies, in particular, subjective requirement.

In other words, companies that hire persons who have left or retired from companies cannot know the specific scope (content) of the secrecy obligation, which these persons have toward former companies, and consequently, the employees of hiring companies may obtain the trade secrets of former companies through these persons and use or disclose them (it is not possible for hiring companies to supervise the obtainment, use and disclosure of such trade secrets). In this case, companies will end up with being imposed criminal punishment for their employees' act of use or disclosure, which they cannot supervise (because companies cannot always recognize the trade secrets of other companies). Thus, subjective requirement (for those who have left or retired from companies) in this case should be carefully considered.

5. Other

(1) Treatment of those who have left or retired from companies

Since the scope of secondary obtainers apprehended is narrow under the complicity provision of the current law, an independent penal provision should be established to define the scope of punishment for those who have obtained trade secrets with the knowledge that these trade secrets were illegally obtained from others.

However, a more definitive subjective requirement (intension) should be established since the denotation of trade secrets is not clear. Specifically, punishment should be applied to more punishable acts, i.e. the act of obtaining and using or disclosing trade secrets with the knowledge that these trade secrets were illegally obtained from others.

Incidentally, as mentioned above, this is applicable to corporate punishment especially in the case of punishing those who have obtained trade secrets from those who have left or retired from companies.

(2) Protection of trade secrets in criminal proceeding

Protection of trade secrets by criminal punishment is likely to turn out to be a pie in the sky unless protection of trade secrets under criminal proceeding is promoted. For this reason, the propriety of taking measures other than suspension of disclosure should be considered in addition to the propriety of suspension of open court.

II. Measures against counterfeit goods and pirated copies

1. Application of criminal punishment against the abuse of a famous indication of goods (page 34 and thereafter in the draft report)

(1) We agree with taking the direction of consideration in pursuing the application of criminal punishment only against certain kinds of acts with a focus on the high malignancy of acts.

(2) Although whether to specify “portrait” has been considered in examining the clarification of indications of goods, etc., this point should be discussed again after seeing the status of application in the future and transition of judicial precedents, as proposed in the draft report.

2. Application of criminal punishment to the act of imitating the form of goods and clarification of civil provisions (page 41 and thereafter in the draft report)

(1) For some types of acts of imitating the form of goods, it is difficult to settle disputes through civil procedure. It is necessary to take criminal measures for such types of acts. In particular, cases involving organized crime are beyond the control of one company and are hard to settle through civil procedure. Some such cases may carry a lot of risk for the company whose right is being violated. Consequently, in such cases, there is no other choice but to expect settlement of disputes by the investigative and executive ability of the police. From this viewpoint, we agree with the idea that consideration should be promoted in the direction of making only certain types of malicious acts subject to criminal punishment while clarifying the provision of current Item 3, in order to cope with cases that are now being contested.

(2) Regarding the definition of “imitation,” we agree with taking the direction of establishing a definitive provision to increase predictability. We believe the scope expressed by the wording “identical or substantially identical” is appropriate to achieve this purpose. We would like to request advance collection of opinions from industries and other quarters and thorough

reflection of these opinions when establishing a specific definition.

(3) According to the second paragraph of (5) Extension of protection organization on page 46, the “regulation, prohibition of imitation for three years, has caused misunderstanding, when it is interpreted from the contrary, that it is free to imitate after the lapse of three years, which has been provoking bad habits, for example, those who have not made any efforts target the market developed by predecessors or start to sell counterfeit goods around the time of the lapse of three years by tracing the form of predecessors’ goods; therefore, some argue that only very malicious acts of imitation, such as imitation using a mechanical reproduction means, should be prohibited for an indefinite period.” However, there is some doubt in saying that “free imitation after the lapse of three years” is “misunderstanding” in consideration of past discussions. We agree with the idea that there has been no special change of circumstances at this time that requires change of the term of protection under this item and that the necessity of extending the term of protection under this item should be considered when the design system is changed in the future. Consequently, we would like to request the subcommittee to collect opinions from industries and other quarters and thoroughly reflect these opinions in reconsidering this issue.

3. Dead copy of database (page 51 and thereafter in the draft report)

(1) Sufficient discussion has not yet been held on various points of issue regarding protection of databases, and legislating for database protection in such circumstance will greatly affect both right holders and users. It is thus too early to incorporate database protection into the amendment at this time. We thus disagree with the amendment at this time.

(2) However, if an outcome that requires a huge investment and labor, such as a database, is not protected at all, the development of the sound database industry cannot be expected; therefore, we agree with the idea that some kind of legal protection is necessary. Since provision of strong protection, like the granting of a right as a means of legal protection, may cause the monopoly of information, only weak protection should be given, like protection available only for cases involving a malicious intent. In this sense, we think protection by restriction of acts, as under the Unfair Competition Prevention Law, is a favorable means of protection. Consequently, we request that the subcommittee continuously keep track of industry needs in relation to the necessity of database protection and continue to discuss interests protected by law, subject to protection, content to be protected and remedies in consideration of the balance between users and database providers as well as carefully examining desirable legislation for protection.

4. Introduction of border measures against articles violating the Unfair Competition Prevention Law (page 59 and thereafter in the draft report)

(1) There has been increasing recognition of the importance of measures against counterfeit goods and pirated copies in the industrial world against the backdrop of technological advances in Asian countries. In particular, border measures are highly effective measures against counterfeit goods and pirated copies because customs can apprehend all counterfeit goods and pirated copies simultaneously nationwide at borders, which is different from suspension of domestic sales, etc. in which disputes are settled through institution of lawsuits case by case. Consequently, we agree with the idea that it is very effective to introduce border measures for counterfeit goods that violate the Unfair Competition Prevention Law, from the viewpoint of increasing the effectiveness of measures against counterfeit goods.

(2) However, we believe it is very important to ensure the effectiveness of border measures as measures against counterfeit goods and pirated copies. Although the draft report recommends (1) applying the Minister of Economy, Trade and Industry's confirmation system to articles that fall into Item 1 or 2 while applying the import suspension motion system under Article 21-2 of the Customs Tariff Law to articles that fall into Item 3 as well as establishing a system to make inquiries to the Minister of Economy, Trade and Industry about the receipt of motions. The draft report also suggests measures like a de facto system to consult with the Minister of Economy, Trade and Industry. We agree with proposals for effective systems.

III. Strengthening of penal provisions (page 66 and thereafter in the draft report)

- (1) Application of criminal penalties to acts of abuse of famous indication and acts of transfer of goods imitating the form of other goods

We agree with taking the direction of imposing "imprisonment with labor not exceeding five years or a fine not exceeding 5,000,000 yen," which is of the same level as penal provisions for the violation of a trademark right, for violation of the Unfair Competition Prevention Law. We also agree with the idea that lower level of protection (for example, imprisonment with labor not exceeding three years or a fine not exceeding 3,000,000 yen) should be provided against the act of imitation of the form of goods and the act of transfer than for protection against other types of offenses due to balance with other similar laws (mainly Design Law) and limitation of the term of protection to three years.

- (2) Strengthening of penal provisions for the offense of infringement of trade secrets

The level of penal provisions should be consistent with the level of penal provisions for other industrial property rights because protection of trade secrets has become increasingly important in recent years and because a choice between keeping a specific intellectual property (in particular, invention) secret as a trade secret or disclosing it to obtain an industrial property right depends on corporate strategy and it is not appropriate if penal provisions for infringement of the same intellectual property differ according to the corporate strategy.