SCIENCE & TECHNOLOGY POLICY

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Government Proposes Special Industrial Property Rights Bills

90FE0093A Tokyo TSUSANSHO KOHO in Japanese
26 Mar 90 pp 1-11

[Text] Making Use of Online in Procedures

Legislation on Special Cases of Procedures for Industrial Property Rights

The government, at a Cabinet conference on the 20th, decided on "Legislation on Special Cases of Procedures for Industrial Property Rights." This legislation lays down the special cases in the Patent Law, Utility Model Law, Design Law, and Trademark Law that will work toward furthering the use of information on industrial property rights and the smooth handling of procedures involving industrial property rights. It will make use of electronic information processing systems to cope with the changes in the circumstances surrounding the industrial property rights system such as the higher level and increasing complexity of the contents of the applications concerning industrial property rights, as well as the increase in the number of applications, all of which reflects the current surging technological revolution.

1. Need for the Law

(1) With the surging technological revolution of recent years in the background, the number of patent applications is increasing rapidly, and the contents of the applications are of a higher level and more complex. Because of this, the period required to hold hearings and process the patents and utility models is becoming lengthy and the use of patent information is becoming more difficult. This circumstance is the target of international criticism mainly from the United States and Europe.

(2) Consequently, as part of the Paperless Project (the Comprehensive Computerization Project), which has been moving forward since 1984, there is the urgent task to devise measures such as carrying out industrial property rights procedures like patents by using electronic information processing systems (known as "online").

2. Summary of the Legislation

(1) Procedures in accordance with electronic information processing systems

1) Making use of online or flexible disks (the so-called floppy disks) in patent application procedures. (Incidentally, although complementary measures are required for some procedures, it is likely that paper procedures will continue to be possible.)

2) Making use of online in dispositions, notifications, and inspections conducted by the Patent Agency.

(2) To issue patent announcements by means of CD-ROM (compact disk-read only memory)

(3) Introduction of a prepayment system for handling fees

The introduction of a system which makes it possible to apply the payment of the required fees and the use of procedures from the estimated amount of prepaid fees.

(4) Presentation of the precis of the discoveries and the publication of the precis in an official announcement

(5) Make use of designated organizations outside of the Patent Office

Making use of designated agencies outside of the Patent Office concerning a technology hearing (Advanced Technology Hearing) concerning applications need in the past for a patent license hearing, as well as making use of electronic information in paper form when the procedures are on paper.

3. Miscellaneous

(1) This legislation is budget-related legislation.

(2) The related budget of ¥10 billion is accounted for in the Patent Special Account Budget Proposal.

Outline of the Legislation on Special Cases of Procedures on Industrial Property Rights

Number 1. Purpose

This law is to set down the special cases in the Patent Law, the Utility Model Law, the Design Law, and the Trademark Law for the purpose of promoting the use of information on industrial property rights and the smooth handling of procedures on industrial property rights by the use of electronic information handling systems. (Article 1)

Number 2. Definitions

1. In this law, "electronic information handling systems" means that an electronic information handling system connects, by telecommunications circuits, the electronic calculation machines (including input/output device; the same as below) used by the Patent Agency and the input/output devices connected with the use of persons who make the procedures on industrial property rights and the use of substitutes for those persons.

2. In this law, "patent-related laws" means orders based on the Patent Law, the Utility Model Law, or this law or these laws.

3. In this law, the "hearing director," "hearing judge," or "investigative judge" means the hearing director, hearing judge, or investigative judge set down respectively in the Patent Law or the Utility Model Law. (Article 2)
Number 3. Procedures in Accordance With Electronic Information Processing Systems

1. The persons carrying out the procedures can carry out by using electronic information processing systems the procedures prescribed in patent-related laws and set down in ordinances for the Patent Office Director, the hearing director, and the hearing judge (the so-called “special procedures”). The persons can carry out the special procedures by means of electronic information processing systems by the presentation of a document stipulated in the provisions of the patent-related laws prescribed as the carrying out of the special procedures concerned by the presentation of a document. These persons can also apply the provisions of patent-related laws to these special procedures. (Article 3)

2. The Patent Office Director, the hearing director, the hearing judge, and the investigative official can carry out by using electronic information processing systems the procedures which are dispositions in accordance with the provisions of patent-related laws and which are set down in ordinances (the so-called “special dispositions”). The persons can carry out special dispositions by using electronic information processing systems by the possession of a document prescribed in the provisions of patent-related laws that is prescribed as the carrying out of the special dispositions involved by means of a document. This is applied to the provisions of patent-related laws. (Article 4)

3. The Patent Office Director, the hearing director, the hearing judge, and the investigative judge can carry out by using electronic information processing systems notices which are in accordance with patent-related laws and are set down in ordinances (the so-called “special notifications”). They can also carry out special notifications by means of electronic information processing systems by sending letters stipulated in the provisions of patent-related ordinances that provide for the carrying out of these special notifications by the sending of letters, and are to apply the rules of patent-related laws. (Article 5)

4. Persons [legal persons, often corporations] carrying out procedures can carry out the special and other procedures for the Patent Office Director, the hearing director, and the investigative judge which are set down by ordinance (the so-called “special procedures”) by the presentation of magnetic disks (this includes things that can accurately record certain items by means corresponding to this). As for special procedures carried out by the presentation of magnetic disks, they can apply the provisions of the legislation on industrial property rights by carrying out the presentation of a document as provided in the provisions of the legislation on industrial property rights which stipulates that these special procedures are to be carried out by means of a document. Along with this, the Patent Office Director will be the person who must record the items recorded on this magnetic disk and other items stipulated by laws on a file prepared on one of two electronic computers (known below merely as the “file”). (Article 6)

5. Persons carrying out, among the special procedures, patent applications or other procedures set down by ordinance by the presentation of a document must seek from the day this procedure is undertaken to record on a magnetic disk the item described in the document related to these procedures and set down by ordinance, within the period set down by the law. (Article 7)

6. In cases where the special procedures are carried out by the presentation of a document or special dispositions are carried out by the presentation of a letter, the item in the document or letter that the Patent Office Director is carrying out can be recorded on a file. (Article 8)

7. The Patent Office Director can designate someone (the “designated information processing organization” below) to carry out all or part of the requisite processing of information (the “information processing operation” below) by recording these on files as in 4 or 6 above, or by recording these on magnetic disks as in 5 above. (Article 9)

8. The sending and transfer of documents in which are described items recorded on files and the inspection and perusal of items recorded on files is provided by law. (Articles 10-12)

9. Patent announcements and utility model announcements can be issued by magnetic disk. (Article 13)

Number 4. Advance Payment

1. Persons who attempt to pay patent fees or commissions that should be paid according to procedures set down by ordinance can pay in advance, with a patent stamp, the estimated amount of the patent fee or commission concerned that should be paid (hereafter called “the estimated amount”) as long as this is reported to the Patent Office Director in advance. (Article 14, Section 1 and Section 2)

2. There will be provisions concerning the continuation of the status of the person who delivers the advance payment and the invalidation of the report in Section 4.1 above (called the “advance payment report” hereafter). (Article 14, Section 3 and Section 4)

3. The Patent Office Director, when the person making the advance payment in Section 4.1 above (hereafter known as the “advance payer”) makes a claim during the payment of the patent fee or the commission in Section 4.1 above, will deduct an amount comparable to the patent fee or commission amount involved from the forecasted amount that the advance payer paid, and will apply that amount to the payment of the patent fee or commission involved. (Article 15, Section 1)

4. When a balance remains after deducting the amount applied to the payment of patent fees or commissions in accordance with Section 4.3 above from the forecasted amount to be paid, the repayment of this remainder,
Figure 1. Conceptual Diagram of the Paperless Project

along with what is repaid in accordance with the claim of
the payer concerned, cannot be claimed until 6 months
have passed from the date of the notice of the invalida-
tion of the advance payment report. (Article 15, Section
2 and Section 3)

Number 5. Designated Information Processing
Organization

There are prescribed the items necessary regarding the
designated information processing organization such as
the criteria of designation, the implementation obliga-
tions of the information processing business, and the
obligation to maintain secrets. (Articles 17-35)

Number 6. Designated Investigative Organization

1. The Patent Office Director will be able to have carried
out, by means of government ordinance (hereafter
referred to as the "investigative obligation"), by the
[legal] person he designates (hereafter referred to as "the
designated investigative organization"), from among the
investigations required in the hearing of a patent appli-
cation or a utility model recording application, the
investigation of an invention or conception connected
with that patent application or utility model record
application and the invention or conception belonging to
the similar field of technology. (Article 36)

2. The necessary items are prescribed for the criteria of
designation, the implementation obligations of the
investigation operation, and the obligation to maintain
secrecy. (Articles 37-39)

Number 7. Miscellaneous Rules

1. Persons who seek a record on a magnetic disk as in
Section 3.5 above or persons who demand the perusal of
items recorded in a file must pay commissions of an
amount set by ordinance taking the actual cost into
consideration. (Article 40)

Number 8. Penalty Rules

Rules are provided on penalties concerning officials and
employees of designated information processing organi-
izations and designated investigative organizations.
(Articles 42-44)

Number 9. Implementation Date

This law will be implemented from the date to be
determined by ordinance with a timeframe that does not
exceed 1 year from the date of its public announcement.
However, the regulations related to advance payment,
designated information processing organizations, and
designated investigative organizations will be imple-
mented from the date set down by ordinance within a
timeframe not to exceed 1 month from the date of public
announcement. (Appendix Article 1)

Number 10. Partial Amendment of the Patent Law and
the Utility Model Law

1. The written petition of a patent application must have
appended a summary of the invention entered in a
detailed statement or a sketch and a precis recording the
items set down in the MITI ordinance.

2. When making public announcement of the application
(in cases where a public application notice is made
regarding a patent application where an application
announcement has not been made, this is a public
application notice), there will be published in the Patent
Bulletin an item entered in the precis appended to the
patent (in cases where this record is illegal, the item will
be drafted by the Patent Office Director).

3. In determining the technological scope of a patent
invention, the description of the precis appended to the
application must be considered.

4. Preparations will be made to prescribe requisite patent
laws concerning the presentation in Japanese of a sum-
mary of a foreign language patent application and the
introduction of a precis.

5. Amendments to the Utility Model Law will be made in
accordance with Sections 10.1-10.4 above. (Appendix
Article 4 and Article 5)

Number 11. Miscellaneous

Along with entrusting to ordinance the necessary interim
measures regarding the execution of this law, amend-
ments will be made to related laws such as the Design
Law and the Trademark Law. (Appendix Article 2,
Article 3, Articles 6-9)

Legislation on Special Cases of Procedures Concerning
Industrial Property Rights

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Chapter 1. General Rules

(Purpose)

Article 1. This law sets down special cases of the Patent Law (Law 121 of 1959), the Utility Model Law (Law 123 of 1959), the Design Law (Law 125 of 1959), and the Trademark Law (Law 127 of 1959) for the purpose of furthering the smooth handling of procedures involving industrial property rights and the use of information involving industrial property rights.

(Definition)

Article 2. “Electronic information processing systems” in this law means electronic information processing systems that connect by telecommunications circuits electronic computers (including input/output devices, the same as below) connected for use by the Patent Office and input/output devices connected for use by persons who make procedures concerning patent applications and others involving industrial property rights (hereafter called “procedures”) or agents of these persons.

2. “Patent related laws” in this law means the Patent Law, the Utility Model Law, and orders based on these laws.


Chapter 2. Procedures in Accordance With Electronic Information Processing Systems

(Special Procedures in Accordance With Electronic Information Processing Systems)

Article 3. The person who makes the procedures will be able to carry them out by using electronic information processing systems in accordance with what is set down by ordinance with regard to what is set down in ordinance for procedures in accordance with the patent-related laws to be followed by the Patent Office Director, the hearing judge, or the investigative official (hereafter called “special procedures”).

2. Special procedures carried out by means of the provisions of the foregoing paragraph are to be considered those which reach the Patent Office when records are made on files prepared on electronic computers as in Paragraph 1 of the previous article (these are known as “files” below, with the exception of Article 5, Paragraph 3 below).

3. The special procedures carried out in accordance with the rules of Paragraph 1 are considered those carried out in accordance with proposals in writing which are prescribed in the patent-related laws prescribed as the carrying out of the special procedures concerned by the presentation of documents, and are applied to the provisions of the patent-related laws.

(Special Disposition by Electronic Information Processing Systems)

Article 4. The Patent Office Director, the hearing judge, the hearing officials, the investigative officials, and employees whom the Patent Office Director designates to prescribe patent-related laws can carry out, by using electronic information processing systems in accordance with what is provided by the law, dispositions in accordance with the provisions of patent-related laws and what is recorded concerning an investigation or a hearing and set down in law (hereafter known as “special disposition”).

2. Special dispositions carried out according to the provisions of the above paragraph are considered to be things carried out by documents prescribed in the provisions of patent-related laws prescribed as items carrying out the special disposition involved by means of a document, and are applied to the provisions of patent-related laws.

3. Persons like the hearing officials and those set down in other laws (known hereafter as “hearing officials”) must in cases where they carry out special dispositions, which are in accordance with the provisions of patent-related laws, in writing must have a hearing official record this and stamp it. When carrying out the special dispositions described in the first paragraph are done by using electronic information processing systems, measures must be devised which make public the hearing officials in accordance with what is set down in MITI ordinances, in place of their record and stamp.

(Special Notices by Means of Electronic Information Processing Systems)

Article 5. The Patent Office Director, the hearing judge, and the investigative officials can carry out what is set down by law and is a notice or order in accordance with the provisions of patent-related laws by using electronic information processing systems (hereafter called “special notices”), in accordance with what is set down by laws. However, in cases where these special notices in accordance with the provisions of patent-related laws are carried out by sending a letter, nothing can be done if the party receiving the special notice in question does not make a mark in accordance with the method set down in the MITI ordinance on receiving a dispatch.

2. In cases in the last paragraph which are provided in writing, however, when the administration of the special notice involved is carried out by using electronic information processing systems, the employee handling this is to be designated by the office concerned or the Patent Office Director.

3. The special notices carried out in accordance with the provisions of Paragraph 1 are considered to have reached the party opposite the special notices involved...
when a record is made on a file prepared on an input/output device connected with use by persons making the procedures in Article 2, Paragraph 1 or substitutes for that person.

4. Special notices carried out according to the provisions of Paragraph 1 are considered to be items carried out by such means as the sending of documents stipulated in the provisions of patent-related laws which prescribe them as carrying out these special notices by the sending of copies of documents related to procedures, texts related to dispositions, the transcripts of letters, and other documents (hereafter known as "sending" or "dispatch"), and apply the provisions of patent-related laws.

5. When the official designated by the Patent Office Director as stipulated in Paragraph 2 carries out special notices by using electronic information processing systems, in place of the drafting and presenting of a letter which records an item on the sending by means of Article 177 of the Civil Suit Law (Law Number 29 of 1948) which is applied in Article 190 of the Patent Law (including when it applies to Paragraph 5, Article 55, Utility Model Law), he must record this item in a file by using electronic information processing systems.

(Special Procedures by Means of a Magnetic Disk)

Article 6. Persons who handle procedures, with regard to those things, set in law, which are patent procedures and other procedures for the Patent Office Director, hearing judges, and investigative officials (hereafter known as "special procedures"), can be carried out by means of the presentation of a magnetic disk (including things which can record accurately certain items by means of methods based on this; below is the same), in accordance with what is set down in law.

2. The provision of Paragraph 3, Article 3 applies to special procedures carried out by the provision of the above paragraph.

3. The Patent Office Director, when special procedures are carried out by the presentation of a magnetic disk, in accordance with the provisions in Paragraph 1, must record in a file, in accordance with what is set down in the MITI ordinance, the contents of the sketch added to the magnetic disk concerned.

(Procedures by the Presentation of a Document)

Article 7. Persons who undertake, from among the special procedures, patent applications and other procedures set down in law, by means of a presentation of a document, must seek, in accordance with what is set by the MITI ordinance, to record on magnetic disk the item for which there is a document related to the procedures concerned and set by law for the Patent Office Director within the timeframe set by law from the date the procedures were made.

2. The Patent Office Director, when the commissions which should be paid in accordance with the provision of Article 40, Paragraph 1, Number 1 regarding the procedures set down by law in the preceding paragraph or when those procedures violate the method set down in that paragraph are not paid, can designate a comparable timeframe and order the correction of the procedures concerned.

3. The Patent Office Director, when the person who orders the correction of procedures according to the provision of the previous paragraph, does not make that correction within the timeframe designated according to the provisions of that paragraph, can render the procedures concerned null and void.

(Recording on a File of the Items Described in a Document)

Article 8. The Patent Office Director, when special procedures are carried out in accordance with the presentation of a document, must, when these are procedures set down by law of Paragraph 1 of the previous article, record in a file, in accordance with the provisions of the MITI ordinance, the items recorded on a magnetic disk as in that paragraph or items set down by other laws, or when these are special procedures other than this, record in a file, in accordance with the MITI ordinance, the items described in the document concerned.

2. Items recorded on a file in accordance with the provision of the previous paragraph concerning special procedures to be carried out by the presentation of a document will be assumed to be identical with the items entered in the document concerned.

3. The Patent Office Director, when he is aware that the items recorded in a file as in the previous paragraph are not identical with the items entered in a document as in that paragraph, must correct the item recorded in the file concerned immediately.

4. When anyone is aware that an item recorded on a file as in Paragraph 2 is not identical with an item described in a document as in the same paragraph, he may make a representation of that point to the Patent Office Director.

5. The Patent Office Director, when a special disposition is to be carried out by means of a document, must record in a file, in accordance with what is set down in the MITI ordinance, the item entered in that document.

(Designated Information Processing System)

Article 9. The Patent Office Director, in accordance with what is set down in MITI ordinance, can have carried out by the person designated (hereafter called the "designated information processing system") the recording onto a file in accordance with Article 6, Paragraph 3 or Paragraph 1 of the previous article, the recording onto a magnetic disk in accordance with the provision of Article 7, Paragraph 1, the input of the information needed for these recordings (including the preparatory
work for the input itself), and complete or partial compilation or processing similar to these (hereafter called “information processing operations”).

2. The Patent Office Director, when making the designation of the previous paragraph, will not carry out information processing operations that the designated information processing system concerned undertakes.

3. In accordance with the provision of Paragraph 1, when applying the provision of Article 7, Paragraph 1 in cases where the designated information processing system makes a recording on a magnetic disk in accordance with the provision of that paragraph, the phrase “to the Patent Office Director” in that paragraph will mean “to the designated information processing system.”

(Sending of Documents Describing Items That Have Been Recorded on a File)

Article 10. With regard to the application of the provisions of patent-related laws prescribing that the Patent Office Director, the hearing judge, or the investigative officer send the copy of a document related to the procedures or the transcript of a text related to dispositions, the documents entering the items recorded on a file concerning those procedures or that disposition will be considered to be the copy of the document concerned, or the disposition concerned.

(Perusal of Items Recorded in a File)

Article 11. The Patent Office Director, in the place of documents which he must provide for the perusal of the public in accordance with the provisions of the Patent Law Article 51, Paragraph 5 (including when applied to Article 159, Paragraph 3 of the same law (including when it applies to Article 45 of the Utility Model Law), and including when it applies to Article 41 of the Utility Model Law), Paragraph 3, Number 3 of Article 161 of the Patent Law (including when it applies to Article 41 of the Utility Model Law), Article 165, Paragraph 1 of the Patent Law (including when it applies to Article 174, Paragraph 4 of that same law (including when it applies to Article 41 of the Utility Model Law), and when it applies to Article 13 of the Utility Model Law), can provide for public perusal the item recorded in a file regarding the documents concerned or the documents describing the item concerned.

(Demand To Read an Item Recorded on a File)

Article 12. Anyone can demand of the Patent Office Director to be allowed to read by using an electronic information processing system in accordance with government statute the following published items.

Nr. 1. Items that have been recorded on a file.

Nr. 2. Items, which in accordance with law, have been recorded, among the patent records of Article 27, Paragraph 1 of the Patent Law, the utility model records of Article 49, Paragraph 1 of the Utility Model Law, the design records of Article 61, Paragraph 1 of the Design Law, and the trademark records of Article 71, Paragraph 1 of the Trademark Law, in part on magnetic tape.

2. Anyone can demand of the Patent Office Director, the sending of documents with items that have been recorded on a file.

3. The provisions in the proviso to Article 186 of the Patent Law (including when applied to Article 55, Paragraph 4 of the Utility Model Law), the proviso to Article 63 of the Design Law, and the proviso to Article 72 of the Trademark Law apply to perusal and the sending of documents in accordance with the provisions of the previous Paragraph 2.

(Issuing of a Public Announcement by Means of a Magnetic Disk)


Chapter 3. Advance Payment

(Advance Payment of the Estimated Amount)

Article 14. Persons who attempt to pay patent fees as set in Article 107, Paragraph 1 of the Patent Law, premiums as set in Article 112, Paragraph 2 of the same law, other recording fees concerning industrial property rights or premium recording fees (hereafter called “patent fees”), or fees from Article 195, Paragraph 1 to Paragraph 3 of the Patent Law or Article 54, Paragraph 1 to Paragraph 3 of the Utility Model Law (insofar as these are things that should be paid in regard to procedures set down by law; the same applies to this chapter and below) can be in advance estimates of the patent fees or other fees concerned to be paid (known below as "estimates") as long as these are reported to the Patent Office Director in advance in accordance with the rules set down in MITI ordinance.

2. Payment according to the provision of the previous paragraph must be made with a patent stamp in accordance with MITI ordinance.

3. When the person who is to make reports in accordance with the provisions of Paragraph 1 (hereafter called “advance payment reports”) does not make the advance payment according to the provisions in Paragraph 1 or he does not make a presentation in accordance with the proviso of Paragraph 1 of the next article, and this circumstance continues for 4 years, the advance payment report concerned loses its validity.

4. With regard to the continuation of the status of the person making the advance report in accordance with the provisions of this chapter in cases of inheritance or joint operation, this will be followed in accordance with law in spite of the provisions of Article 20 of the Patent Law which apply to Article 41, Paragraph 2.
(Payments From the Estimated Amount)

Article 15. The Patent Office Director, when the person making the advance payment in accordance with Paragraph 1 of the previous article (called the “advance payer” below) makes a representation in accordance with what is set down in MITI ordinance when paying the patent fees or commissions, will deduct an amount of money corresponding to the amount of the patent fees or commissions from the estimated amount that the advance payer paid in advance and will apply that amount to payment of the patent fees and commissions concerned. However, after the advance payment report made by the advance payer concerned loses its validity, this limit does not exist.

2. When there is a balance after deducting the amount to be applied to the payment of patent fees or commissions in accordance with the provision of the previous paragraph from the estimated amount paid in advance, the amount of that balance will be returned in accordance with the request of the advance payer.

3. A claim for the return of the amount of the balance in accordance with the provision of the previous paragraph from the estimated amount paid in advance, and technical ability to carry out accurately and smoothly information processing work.

Chapter 4. Designated Information Processing Organizations and Designated Investigative Organizations

Section 1. Designated Information Processing Organizations

(Designation)

Article 17. The designation mentioned in Article 9, Paragraph 1 will be made according to the request of the person who will conduct the information processing work, in accordance with what is set down in MITI ordinance.

(Lack of Qualifications Article)

Article 18. Persons corresponding to any of the following cannot receive the designation mentioned in Article 9, Paragraph 1.

Nr. 1. Persons who have violated the rules of the various patent laws, the Design Law, the Trademark Law, and orders based on these laws, have been penalized more than just a fine, whose punishment is not completed, or who have received the punishment less than 2 years earlier.

Nr. 2. Persons who lost the designation in accordance with the provisions of Article 30 and for whom 2 years have not transpired since the date of this loss.

Nr. 3. Persons, out of the employees engaged in this work, who are involved in any of the following:

i. Persons engaged in number 1 above;

ii. Persons who were relieved of this duty according to orders in accordance with the provision of Article 26 and for whom 2 years have not passed since the date of release.

(Criteria of Designation)

Article 19. The Patent Office Director cannot make this designation unless the request for designation as stated in Article 17 is approved as conforming with the following:

Nr. 1. Persons possessing the requisite accounting basics and technical ability to carry out accurately and smoothly information processing work.

Nr. 2. This is a legal person established according to the provisions of Article 34 of the Civil Law (Law Number 89 of 1895), and that there is no fear that the composition of its officials and employees will lead to an obstruction of the fair carrying out of information processing operations.

Nr. 3. There will be no concern, that when carrying out operations other than information processing operations, information processing operation will become unfair because of the carrying out of these operations.

Nr. 4. That it will not hinder the appropriate and smooth implementation of information processing operations in accordance with that designation.

(Implementation Obligation of Information Processing Operations)

Article 20. When the designated information processing organization receives a request from the Patent Office Director to carry out information processing operations, it must carry out those information processing operations without delay except for justifiable cause.

(Reporting of Changes)

Article 21. When the designated information processing organization wants to change its name or the location of the office carrying out the information processing operation, it must report that to the Patent Office Director up to 2 weeks before the date when it desires to make the change.
(Operations Regulations)

Article 22. The designated information processing organization must set down its regulations concerning information processing operations and receive the approval of the Patent Office Director. The same is true when it wishes to change this.

2. Items to be set down in operational regulations are set down in MITI ordinance.

3. The Patent Office Director, when it is acknowledged that the operational regulations approved in Paragraph 1 above are inappropriate in terms of fair execution of the information processing operations, can order the designated information processing operation to change the operational regulations.

(Discontinuation of Operations)

Article 23. The designated information processing organization cannot completely or partially cease or suspend its information processing operation without the approval of the Patent Office Director.

2. The designated information processing organization is a person in these positions must not leak or embezzle secrets obtained regarding information processing operations.

2. Officials or employees of a designated information processing organization employed in information processing operations are viewed as employees engaged in government work according to law with regard to the Penal Code (Law Number 45 of 1906) and the application of other penalties.

(Reports and Trespass Investigations)

Article 28. The Patent Office Director, to the extent needed to carry out this law, can make a designated information processing organization prepare a report on the conditions of its accounting, and can have employees of the Patent Office enter the offices of the designated information processing organization and investigate the conditions of its operation, its ledgers, documents, and other items, or make inquiries of persons concerned.

2. When employees trespass according to the provisions of the previous paragraph, they must carry personal identification and present this to persons concerned.

3. The rights of trespass investigations provided for in Paragraph 1 cannot be interpreted as having been approved for the purpose of a criminal investigation.

(Orders To Conform)

Article 29. The Patent Office Director, when recognizing that a designated information processing organization does not conform to Article 19, Numbers 1 through 3, can order that designated information processing organization to take the measures needed to conform to these regulations.

2. When the Patent Office Director recognizes that there is a need to execute this rule, he can, in addition to what is set down in the preceding paragraph, render to the designated information processing organization the orders needed from the standpoint of supervision of the information processing operation.

(Order of Release)

Article 26. When an official of a designated information processing organization violates the patent-related laws, the Design Law, the Trademark Law, or rules and operational regulations of orders based on these laws, the Patent Office Director can order that designated information processing organization to release that official.

2. When the Patent Office Director recognizes that there is a need to execute this rule, he can, in addition to what is set down in the preceding paragraph, render to the designated information processing organization the orders needed from the standpoint of supervision of the information processing operation.

(Nr. 1. When violating the rules of this section.

2. When arriving at what pertains in Article 18, Paragraph 1 or Paragraph 3.

3. When carrying out information processing operations that are not in accordance with the operational regulations approved as covered in Article 22, Paragraph 1.

4. When violating orders in accordance with Article 22, Paragraph 3; Article 26; or the previous article.

5. When receiving the designation by illegal means.
Article 31. A designated information processing organization must prepare a ledger and record items set down by MITI ordinance regarding information processing operations.

2. The ledger of the previous paragraph must be preserved in accordance with what is set down in MITI ordinance.

(Hearings)

Article 32. The Patent Office Director, when making a disposition in accordance with the provisions of Article 26 or Article 30 must conduct a publicly announced hearing by giving advance notice to the persons concerned with this disposition with a considerable amount of time.

2. The advance notice mentioned in the previous paragraph must indicate the date, place, and contents of the case.

3. When conducting a hearing, parties concerned with the disposition and interested parties must be given the opportunity to present evidence and state their opinions on this case.

(Information Processing Operations by the Patent Office Director)

Article 33. When the designated information processing organization ceases all or part of its information processing operations after receiving the approval detailed in Article 23 and the Patent Office Director orders the complete or partial cessation of information processing operations by the designated information processing organization, or when the need to do so is recognized in cases where it is difficult for the information processing organization to carry out completely or in part its information processing operations because of natural disaster or other causes, the Patent Office Director can carry out the partial or complete information processing operation on its own.

2. When the Patent Office Director carries out on his own all or part of the information processing operations in accordance with the provisions of the preceding paragraph, when the designated information processing organization ceases all or part of its information processing operations upon receiving the approval of Article 23, or when the Patent Office Director cancels the designation of a designated information processing organization in accordance with the provisions of Article 30, the handing over of information processing operations and other necessary matters are set down in MITI ordinances.

(Public Notice)

Article 34. The Patent Office Director must make public notice in official bulletins in the following cases.

Nr. 1. When making a designation in accordance with Article 9, Paragraph 1.

Nr. 2. When there is a report in accordance with the provisions of Article 21.

Nr. 3. When receiving the permission in Article 23.

Nr. 4. When canceling the designation in accordance with the provisions of Article 30, or ordering complete or partial cessation of information processing operations.

Nr. 5. When the Patent Office Director, in accordance with Paragraph 1 of the previous article, carries out all or part of the information processing operations by himself, or when he decides not to carry out all or part of the information processing operations which he had personally carried out.

Article 35. Besides what is provided in this section, the items needed for a designated information processing organization to carry out information processing operations are set down by ordinance.

Section 2. Designated Investigative Organizations

(Designation of Designated Investigative Organizations)

Article 36. The Patent Office Director, in accordance with MITI ordinances, can have a person whom he designates (hereafter known as the “designated investigative organization”) carry out from among the investigations needed in the hearing of a patent claim or a utility model recording claim, in accordance with the law, investigations regarding inventions or conceptions relating to that patent claim or utility model recording claim, or inventions and conceptions tied to similar fields of technology.

2. The designation of the preceding paragraph will be carried out by the petition of the person attempting to carry out the investigation, in accordance with what is set down in MITI ordinance.

(Criteria of Designation)

Article 37. The Patent Office Director cannot approve a designation unless it is acknowledged that the petition for a designation as in the previous article, Paragraph 2, conforms with the following.

Nr. 1. That a person having the knowledge and experience meeting the conditions set down in MITI ordinance carries out the investigation and that their number be more than the number set down in the MITI ordinance.

Nr. 2. That the investigative organization possesses the managerial basis and technical ability needed to conduct appropriate and smooth investigations.

Nr. 3. That the organization be a legal person established according to the provisions of Article 34 of the Civil Law, and that the composition of its officials and employees does not raise a concern about leading to the obstruction of the fair execution of the investigation.
Nr. 4. That when operations are carried out other than investigations, there be no concern that the investigative operations will be illegal because of the conduct of these operations.

Nr. 5. That the appropriate and smooth implementation of investigative operations not be hindered in accordance with that designation.

(Obligation To Implement Investigative Operations)

Article 38. When a designated investigative organization receives a request from the Patent Office Director to carry out an investigation, it must carry out that investigation without delay except for justifiable reasons.

2. The designated investigative organization, when making an investigation, must have them performed by persons provided for in Paragraph 1 of the previous article (hereafter known as “investigators”).

(Application)

Article 39. The provisions of Article 18, from Article 21 to Article 32, Article 34 (except for Number 4), and Article 35 apply to designated investigative organizations. In this case, what is stated as “the patent-related laws, the Design Law, the Trademark Law, or orders based on these laws” in Article 18 and “the patent-related laws, the Design Law, the Trademark Law, or orders based on these laws” in Article 26 can be changed to “the patent-related laws.” Likewise, “information processing operations” in Article 21, Paragraphs 1 and 3 of Article 22, Article 23, Article 27, Paragraph 2 of Article 29, Article 30, Paragraph 1 of Article 31, Article 34, and Article 35 can be changed to “investigative operations,” “officials” in Article 25 and Article 26 can be changed to “officials or investigators,” “from Number 1 to Number 3 of Article 19” in Paragraph 1 of Article 29 can be changed to “from Number 1 to Number 4 of Article 37.”

Chapter 5. Miscellaneous Rules

(Commissions)

Article 40. The persons listed below must take into consideration costs and pay commissions set down by law.

Nr. 1. Persons seeking a record on a magnetic disk in accordance with Article 7, Paragraph 1.

Nr. 2. Persons demanding perusal of items listed in Number 1 of Paragraph 1 of Article 12.

Nr. 3. Persons demanding perusal of items listed in Number 2 of Paragraph 1 of Article 12 in accordance with the provisions of that paragraph.

Nr. 4. Persons demanding the sending of documents in accordance with the provision of Article 12, Paragraph 2.

2. The commissions of the previous paragraph will be revenue for the designated information processing organization concerned with regard to the payments of persons seeking records on a magnetic disk from the designated information processing organization.

3. The provisions of Paragraph 1 do not apply when the person to pay the commission is a government of a country. However, this limitation does not apply when a record on a magnetic disk is sought from a designated information processing organization.

4. Payment of commissions in accordance with the provisions of Paragraph 1 must have a patent stamp in accordance with what is set down in MITI ordinance except when it is paid to a designated information processing organization.

5. The provisions of Paragraph 6 and Paragraph 7 of Patent Law Article 195 apply to commissions paid to the government in accordance with the provision of Paragraph 1.

(Applications of the Patent Law)

Article 41. The provision of Article 3 of the Patent Law applies to the timeframe of the procedures stipulated in this law or orders based on this law.

2. The provisions of Article 7, Paragraph 1 and Paragraph 2 of Article 8, from Article 10 to Article 14, Article 16, Paragraph 2 (except for Number 3) and Paragraph 1 of Article 17, Paragraph 1 of Article 18, from Article 19 to Article 21, and Article 26 of the Patent Law apply to procedures in accordance with the provisions of this law or orders based on this law.

3. The provision of 2 of Article 184 of the Patent Law applies to suits for the cancellation of a disposition in accordance with the provision of Paragraph 1 of Article 18 of the Patent Law, which applies to Paragraph 3 of Article 7 of this law or the previous paragraph of this law.

4. The timeframe for procedures prescribed in this law or orders based on this law, which covers patent and utility model records, in accordance with Article 24 of the Patent Law (which includes cases applying in Paragraph 2 of Article 55 of the Utility Model Law), will cease their forward movement when the procedures concerned are interrupted or stopped, or will begin their forward movement when the movement of the timeframe of these procedures begins.

Chapter 6. Penalty Rules

Article 42. Persons who violate the provisions of Paragraph 1 of Article 27 (including when applied to Article 39) must go to jail for less than 1 year or pay a fine of 500,000.

Article 43. When violating orders to cease information processing operations or investigations in accordance with Article 30 (including cases which apply in Article
39), the officials or employees of the designated information processing organization or designated investigative organization committing that violation must serve a year or less in jail and pay a fine of ¥500,000.

Article 44. When involved in any of the following, officials or employees of the designated information processing organization or designated investigative organization committing that violation will pay a fine of ¥200,000 or less.

Nr. 1. When information processing operations or investigative operations cease in their entirety without the approval of Article 23 (including cases which apply in Article 39).

Nr. 2. When not making a report or making a false report in accordance with the provisions of Article 28, Paragraph 1 (including cases in which Article 39 applies), or opposing, hindering, or evading investigations in accordance with the provisions of that same paragraph, or when not making a statement in response to an inquiry in accordance with the provisions of that same paragraph or when making a false statement.

Nr. 3. When a ledger has not been prepared, or an entry has not been made in the ledger, or a false entry has been made in the ledger in violation of the provisions of Paragraph 1 of Article 31 (including cases where Article 39 applies), and where a ledger is not preserved, violating the provisions of Article 31, Paragraph 2 (including cases where Article 39 applies).

Appendix

(Implementation Dates)

Article 1. This law is to be implemented from a date set down by law within a timeframe not to exceed 1 year from its public announcement. However, Article 9, Article 14, Paragraph 2 of Article 15, Article 16 (except for the portion connected with the application of Paragraph 1 and Paragraph 3 of Article 15), from Article 17 to Article 19, Article 21, Article 22, from Article 24 to Article 29, Article 30 (except for Nr. 3), Article 32, Article 34, Article 36, Article 37, Article 39 (except for portions related to the application of Article 23, Nr. 3 of Article 30, Article 31, and Article 35), Article 41, Article 42, Nr. 2 of Article 44, and Article 9 of the General Rules as well as the amended provisions of Paragraph 2 of Article 2 of the Law on payment of revenue (Law Number 142 of 1948) which takes up stamps in Article 3 of the General Rules [below] will be implemented from a date set by law within a timeframe not to exceed 6 months from the date of their public announcement.

(Partial Revision of the Patent Attorney Law)

Article 2. Part of the Patent Attorney Law (Law Number 100 of 1922) will be revised as follows:

Add “Magnetic Records (similar to the following items on records manufactured by electronic means, magnetic means, and other means capable of recognition by human senses) after "documents" in Paragraph 1 of Article 22.2, and adding "moreover, magnetic records" under "documents" in Paragraph 2 of that same article.

(Partial Amendment of the Law on Revenue Payment by Stamp)

Article 3. The Law on Revenue Payment by Stamp will be amended partially as follows:

Add “Paragraph 1 of Article 40 of the Law Concerning Special Cases of Procedures Concerning Industrial Rights (Law Number [blank space in source] of 1990), commissions by provisions of” after “Paragraph 1 of Article 18” in Number 7 of Paragraph 1 of Article 2, and change “and the Trademark Law” in Paragraph 2 of that article to “the Trademark Law and the Law on Special Cases of Procedures Concerning Industrial Rights.”

(Partial Amendment of the Patent Law)

Article 4. The Patent Law will be amended partially as follows:

Change “that” in the proviso of Paragraph 1 of Article 17 to “with regard to detailed statements, diagrams, and precis attached to the original document, and detailed statements or diagrams added and correcting petitions for a judgment in Paragraph 1 of Article 26.”

Make Paragraph 5 of Article 36 Paragraph 6 of the same article, change “Number 4 of Paragraph 2” in Paragraph 4 of that article to “Number 4 of Paragraph 3,” make that paragraph Paragraph 5 of the same article, make Paragraph 3 of that article Paragraph 4 of that article, change “original document” in Paragraph 2 of that article to “detailed statement of the previous paragraph,” change “unless adding detailed statements entered and needed diagrams” to “unless entering,” making that paragraph Paragraph 3 of the same article, and adding the following paragraph to follow Paragraph 1 of that article:

2. A detailed statement, requisite diagrams, and a precis must be added to the original document.

The following Paragraph 1 will be added to Article 36:

7. A summary of the invention entered into a detailed statement and a diagram must be entered as an item set by MITI ordinance to the precis in Paragraph 2.

“Paragraph 3 or Paragraph 4 and Paragraph 5 of Article 36” within Number 3 of Article 49 will be changed to “Paragraph 4 or Paragraph 5 and Paragraph 6 of Article 36.”

The following proviso will be added to Paragraph 3 of Article 51:

However, with regard to the items listed in Number 5, there is to be no limitation when the patent claim is publicly announced.
Change "attached" to "added" in Number 4 of Paragraph 3 of Article 51, make Number 6 of that same paragraph Number 7, make Number 5 Number 6, and add the following number after Number 4:

Nr. 5. Items entered in precis added to the original document.

Make Paragraph 4 of Article 51 Paragraph 5, and add the following paragraph after Paragraph 3 of that same article:

4. When the Patent Office Director recognizes that when the description of the precis added to the original document is not in accord with the provisions of Paragraph 7 of Article 36, there is a need to do something, and he can publish an item of his own manufacture in the Patent Bulletin in place of the items described in the precis of Number 5 of that paragraph.

Change “Number 3 of Paragraph 4 of Article 36” in the proviso to Paragraph 1 of Article 55 to “Number 3 of Paragraph 5 of Article 36.”

Change “carry out” to “to carry” in Paragraph 2 of Article 65.2, and add the following proviso to that paragraph:

However, the items listed in Number 4 or Number 5 have no restrictions when the Patent Office Director recognizes that there is a concern that the listing of the item concerned in the Patent Bulletin would harm public order or good customs.

Change “attached” in Number 4 of Paragraph 2 of Article 65.2 to “added,” cut out “(except for cases where the Patent Office Director recognizes that there is a concern that listing in the Patent Bulletin would harm public order or good customs),” make Number 6 of that paragraph Number 7, make Number 5 Number 6, and add the following number after Number 4:

Nr. 5. Items entered in the precis which is added to the original document.

Add the following paragraph after Article 65.2:

3. The provision of Paragraph 4 of Article 51 applies in cases where items entered in precis as covered in Number 5 of this paragraph in accordance with the provisions of the previous paragraph are published in the Patent Bulletin.

Add the following paragraph to Article 70:

2. In the case of the previous paragraph, the entry of a precis added to the original document must be considered.

Change “Paragraph 3 or Paragraph 4 in Article 36 (except for Number 3) and Paragraph 5” in Number 3 of Paragraph 1 of Article 123 to “Paragraph 4 or Paragraph 5 (except for Number 3) and Paragraph 6 of Article 36.”

Change “from Paragraph 2 to Paragraph 4 of Article 51” in Paragraph 1 of Article 165 to “Paragraph 2, Paragraph 3 (except for Number 3) and Paragraph 5 of Article 51,” and change “and” to “as well as.”

Add “and precis” after “limit,” change “and diagrams” to “diagrams,” both in Paragraph 1 of Article 184.4, and change “Below” in Paragraph 4 of that article to “except for things related to precis. See below.”

Make Number 4 of Paragraph 2 of Article 184.5 Number 5 of that paragraph, and add the following number after Number 3 of that paragraph:

Nr. 4. When not presenting a translation of the precis which should be presented according to the provisions of Paragraph 1 of the previous article within the timeframe for presentation of domestic documents.

Add “and, precis related to Japanese language patent applications and translations of precis related to foreign language patent applications are precis present by adding them to the original document according to the provisions of this paragraph” under “diagrams presented” in Paragraph 2 of Article 184.6.

Change “as well as diagrams” to “diagrams,” add “as well as items entered in translations of precis” under “contents,” both to Number 5 of Paragraph 2 of Article 184.9; make Paragraph 6 of that article Paragraph 7; eliminate within Paragraph 5 of that article, “With regard to claims of evidence related to Japanese language patent petitions, moreover, materials of Paragraph 2 of Article 67.2 of Number 1 of Article 186 should say ’Moreover, precis of international applications provided in Article 3(2) of the Patent Cooperation Treaty drafted in Washington on 19 June 1970 (except for things related to international patent claims for which a claim was publicly announced, and things for which an international claim was made),’” change “same number” to “Number 1 of Article 186,” make that paragraph Paragraph 6, add “the proviso to Paragraph 3 of Article 51” under “6 of Article 48,” make that paragraph Paragraph 5 of the same article, make Paragraph 3 of that article Paragraph 4 of that article, and add the following paragraph after Paragraph 2 of that article:

3. The provision of Paragraph 4 of Article 51 applies to cases where the item entered in a translation of the precis covered in Number 5 of that paragraph in accordance with the provisions of the previous paragraph is published in the Patent Bulletin.

Change “others” in Paragraph 2 of Article 184.16 to “precis and others,” change “Paragraph 5 of Article 184.9” in Paragraph 5 of that article to “Paragraph 6 of Article 184.9.”

Change “or diagrams” in Number 1 of Article 186 to “diagrams or precis.”

(Partial Changes of the Utility Model Law)
Article 5. Change part of the Utility Model Law as follows:

Make Paragraph 5 of Article 5 into Paragraph 6, change “Number 4 of Paragraph 2” to “Number 4 of Paragraph 3,” make that paragraph Paragraph 5 of that article, make Paragraph 3 of that article Paragraph 4, change “original document” in Paragraph 2 of that article to “detailed statement of the previous paragraph,” change “unless a detailed statement and diagrams entered are added” to “unless entered,” make that paragraph Paragraph 3, and add the following paragraph after Paragraph 1 of that article:

2. A detailed statement, diagrams, and precis must be added to the original document.

Add the following paragraph to Article 5:

7. The precis of Paragraph 2 must add an item, set down by MITI ordinance, as well as a summary of the concept entered in a detailed statement and a diagram.

Change “Paragraph 3 or Paragraph 4 and Paragraph 5 of Article 5” in Number 3 of Article 11 to “Paragraph 4 or Paragraph 5 and Paragraph 6 of Article 5.”

Change “to carry” in Paragraph 2 of Article 13.2 to “carry out” and add the following proviso to the paragraph:

However, when the Patent Office Director recognizes that there is a concern that with regard to the items listed in Number 4 or Number 5, publishing such items in the Utility Model Bulletin might harm the public order or good customs, this is not a limit.

Change “attached” in Number 4 of Paragraph 2 of Article 13.2 to “added,” eliminate “(except for when the Patent Office Director recognizes that there is a concern that publishing in the Utility Model Bulletin might harm the public order or good customs,” make Number 6 in this paragraph Number 7, make Number 5 Number 6, and add the following number after Number 4:

Nr. 5. Items entered into the precis added to the original document.

Change “attached” in Paragraph 3 of Article 13.2 to “added,” make that paragraph Paragraph 4 of the same article, and add the following paragraph after Paragraph 2 of that article:

3. The provision of Paragraph 3 of Patent Law Article 65.2 applies when items described in the precis of Number 5 of that paragraph in accordance with the provisions of the previous paragraph are published in the Utility Model Bulletin.

Change “Paragraph 3 or Paragraph 4 (except for Number 3) and Paragraph 5 of Article 5” in Number 3 of Paragraph 1 of Article 37 to “Paragraph 4 or Paragraph 5 (except for Number 3) and Paragraph 6 of Article 5.” Change “and diagram” in Paragraph 1 of Article 48.4 to “diagram,” add “and precis” after “limit,” and change “below” in Paragraph 4 of that article to “except for things connected with the summary. See below.”

Make Number 4 of Paragraph 2 of Article 48.5 Number 5 of the same paragraph, and add the following number after Number 3 of that paragraph:

Nr. 4. When not presenting a translation of the precis which should be presented according to the provisions of Paragraph 1 of the previous article within the timeframe for presenting a domestic document.

Add “and, summaries connected with Japanese language utility model record applications and translations of summaries connected with foreign language utility model record applications are precis presented by attaching them to the original document in accordance with the provisions of that paragraph” in Paragraph 2 of Article 48.6.

Change “as well as diagrams” in Number 5 of Paragraph 2 of Article 48.8 to “diagram,” add “as well as items listed in the translations of summaries” after “contents,” change “from Paragraph 4 to Paragraph 6 of Article 184.9” in Paragraph 5 of that article to “from Paragraph 5 to Paragraph 7 of Article 184.9,” make this paragraph Paragraph 6 of that article, make Paragraph 4 Paragraph 5 of that article, make Paragraph 3 Paragraph 4 of that article, and add the following paragraph after Paragraph 2:

3. The provision of Paragraph 3 of Patent Law Article 184.9 applies when publishing the items listed in a translation of the summary as covered in Number 5 of the previous paragraph are published in the Utility Model Law.

Change “other” in Paragraph 2 of Article 48.14 to “precis and other.”

(Partial Correction to the Design Law)

Article 6. Make the following correction to part of the Design Law:

Add “(Include the sending of a transcript concerned in accordance with the provision of the Law on Special Cases of Procedures Concerning Industrial Property Rights (Law Number [blank space in source] of 1990 rules)” below “sending” in the proviso of Paragraph 1 of Article 13. The same is for the proviso of the following paragraph.

(Partial Correction to the Trademark Law)

Article 7. Change the following part of the Trademark Law:

Change “Paragraph 4 of Article 51” in Paragraph 4 of Article 16 to “Paragraph 5 of Article 51.”

(Partial Correction to the MITI Establishment Law)
Article 8. Change the following part of the MITI Establishment Law (Law Number 275 of 1952):

Add "(Include things to be viewed as applications documents in accordance with the provisions of the Law on Special Cases of Procedures Concerning Industrial Rights (Law Number [blank space in source] of 1990))" after "applications documents" in Number 106 of Article 4.

(Entrustment to Government Ordinance)

Article 9. The interim measures needed concerning the implementation of procedures and this law when preparing an electronic information processing system in the days before the implementation of this law are determined by ordinance.

Industrial Structure Council Recommendations on Protection of Proprietary Information
90FE0095A Tokyo TSUSANSHO KOHO in Japanese 20, 22 Mar 90

[20 Mar 90, pp 1-8]

[Text] Towards the Early Creation of a Relief System From Unfair Competitive Acts

Report of the Proprietary Information Group, Industrial Structure Council (Part One)

The Proprietary Information Group of the Industrial Structure Council (Chairman: Josei College President Ichiro Kato), on the 16th, put together a report entitled "Regarding the Ideal Relief System From Unfair Competitive Acts in Connection with Proprietary Information." According to this, the importance of proprietary information in Japan's economic activity is rising, and appropriate management of this information is important since it loses its independent economic value when it becomes public knowledge. However, with regard to relief, in Japan's legal system, from the unfair actions of third parties, the prohibition of such behavior is not stated clearly in terms of legal statutes, and there are no legal precedents to go by. Consequently, the report states that a rapid response by the early creation of a relief system and an amendment to the Unfair Competition Prevention Law is needed. This report is published in two parts in this journal.

Introduction

In recent years, investment in technology development in Japan's economy and the increasing software trend of that economy have become noticeable. With these facts as a premise, the importance of proprietary information (namely, technological and business knowhow which are controlled as secrets not available to the public), along with intellectual creations subject to patent protection, is on the rise. For example, there are many cases of technology transactions where licenses of the knowhow are created independently of, or along with, the patented technology. In addition, all sorts of business knowhow emerging along with the growth of the service industry have begun to be licensed. In light of the fact that Japan will complete its conversion in the future to a knowledge-intensive industrial structure, we feel that this type of proprietary information is becoming increasingly more important for the Japanese economy.

On the other hand, the invigoration of such knowhow and the rise of the mobility of employment accompanying the changes in employment customs and the conversion of the industrial structure have produced an increasing need to control proprietary information. Proprietary information is unlike information whose absolute and exclusive rights are recognized by patents, etc. Consequently, although the development of proprietary information requires capital, labor, and time, its independent economic value will be lost once it becomes generally known. Hence, those possessing the knowledge themselves need to make every effort at appropriate control.

Therefore, those in possession of proprietary information must apply appropriate controls to prevent the loss of its independent value. However, there are cases where, despite such efforts, proprietary information is still acquired by unfair acts and used or displayed. In these cases, the ideal legal relief system from unfair acts in regard to proprietary information is the issue since dispute resolution is ultimately to be achieved by a legal relief system. Moreover, the arrangement of after-the-fact rules for dispute resolution is considered a contribution to the facilitation of the flow of information, including proprietary information.

Ever since the issue of an ideal system for proprietary information in Japan was first taken up in the Draft Legislation to Prevent Unfair Competitive Acts in 1910, all sort of debates have taken place. The Proprietary Information Group of the Industrial Structure Council, bearing in mind the debates up to now as well as the changes in Japan's economy and society and the trend of the international debate surrounding the protection of proprietary information, held in investigation into the current state of proprietary information, the current state of relevant domestic and foreign legal systems, and the ideal system for relief from unfair acts concerning proprietary information. The results have been put together in this report.

Chapter 1. The Rise of the Importance of Proprietary Information in Economic Activity

Propriety information is information with proprietary value and is unknown to the public. It is both technological knowhow such as manufacturing technology, designs, test data, and research reports that the corporation controls as secrets, and business knowhow such as customer lists, sales manuals, and accounts payable lists. These are commonly called "trade secrets" but will be referred to in this report as "proprietary information."
The ideal system for relief from unfair acts with regard to proprietary information has generated lively debate both at home and abroad because of the elevation of the level of technology, the increasing competitiveness of business, and the diversification of customer needs. As a result, the importance of such proprietary information is increasing qualitatively and quantitatively in economic activity. Here we will first look into the current state of proprietary information in economic activity and the current state of the management of proprietary information by corporations.

1. The Current State of Proprietary Information in Economic Activity

The role played by proprietary information in Japan's economic activity is becoming increasingly important from both the technological aspect and the business aspect. In the first place, knowhow plays an extremely important role in technology transactions because there are cases where it is possible for production activities to be conducted more efficiently by making use of knowhow in addition to the knowledge conferred by patents and because there are indispensable technologies for production activities which are not of a patent nature. In circumstances like today's, where technology is becoming increasingly complex, such a trend is becoming more noteworthy. Moreover, with regard to business proprietary information, under conditions where competition among firms is becoming more lively on the one hand, and the taste of consumers is becoming more sophisticated with greater selectivity on the other, business proprietary information like customer lists is becoming extremely important. Moreover, it can be said that the importance of business proprietary information is being felt more directly, as such information is being used in the distribution industry, the restaurant industry, and the entertainment industry.

This latest state of proprietary information in economic activity has become known through the results of a questionnaire which the Intellectual Property Research Foundation and the Management Science Association conducted in October of 1989 (1,941 companies, including those listed on the Tokyo Stock Exchange, participated).

(1) Technological Proprietary Information

When the current state of technological proprietary information is viewed on the basis of the results of the aforementioned questionnaire, its importance is rising alongside the increases in production technology, design technology, product plans, and test and experimental technology. With regard to the rate of increase of technological proprietary information, 66 percent of the firms answered that the rate of increase has risen over the past 5 years, and 73 percent responded that it will rise in the future. In particular, such a trend is noticeable by industry. The chemical, oil, and coal products industry (83 percent over the most recent 5 years, and 88 percent in the future) and the machine, electric machinery, transportation machines, precision tools, and other manufacturing products industry (80 percent over the most recent 5 years, and 87 percent in the future) can be raised as examples.

Moreover, 73 percent of the firms responded that the importance of technological asset information has risen over the past 5 years, and 78 percent of the firms have responded that it will rise in the future. In particular, as far as the industries where such a trend stands out are concerned, the chemical industry (92 percent for the most recent 5 years and 92 percent in the future) and the machine tool industry (87 percent for the most recent 5 years and 93 percent in the future) can be raised.

As far as the background for this rise in importance is concerned, the higher level of technology accompanying the high added value of the products (74 percent), the advances into new fields (59 percent) and the increase of research and development investment can be raised as examples.

(2) Business Proprietary Information

According to the results of this questionnaire, the importance of business proprietary information is rising along with the increase of customer lists, new enterprise information, and sales data. With regard to the rate of increase of business proprietary information, 57 percent of the firms responded that the rate of increase has risen over the past 5 years, and 66 percent of the firms responded that the rate of increase will rise in the future. As far as the industries where such a trend is noticeable are concerned, the metals industry (76 percent over the most recent 5 years and 76 percent in the future) and the trade industry (66 percent over the most recent 5 years and 72 percent in the future) can be raised.

Moreover, with regard to the importance of business proprietary information is concerned, 67 percent of the firms responded that the importance is rising over the most recent 5 years, and 77 percent responded that the importance of these firms will rise in the future. In particular, as far as a trend of noticeable goods is concerned, the metals industry (87 percent over the past 5 years, and 90 percent in the future) and the services industry (77 percent over the most recent 5 years, and 79 percent in the future) can be cited.

As far as the background of the rise of its importance, the invigoration of business competition (80 percent), the diversification of customer needs (75 percent), and advances in new fields (62 percent) have been raised.

2. The Importance and Current State of the Management of Proprietary Information

(1) The Rise of the Importance of Management

Although proprietary information is not an intellectual asset whose absolute and exclusive rights are recognized like a patent, there is a need to protect its independent economic value. To achieve this, the possessor of information himself must make appropriate arrangements...
and make every effort so that the information is not made public. However, proprietary information, in the midst of daily economic activity, is requested of employees and licensees and is used in production, sales, and research and development. In the first place, information is an intangible object. Unlike tangible objects, it is difficult to devise measures to revert to itself after use. It has the characteristic in comparison with tangible objects of being difficult to manage.

Furthermore, the management of proprietary information is becoming even more important. This is because the mode of employment known as the lifetime employment system is changing, the mobility of employment is rising alongside the conversion of the industrial structure, the changing of jobs and mid-career hiring are becoming more active, and knowhow licenses are becoming more frequent.

In this connection, looking at the results of the questionnaire first on the direction of the mobility of employment, 52 percent of the firms responded that the mobility of employment has risen over the most recent 5 years, and 64 percent of the firms responded that it will rise in the future. In particular, the industries most affected by this trend are the machine industry (63 percent in the most recent 5 years and 71 percent in the future) and the commerce industry (57 percent in the most recent 5 years and 69 percent in the future).

Moreover, a quantitative grasp of the intensification of knowhow transactions is difficult. For example, judging from the number of recent international technology transaction contracts (from a report to the Fair Trade Commission based on Article 6 of the Anti-Monopoly Law), the numbers of knowhow contracts in 1987 was 558 and increased to 646 in 1988. This became far greater than the number of patent agreements (227 in 1987, and 230 in 1988). This data only indicates the trend of international technology transactions, but when we consider that the economy is rapidly becoming service oriented, that the weight of tertiary industries is increasing, and that the proportion of knowhow in technology transactions is rising, we can surmise that a similar trend is generally taking place with domestic transactions. Incidentally, the Fair Trade Commission both revised the "Authorization Criteria for International Technology Transfer Agreements," which was first announced in 1968, and drafted and announced "Criteria for Putting into Practice the Regulation of Unfair Trade Methods in Patent and Knowhow Agreements" in February 1989. The intensification of knowhow transactions serves as the background for these actions.

(2) Current State of the Management of Proprietary Information

As stated above, proprietary information is revealed to employees and licensees in the normal course of economic activity, and is used in production, sales, and research and development. Therefore, the following are considered to be specific ways for managing proprietary information inside a firm:

(1) The levying of the obligation to maintain secrets on persons with access to proprietary information, such as employees and officials of a company, by employment contracts and job rules.

(2) The management of the media which contain the proprietary information, such as document management regulations.

(3) Other methods, such as restricting the places accessible to visitors and carrying out training and education within the company, on the management of proprietary information. Moreover, when revealing proprietary information to persons outside the company, there is the method of levying the obligation to maintain secrets in the form of a license contract.

When we look at the current state of the specific management of proprietary information in firms according to the questionnaire results, we find:

(1) With regard to employment contracts and job rules, 74 percent of the firms have incorporated management regulations, and 96 percent of these firms require their employees to maintain secrets.

(2) With regard to the management of proprietary information by document management regulations, 46 percent of the firms have such management regulations, but this number becomes 66 percent when the number of firms expecting to draft such regulations in the future is accounted for. We believe that such arrangements are taking place alongside the rise in the importance of proprietary information.

(3) Fifty-three percent of the firms have information management policies in connection with outsiders. Of these, 74 percent of the firms conduct physical inspections of persons entering and exiting company premises. Sixty-nine percent of the firms have regulations concerning the places accessible to visitors. Fifty-eight percent of the firms restrict access to proprietary information in other ways as well.

(4) As far as the control regulations of license agreements are concerned, 79 percent of the firms executing license agreements have clauses prohibiting use beyond the original intention, 55 percent have the obligation to return the (medium of the) proprietary information, 52 percent have the obligation to maintain secrets after the contract has expired, 52 percent restrict the personnel with access to proprietary information and have them sign agreements to maintain these secrets, 45 percent prohibit the copying of products and data, and 23 percent have obligations prohibiting the development of a competitive firm after the contract has expired.

Incidentally, the management of proprietary information such as described above can all be considered to be effective measures for preventing such information from
becoming public knowledge and for preserving the value of the proprietary information. However, we need to bear in mind that such measures cannot be illegal in content. For example, the possibility is increasing that levying on employees business competition restrictions after they have left a firm beyond what is necessary in a contract is violating public order and ethics. Moreover, concern is becoming stronger that levying research and development restrictions on licensees in order to protect knowhow secrets will involve unfair trade measures in terms of the Anti-Monopoly Law. Therefore, when carrying out the management of proprietary information, there is a need to keep in mind that the management must be appropriate in terms of such requirements.

Chapter 2. Current State of the Legal System
With Regard to Proprietary Information

1. Current State of Japan’s Legal System

Looking at the present legal system with regard to proprietary information protection in Japan, a legal system which takes as its sole objective the protection of proprietary information does not exist. Protection is carried out by means of civil law, commercial law, and criminal law. With regard to civil relief, protection by means of civil law (contract law) and commercial law is carried out in connection with employees, officials, and licensees. Moreover, with regard to relief for the unfair practices of third parties, although compensation for damages is recognized in accordance with Article 709 (Unfair Practices Law) of the Civil Law, the prohibition is not clearly spelled out in legal terms, and no judicial precedents exist at present which recognize the right to seek a prohibition. With regard to criminal punishment, unfair practices accompanying the taking out of documents and blueprints and unfair practices accompanying the violation of responsibilities can be punished in accordance with the existing legal system.

(1) Relief With Regard to Unfair Practices Among the Concerned Parties to a Contract

First of all, within civil relief, with regard to cases where there is a contract between the parties concerned, it is free in Japan to make a contract concerning obligations prohibiting the disclosure and obligations restricting the use of proprietary information as long as such a contract does not violate, in general, public order and ethics (Article 90 of the Civil Code) and enforcement laws and regulations, since the autonomy of the parties concerned with a contract is recognized as a basic principle (“the principle of contract freedom”). Therefore, the right is recognized to seek compensation for damages caused by the non-fulfillment of obligations (Article 415 of the Civil Code) and the right to seek fulfillment (Article 414 of the Civil Code) with regard to cases where parties who have signed such contracts violate the contracts, reveal the proprietary information, and use the information in ways deviating from the contracts. Specifically, as far as a judicial precedent recognizing relief based on contract law is concerned, three precedents can be raised:

(1) The Foseco Japan Limited case (Nara District Court, October 23, 1970), which recognized a request for a prohibition with regard to activities involving the employment of personnel who had left a firm and were now employed in violation of a contract prohibiting business competition.

(2) Japan Alarm Devices case (Tokyo District Court, December 25, 1967), which recognized a request for the return of money which had been bestowed as compensation for not conducting competitive behavior to employees who after retirement had indeed carried out competitive behavior in violation of their contracts.

(3) The River Counter case (Urawa District Court, June 24, 1983) and the Athena case (Tokyo District Court, February 19, 1973), both of which recognized complaints for compensation for damages to firms which unfairly used proprietary information in violation of contracts.

Moreover, in cases where the parties concerned are related as the firm and its board of directors, the directors bear the obligation to be loyal in terms of commercial law (Article 254.3 of the Commercial Code), the obligation to pay attention to effective management (Section 3, Article 254 of the Commercial Code), and the obligation to stay away from business competition (Article 264 of the Commercial Code). With regard to behavior violating this, requests for compensation for damages by the company and shareholders (Article 266 and Article 267, Commercial Code), requests for prohibition by shareholders (Article 272, Commercial Code), and requests for prohibition by auditors (Article 275.2 of the Commercial Code) are recognized. As far as judicial precedents recognizing the violation of obligation in commercial law by directors, the Chrome Trade case (Osaka Supreme Court, March 3, 1983) and the Nippon Setsubi case (Tokyo District Court, March 30, 1988) are raised.

Incidentally, with regard to contracts which levy obligations restricting business competition after an employee has left a firm, it is necessary to bear in mind that this is within a framework which is tolerant in connection with public order and ethics and the choice of job from the standpoint of the Constitution. As far as judicial precedent rendered on the effectiveness of a contract on an employee after leaving a firm’s employ is concerned, the obligation restricting business competition from employees who have left a firm has exceeded the limits of reason, and the Harada Shoten case (Hiroshima Supreme Court, August 28, 1957) which stated this was a violation of public order and ethics, the Japan Alarm Devices case (Tokyo Court, December 25, 1967) which recognized it as within the realm of reason, and the Foseco Japan Limited case (Nara District Court, October 23, 1970) can be raised.

In particular, the verdict of the Nara District Court indicated, “With regard to contracts restricting business
competition, whether the restriction of business competition exceeds a reasonable framework should be studied in terms of (1) the term of the restriction, (2) the scope of the place, (3) the scope of the type of employment subject to the restriction, and (4) three perspectives on the question of whether to provide compensation: the profit of the creditors, the lack of profit for the debtors, and the interests of the company (the fear of monopoly concentration and the interests of the ordinary consumer accompanying that).

(2) Relief From the Unfair Acts of Third Parties Not Related to a Contract

When proprietary information is infringed upon by a third party unrelated to a contract, relief (request for compensation for damages) is recognized for unfair behavior under certain conditions (Civil Code Article 709). Concretely, as far as judicial precedents recognizing requests for compensation for damages based on unfair acts law are concerned, the Chrome Trade case (Osaka Supreme Court, March 3, 1983), the ICS case (Tokyo District Court, March 10, 1987), and the Chestron case (Tokyo District Court, July 1, 1988) can be cited. On the other hand, there is no clear provision in Japan’s unfair acts law concerning requests for prohibition, but the fact that the request for a prohibition is recognized as relief for theoretically unfair acts is determined by the contents of the rights and profits infringed upon, the mode of the infringement behavior, the necessity of recognizing the request for a prohibition, and the relative balance of the damaged caused by restricting the activity of the infringed and the profit to those infringed upon. In fact, there is an example with regard to damage and the invasion of privacy where the request for prohibition has been recognized in terms of judicial precedent. Nevertheless, the current situation is that no precedent exists up to now recognizing prohibition with regard to unfair practices concerning proprietary information. On the contrary, although it was nothing more than strictly a lower court decision on a temporary disposition petition, there is a judicial precedent where prohibitions were not permitted with regard to unfair acts by a third party over proprietary information. This precedent is the Wilkshire case (verdict handed down over a temporary disposition petition to the Tokyo Supreme Court, September 5, 1966). This decision states, “Knowhow has proprietary value, but until the law just allows the force of making the third party recognize this by coercion to be a right, we cannot resolve the issue.”

(3) Criminal Sanctions

Next, the following regulations can be applied as far as protection of proprietary information by means of criminal law in Japan is concerned:

(1) With regards to a crime by an insider, theft (Article 235 of the Criminal Code), business embezzlement (Article 253 of the Criminal Code), and breach of trust (Article 247 of the Criminal Code);

(2) With regards to a crime by an outsider, theft, complicity of insiders (Articles 60-65 of the Criminal Code), and receipt or purchase of stolen goods (Article 256 of the Criminal Code).

To establish the crimes of theft, business embezzlement, and receipt or purchase of stolen goods, the existence of the proprietary nature for the object and the intention of illegal acquisition are issues.

Legal precedents recognizing the crime of theft include the Dainippon Ink Inc. case (Tokyo District Court, June 26, 1965), the Construction Board of Inquiry case (Tokyo District Court, February 14, 1980), the Shinyaku spy case (Tokyo District Court, June 15, 1984), and the Kyoo Department Store case (Tokyo District Court, September 30, 1987).

Legal precedents recognizing the crime of business embezzlement include the Kanegafuchi Chemical Industry Co. Ltd. case (Osaka District Court, May 31, 1967), the Toyo Rayon case (Kobe District Court, March 27, 1981), and the Niigata Engineering Co. case (Tokyo District Court, February 13, 1985).

Legal precedents recognizing the crime of possession of stolen goods include the Dainippon Ink Inc. case (Tokyo District Court, June 26, 1965), and the Toyo Rayon case (Kobe District Court, March 27, 1981).

Legal precedents recognizing the crime of breach of trust include the Sogo Computer case (Tokyo District Court, March 6, 1985).

In light of the above judicial precedents, unfair acts accompanying the taking of documents and designs and unfair acts accompanying the violation of responsibilities can be punished by existing criminal law.

2. Current State of the Legal System in Europe and the United States

(1) The United States

In the United States, the protection of trade secrets has been established in the common law of every state by the accumulation of legal precedent from the 19th century. In 1979, the Uniform Trade Secrets Act (a model law) was written, and had been enacted as statute law of 30 states by February 1990.

Secrecy, originality, and economic value have been cited as conditions for something to be a trade secret, and the right to seek the prohibition of, and to seek damage compensation for, the acquisition, display, and use of trade secrets acquired by unfair means such as theft, bribery, and violation of the obligation to maintain a secret is recognized.

Criminal punishments can be used in cases involving theft and the transport of stolen objects.
As for the definition of a "trade secret" in terms of the United States Uniform Trade Secrets Act, it is information of a manufacturing method, specifications, collection, program, concept, method, technology, or process that (1) is not generally known, cannot be readily ascertained by legal means, and, therefore, has a real or latent economic value of its own, and (2) (in Article 1) is the subject of rational efforts under appropriate conditions to be maintained as a secret. Moreover, the activity known as misappropriation of a trade secret, is (1) an act of a person who knows, or who has reason to know, that the trade secret of another person was acquired by unfair means (theft, bribery, false representation, violation of the obligation to protect a secret, the suggestion of that violation, electronic means, or other means, or (2) an act of a person who knows, or who has reason to know, to display or use the trade secret of another which was acquired by unfair means.

(2) Great Britain

In Great Britain, protection of business secrets is carried out within legal precedent, and the protection is carried out on the basis of legal principles such as contract law, illegal activities, and breach of confidence. Specifically, many legal precedents have accumulated from the early 19th century, including decisions rendered prohibiting unfair use or display of business secrets by employees after they have left the firm.

Therefore, although there is no clear definition of a business secret, in terms of legal precedent, verdicts have been rendered stating that (1) such information is secret, (2) such information is not public knowledge, and (3) that the possessors of the information can be harmed and competitors obtain an advantage by the disclosure of such information.

Moreover, with regard to unfair practices, legal precedent cites these as (1) acts wherein the part concerned, who is aware of the obligation of trust between the directors and a company, the users and the used, and the agents and principals uses or discloses this information in violation of that obligation, or (2) acts wherein a third party acquires, uses or discloses information acquired from a person who is violating an obligation to maintain a secret while aware, or able to be aware, that this person should be following the obligation to maintain the secret.

Moreover, in cases where a business secret is contained in a document, the crime of theft can be applied to actions involving the theft of the document.

(3) West Germany

In West Germany, the protection of business secrets (Geschäfts-oder Betriebsgeheimnis) is carried out by the Unfair Competition Prevention Act (enacted in 1909) and Articles 823 and 826 of the Civil Code (Illegal Practices Act).

With regard to the conditions making something a business secret, although there is no definition in particular in terms of the Unfair Competition Prevention Act, it is considered, in terms of precedent, to be (1) something connected with business activity, (2) something known only to a limited number of persons and not to the general public, (3) something whose need to be kept secret is made known by the head of the company, and (4) something where a reasonable benefit exists for the head of the company to keep that information secret. Customer lists, vendors, price tables, original cost estimates, manufacturing data, and the manufacturing process are recognized as business secrets.

As far as practices considered to be unfair competitive actions are concerned, the following are subject to criminal punishment:

(1) the action of disclosure, either for the benefit of oneself or a third party, or to harm the business possessing the secret, a business secret known by an employee in connection with his employment (Article 17, Paragraph 1 of the Anticompetition Act);

(2) the action of obtaining a business secret, without authority, by the use of technological means, the production of a copy in which the secret is contained, or the acquisition of an object in which the secret is contained (Article 17, Paragraph 2 of the Anticompetition Act);

(3) the action of using or disclosing, without authority, a trade secret obtained by actions described in (1) or (2) above committed by oneself or another persons (Article 17, Paragraph 2 of the Anticompetition Act);

(4) an act whose objective is business competition but violates good custom (Article 1 of the Anticompetition Act).

Along with the right to seek the prohibition of, and damage compensation for, these actions, criminal punishment can be applied regarding specific types of actions.

(4) France

France, like Japan, does not have a legal system solely to protect proprietary information. Proprietary information is protected by the Civil Code and the Commercial Code. However, unfair competitive actions by a third party are protected under Article 1382 of the Civil Code.

In particular, legal precedents have been reached concerning unfair competition, including the protection of business secrets, over the past 20 years, and efforts to protect secrets are being carried out. The infringement of corporate information which has economic value is handled by the recognition of the right to seek its prohibition and the right to claim compensation for damages.

Moreover, the leaking of business secrets by employees and officials is taken care of by criminal punishment in accordance with Article 418 of the Criminal Code.
3. Trend of the International Debate

As shown above, the protection of proprietary information is carried out by each country in its own way. However, no international agreement exists at the present point in time making the protection of proprietary information its sole objective. Nevertheless, in the TRIP (Trade Round on Intellectual Property) in the GATT Uruguay Round which began in 1986, a proposal has been made from many of the advanced nations and some of the developing regions concerning the protection of proprietary information or trade secrets. At the present point in time, the United States is making its own proposal along with its own trade secrets legislation. In addition, the EC, Northern Europe, Canada, Switzerland, Austria, and Hong Kong have drafted "To Effectively Protect Proprietary Information From Unfair Competitive Actions Which Violate Fair Industrial or Trade Practices" in a manner like Article 10.2 of the Paris Treaty on the Protection of Industrial Property (1883). If such is achieved, unfair competitive acts concerning proprietary information can be interpreted as being covered from unfair competitive acts in terms of the Paris Treaty.

The provisions of this Paris Treaty to prevent unfair competition have been slowly expanded, such as the obligation to prohibit specific unfair competitive practices such as the act of mistaking or confusing a product or the act of harming credibility, which are both first stipulated in the Brussels Revision (1900) and, later, in the Hague Amendment (1925).

Japan also accepted the Hague Amendment Treaty and enacted the Unfair Competition Prevention Act in 1934. This devised measures to recognize the right to seek prohibition of, and claim damage compensation for, unfair competitive actions prohibited in terms of the treaty, such as the act of marketing a product by confusing it with another person's product or the act of harming the credibility of another persons' product. (The Unfair Competition Prevention Act, after its passage, has been amended in 1938, 1950, 1953, 1965, and 1975 in line with amendments to the Paris Treaty and Japan's participation in the Madrid Treaty.)

Incidentally, among the negative developing countries in the TRIP negotiations in the GATT Round, hard-line faction members India and Brazil are insisting that trade secrets is an issue that exceeds the mandate of the TRIP negotiations group, but negotiations are continuing with the aim of picking up again at the end of this year.

Chapter 3. "Basic Thinking on a Relief System From Unfair Acts Concerning Proprietary Information"

1. Transformation of the Place of Proprietary Information in Japan's Economy

As detailed in Chapter 2, Japan, up to now, has handled relief for unfair practices with regard to proprietary information mainly by contract law and the illegal practices law of the Civil Code. However, bearing in mind the changing place of proprietary information in Japan's economy and society, it is believed that there is a need to study the ideal civil relief measures.

In the first place, in the midst of the rise of the technological level of Japan's economy and the progress towards its becoming a service economy, the importance of technological and business knowhow, namely the importance of proprietary information, is forever increasing. Proprietary information is an asset considered to be one of the development bases of the future for the Japanese economy, as it supports the technological strength and business strength of Japanese industry. Therefore, by aiming to maintain orderly competition with regard to proprietary information and by developing technological and business knowhow of high quality through competition, which is a basic principle of a free economy, we are seeking to advance the restoration to the economy of an increase in the quality of goods and services and the lowering of prices. Consequently, by preparing effective relief measures towards unfair practices with regard to proprietary information, we need to plan the shape of a specific order concerning economic activity. For example, because actions which allow a competitor to acquire proprietary information of a rival firm by unfair means and therefore hold a competitive advantage over that rival have a bad influence on orderly competition, we believe that effective relief measures are needed to counter that.

In the second place, as Japan's industrial structure is converting to a knowledge-intensive one, the modality of employment is becoming more fluid as it changes slowly from the lifetime employment system of the past. The smooth conversion of the labor force is necessary for the smooth conversion of Japan's industrial structure, but along with the [job] changes of the labor force in the future, trouble may arise surrounding proprietary information. As a consequence, we feel that along with the establishment of practices to prevent such a problem before it happens, there is a need to create rules for handling disputes appropriately with regard to unfair practices concerning proprietary information. These are truly desirable in terms of smoothing the job changes of the labor force.

In the third place, as Japanese industry proceeds to become more high value-added and more software reliant, as well as information transactions of knowhow become more intense, the ensurance of a smooth flow of information will be required. For example, with regard to knowhow and licenses, in cases where a license is used inappropriately, its contract violated, and the knowhow revealed to a third party, the license possesses the appropriate means of countering the third party, making such licenses necessary for the facilitation of information transactions. On the contrary, in cases where a license is not an appropriate means for countering such behavior, there is concern that it will take on a negative role of
allowing one's knowhow to be used by others. Consequently, we feel there is a need to ascertain relief measures pertinent to unfair practices so that the smooth flow of information will not be hindered.

In the fourth place, the need for harmonization of the international system is rising. In a period when the globalization of corporate activity is proceeding rapidly, Japanese firms have begun to undertake business operations on a global scale, and foreign firms have begun to operate more actively inside Japan. Under such circumstances, we believe working towards harmonization with the international system with regard to Japan's legal system in as wide a scope as possible is desirable to enable firms to conduct domestic and foreign activities smoothly. When we consider a civil relief system for unfair practices concerning proprietary information, we believe we need to study an ideal legal system for Japan while giving full consideration to the different legal systems in the advanced nations of Europe and the United States as well as some of the developing nations. This should include their respective civil codes, unfair competition prevention laws, trade secrets laws, common laws, all in terms of how they recognize relief, such as the right to seek prohibition.

2. The Special Nature of Proprietary Information and the Ideal Appropriate Protection

With regard to the ideal civil relief from unfair practices with regard to proprietary information, in addition to the above, there is a need to study the characteristics of proprietary information and the benefits of protecting it by the law.

Proprietary information is information developed by a company that is technological or business knowhow which it controls and possesses as a secret from the public, and by preventing its illegal acquisition and its illegal use or disclosure subsequent to such an acquisition, gives it a business benefit that puts the firm possessing it in an advantageous position in terms of economic activity and increases profits. Therefore, unlike rights like exclusive rights which are recognized as being available to all third parties after the receipt of compensation for their use, such as patent rights which are recorded and made public through public inspection, information which has a proprietary value does not have the characteristic that allows for its absolute and exclusive possession to be recognized since it does nothing more than prevent use by others by being controlled as a secret. In short, no sort of redress can be sought for proprietary information that one possesses if someone else develops and uses the same proprietary information on their own. For example, if this information becomes public knowledge through careless management, it loses its independent economic value and is not worth protecting as proprietary information. Therefore, with regard to proprietary information, it is appropriate to seek relief when its original value is lost and the benefits to a firm's economic activity are harmed by its acquisition, use, and disclosure by another who has acquired it through unfair means despite appropriate controls.

In this sense, we believe, as a present relief measure in Japan, that it is appropriate to recognize damage compensation for the unfair actions of a third party on the basis of Article 709 of the Civil Code as a model of illegal action and that it is appropriate to recognize this as a realistic judicial precedent. Nevertheless, proprietary information does have the following characteristics: (1) it loses its independent economic value when it loses its non-public and secret character, and the economic damage is difficult to recover from, and (2) continual damage arises when business activities such as production and sales are affected by unfair actions concerning proprietary information. In light of these characteristics, just approving a request for damage compensation is insufficient in terms of protecting proprietary information from unfair actions and maintaining orderly competition. Hence, we feel that there is a need to recognize the right to seek prohibition in certain cases. Nevertheless, Japan does not have provisions in law concerning the right to request prohibition, and there are no legal precedents approving such prohibitions at this time. This we have already covered in Chapter Two.

To be sure, in Japan, social custom does not favor conflict resolution by lawsuits. There are not that many disputes over proprietary information, if we can judge this from the lack of legal precedents. Relief like prohibition towards unfair actions by third parties has not been explicit because the point has not been reached where it could be considered to be a potential problem. Nevertheless, as described before, the economic and social situation in which Japan finds itself involving proprietary information is changing greatly. When we consider such factors as (1) the increase in the importance of technological and business knowhow, namely the importance of proprietary information, (2) the rise of the mobility of employment and the intensification of knowhow transactions, and (3) the rise of the need for international system harmony, we are in a situation where it is already difficult to say that just relief by requesting damage compensation for unfair actions by third parties is sufficient relief.

Consequently, with regard to unfair actions by a third party with regard to proprietary information, we believe there is room to permit prohibitions based on the Illegal Practices Act by means of future legal precedents such as lawsuits on public damages and privacy, but there is the fear that discrepancies will arise on its criteria in cases where (1) it is considered that considerable time is required until such a precedent is established, and (2) prohibitions are permitted according to the individual lawsuit. Because we do not consider such a thing to be desirable, we feel it is appropriate to make explicit that there is a need to permit prohibitions and to establish legal language for this.
3. Relief System From Unfair Actions Concerning Proprietary Information and the Patent System

Because within the cases of proprietary information subject to relief from unfair actions is included technological knowhow having the characteristics of a patent, we need to consider the ideal way for protecting these while taking into account the relationship such a system has with the patent system, which takes as its premise the public announcement of technology to support the development of Japanese industry.

With regard to the relationship with the patent system, the protection of proprietary information takes the inclusion of permitting requests for prohibition as relief from certain unfair actions. Consequently, for the reasons stated below, we believe that discord will not emerge between the protection of proprietary information and the patent system.

In the first place, the aspect of protecting the results of technology development is identical. We feel that relief measures from unfair actions with regard to proprietary information contribute to the advancement of technology development because these measures restrict actions such as acquiring by unfair means the knowhow that a rival firm possesses and using it to achieve a competitive advantage and contribute to guaranteeing incentives for firms to exert themselves through ordinary effort.

In the second place, in contrast to proprietary information being something which can only relieve unfair actions, the effect of a patent right is the absolute and exclusive right which is extended to third parties with good intentions. In other words, the protection of proprietary information is a relief measure against person who carries out certain unfair actions in cases where the firm controls the knowhow as a secret. In contrast, the patent system is a step more progressive and grants absolute and exclusive rights under certain conditions with regard to persons who publicly announce a technology, and it differs greatly in its effect.

In the third place, the existing Patent Law raises the fact that in cases where a discovery is possessed as proprietary information without a patent application, normal implementation rights are permitted according to use even though another has acquired a patent right.

In the fourth place, with regard to knowhow which is not like a patent and discoveries prior to patent application, there is a need to protect these from unfair practices. Proprietary information includes the knowledge of secondary and derivative technology which does not apply to a patent discovery, but with regard to knowhow that cannot be subject to the patent system, we feel it is necessary to establish relief measures from unfair actions. Discoveries prior to patent application are treated the same.


Because many of the disputes surrounding proprietary information arise between parties who are related such as the firm and its officials or employees is clear in both domestic and foreign legal precedent, we need to pay full consideration to requests for freedom of job selection when considering the ideal relief system from unfair actions with regard to proprietary information and the ideal control of proprietary information in a firm.

(1) Proprietary Information and Freedom of Job Choice

We have already examined the rise of the mobility of labor as one of the reasons behind the rise of the importance of the issue concerning proprietary information. However, freedom of job selection is a basic right in Japan's constitution where it says, "Anybody has the freedom to reside, move, and change jobs as long as it does not run counter to the public welfare." (Article 22, Paragraph 1). Therefore, we need to consider that the prevention of unfair actions with regard to proprietary information does not have an adverse impact of the freedom to choose a job. However, proprietary information is information that a company manages without public knowledge as a secret, and it does not include ordinary knowledge or techniques from production in the identical industry and business activities. Consequently, even though we attempt to establish relief measures, including the seeking of prohibitions, with regard to unfair actions concerning proprietary information, we feel that it will not be an obstacle to employment changes which make use of an employee's general industry knowledge and knowledge that particular employee possesses. Nevertheless, when studying a relief system concerning proprietary information, we feel we need to consider making as clear as possible the conditions of proprietary information and the conditions of unfair actions.

Incidentally, in cases where the employee is employed in research and development, we feel there are cases where whether the proprietary information which an employee has developed as part of his job reverts to either the employee or the firm becomes a problem. In this case, if the proprietary information concerned becomes subject to protection of a right related to another intellectual asset as in a discovery, it is appropriate to make the decision in line with the provisions of return in a legal system related to such intellectual assets, such as considering returning proprietary information which can be subject to the protection of patent law to the employee in principle. In business practice, with regard to discoveries and similar knowhow, and with regard to the return and compensation for items already drafted for business, there are examples established for business discoveries, and it is desirable to make an arrangement between the parties concerned in advance so that trouble does not arise with the issue of return and the obligation to protect secrets. Along with preparing a relief system with regard to unfair actions concerning proprietary information, establishing appropriate practices surrounding proprietary information as described above by taking this as
the opportunity to do so will contribute to the preparation of an environment allowing smooth job changes in the labor force.

(2) Points to Remember Concerning Competitive Business Restriction Contracts Concerning Proprietary Information

In cases where a relief system with regard to unfair actions concerning proprietary information, including the above points, is being prepared, it is desirable to put together a contract for protecting secrets based on the mutual agreement of the parties concerned and to make clear the scope of the obligation concerning proprietary information so that such disputes do not arise since the legal relief system is the final means of handling a dispute.

For example, when secrets maintenance contracts and competitive business restriction contracts are signed by the labor force at work, these should not restrict the freedom of business activity of the workforce, but with regard to competitive business restriction contracts for workers who have left the firm, although these are fundamentally entrusted to the principle of contract freedom, these run counter to public order and ethics and are void when the contents of these restrictions are limited to restrictions within the scope that workers ordinarily carry out business activities, or when these restrictions exceed a reasonable scope. Therefore, in cases where secrets maintenance contracts and competitive business restriction contracts are used as means to control proprietary information as secrets, we need to determine their contents while giving full consideration to the freedom of job choice of the worker who has left the firm.

[22 Mar 90, pp 5-14]

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Chapter 4. The Ideal Relief System for Unfair Actions Concerning Proprietary Information

When recognizing the right to request a prohibition with regard to unfair actions concerning proprietary information, we feel, as stated in Chapter 3, that it is necessary, as an extension of the framework of the Illegal Practices Act to basically give the right to request a prohibition for unfair action in economic activities involving (1) the conditions of proprietary information that has a business benefit that should be guarded from unfair actions and (2) specific conditions taking into consideration the conditions of the form of the unfair action.

According to the opinions heard when an inquiry for opinions was carried out with regard to every concerned quarter by the council administrative staff during the course of the deliberations, virtually the entire body of opinion was basically in favor of creating relief measures including the right to request the prohibition with regard to unfair actions concerning proprietary information. However, because, accompanying this view, there also was expressed that the conditions should be made clear and strict, it is appropriate, in light of such an opinion, to arrange our ideas and consider them as follows: (1) objective conditions of proprietary information, (2) conditions of the form of the unfair action, and (3) other points to bear in mind.

1. Objective Conditions of Proprietary Information

We believe that "proprietary information" is needed as a condition subject to recognizing the right to prohibit an unfair action for the following reasons: (1) that the information is not known publicly, (2) that the information is managed as a secret, (3) that it is information of a technological or business nature that has economic value, and (4) that there is a fair benefit derived from keeping it a secret.

(1) "That the Information is Not Known Publicly"

"That the information is not known publicly" is the same as "that it is not in a state where an undesignated person can know publicly (without resorting to unfair means)."

Even if information has an economic value and is managed as a secret, that information should not be subject to legal protection if it is known publicly and does not fall under the protection of the intangible asset right laws of the Patent Law, etc. Even if certain information originated from a designated party, once it is known to the public the fact that a certain right to use such information has been permitted markedly harms the flow of the information and the safety of information transactions. Therefore, in order to recognize the benefit that should be afforded the protection of proprietary information, it is necessary that the information not be generally known to the public.

Incidentally, in this case, "is not known publicly" is not only a case where only the person possessing the information concerned knows the information, but includes cases where other persons possess the same information, namely, where persons possessing the same information as the proprietary information concerned exist and are several in number, and that information is still not generally known to the public.

(2) "Is Managed as a Secret"

In order to be protected as proprietary information, not only is the information required to have the "non-public" form stated above, but the person possessing the proprietary information must make a reasonable effort to maintain that state and to manage the information as a secret so that undesignated persons cannot know of it except by unfair means.

In other words, unfair actions concerning proprietary information are actions in which another person's information, which is being "managed as a secret," is acquired by unfair means and provides a competitive
advantage to the person obtaining the information. This kind of unfair means is necessary because there is no other way to obtain the information since it is being "managed as a secret." (It is likely that acquiring information not being managed as a secret would ordinarily not be accompanied by unfair actions.)

Moreover, in order to heighten the probability of entertaining the acknowledgment that information not being objectively managed as a secret can be information to people who have access to it can use and reveal freely, we feel that protecting even information which is not being managed as a secret hinders the safety of information transactions.

Incidentally, this condition of being "managed as a secret" means that a reasonable effort is being made to maintain the secrecy of the proprietary information concerned, and with regard to proprietary information possessed by small and medium sized firms, it is natural that such would be subject to such protection if a reasonable effort to keep the secret is made.

Note: Regarding the conditions of "managing as a secret" - With regard to the conditions of "managing as a secret," this is judged in line with the specific conditions of the case, but the following points are considered the usual judgment criteria.

(1) That the number of persons who have access to the information concerned is restricted. (For example, measures are put in place so that no one other than firm employees can have access);

(2) That an obligation is levied to the effect that the persons with access to the information cannot use or disclose it without authority to do so; and

(3) That the information in question is recognized by the person with access to that information as being proprietary information. (For example, the information is clearly proprietary information by the marking of "secret" in documents concerning it and by keeping it in designated areas.)

With regard to this "is managed as a secret," the opinion also appeared about whether it should be a condition because the concept of management is vague. To be sure, we do not feel that a uniform definition of management is needed because what is called "management" of things worthy of protection under certain conditions differs according to the form of the unfair action. For example, in a case where an outsider steals a company building, management so that persons other than employees cannot have access to the information is considered to be sufficient. In cases where an employee takes out proprietary information, we feel that management needs to be able to make the person with access to the information aware that the information is proprietary information. Consequently, we feel that "is managed as a secret" needs to be grasped as a broad concept. Nevertheless, were the condition of "managing" to be dropped, this would run counter to the requirement of making clear the objective conditions of proprietary information and, moreover, since the fact that the possessor of proprietary information merely called the information a secret to obtain the recognition for relief from unfair actions concerning this information is insufficient, what constitutes a secret (making a reasonable effort to maintain a secret) needs to be made clear. For this reason, the expression "is managed as a secret" is appropriate.

(3) "Information of a Technological or Business Nature that has Economic Value"

The benefit of protecting proprietary information is the benefit that it will be possible, by possessing this information as a secret, to hold an advantageous position in economic activity and yield a profit. Therefore, proprietary information that should be subject to such protection is information that the possessor can reap economic benefit from by its being proprietary. Specifically, we feel that the information concerned must play a role in present or future economic activity such as the production, marketing, and research and development of goods and services, the saving of costs, and the improvement of operational efficiency.

Information with such economic (present or potential) value includes product design information, manufacturing process information, basic research data information, and other technological information, along with such business information as customer lists and sales manuals. Moreover, the case of new drug development, for example, should be included for protection since we feel that data lost in the past with regard to research in which one success resulted from research into 10,000 chemical compounds are information with important economic value.

Incidentally, technological or business information with economic value that does not apply includes private information involving personal scandals of corporate employees and officials, and deceptive information.

(4) "Fair Benefit Derived From Keeping It a Secret"

Even when the proprietary information conditions (1) through (3) are met, there are cases where the information's contents runs counter to social justice such as information concerning the effluence of pollution and tax evasion. We feel that reporting this internal information to authorities or acquiring the data and reporting this to the public should not be subject to prohibition. Therefore, it is appropriate that information from which a fair benefit is not derived by keeping if a secret is to be excluded from proprietary information that should be protected as subject to prohibition.

2. Conditions of the Unfair Action Concerning Proprietary Information

We feel that actions which involve the unfair acquisition, use, and disclosure of "proprietary information"
Reference 1. Situation in Which an Unfair Act Occurs Concerning Proprietary Information as in Paragraph (1)


Under certain conditions should be subject to prohibition. This "proprietary information" is nothing other than "technological or business information which is not known publicly, is being managed as a secret, has an economic value, and has a fair benefit by being protected as a secret," which meets the conditions of Section 1 above. Specifically, we believe that the situations in which unfair behavior concerning proprietary information can arise can be divided into the following (1)-(3).

The specifics are as follows.

(1) There are cases where officials, employees, consignees (persons who handle work for the possessor of the proprietary information by consignment contracts, undertaking contracts, commission agreements, and agent agreements), or licensees (persons who use the proprietary information of another for their own purposes), being persons who acquire proprietary information based on their position or contract, use or disclose this information under certain conditions counter to the obligations based on the conditions for employment. For example, we feel that acts in which an employee during his employment violates his hiring contract and discloses proprietary information to a third party (article (a) below), acts where he violates his hiring contract and discloses the information to many unspecified people (article (b) below), and acts where he violates his hiring contract and uses proprietary information for his own purposes (article (c) below) are included.

(2) There are cases where proprietary information is acquired, used, or disclosed under certain conditions, such as the unfair receipt from the legal possessor of the proprietary information. For example, acquisition of proprietary information from a firm by acts of theft, taking by force, fraud, and coercion (called "theft, etc." below), (article (d) below), or where proprietary information is acquired by knowing the information from an employee during the time he is employed by the firm in violation of his employment contract (article (e) below), the act of disclosing it to a third party after acquiring it (article (f) below), and after acquiring it, the act of using it (article (j) below), the act of disclosing it to a third party after acquiring it (article (k) below), or the act of disclosing it to many unspecified persons (article (l) below) are included.

(3) There are cases where proprietary information is acquired, used, or disclosed under certain conditions, such as acquiring it from someone who has acquired the proprietary information directly by the unfair acts described in (1) and (2) above and being aware that that unfair act took place. For example, there is the act of being aware that the information was acquired by theft, yet acquiring the proprietary information (article (i) below), and after acquiring it, the act of using it (article (j) below), the act of disclosing it to a third party after acquiring it (article (k) below), or the act of disclosing it to many unspecified persons (article (l) below).

(1) Cases where officials, employees, consignees, or licensees, being persons who acquire proprietary information based on their position or contract use or disclose this information under certain conditions counter to the obligations based on the conditions for employment.
Employees under employment are obliged to be honest. Consignees are obliged to pay attention to good management practices. Consequently, there is no explicit special contract in effect under the law that states that proprietary information is not to be used or disclosed against the wishes of its possessor. When these persons disclose proprietary information on the basis of their position, there are ancillary obligations based on the employment contract or the commission agreement, and in cases where the obligation to maintain secrets is considered to be a contract obligation, we believe that it is possible to seek a prohibition based on contract law. (In this case, the thinking is that handling under contract law will suffice and there will be no need to make it subject to a request for a prohibition again.)

Nevertheless, even in cases where there are employment contracts or commission agreements, the thinking is that this is not necessarily limited to obligations to maintain secrets as an obligation ancillary to these contracts, or limited to the possibility of requesting compliance based on the contract. Therefore, even in cases where requests for compliance based on contract law cannot be made, it is considered appropriate that such be taken as unfair acts subject to the right to request prohibition under certain subjective conditions such as the height of evil of the act in a case where there is an obligation to maintain a secret, such as the use or disclosure of proprietary information based on the intention to cause harm to the possessor of the proprietary information or to use the violation of the secret to provide unfair benefit to oneself or a third party.

Incidentally, during group negotiations by labor unions or labor-management councils, there are occasions when it is possible for a user to reveal information related to proprietary information, such as the business plans of a firm, to employees or persons entrusted by the labor union. Acts where users disclose proprietary information to employees for the purpose of such labor activities are carried out as part of the job, and are not unfair acts as such. Of course, acts in which an employee who receives the disclosure of the proprietary information of a firm in such a manner discloses that information to a rival firm with the aim of benefiting himself and the third party unfairly, or to harm the possessor of the proprietary information, can be considered to be subject to prohibition.

Reference 3. Situation in Which an Unfair Act Occurs Concerning Proprietary Information as in Paragraph (3)


With regard to officials, employees, consignees, and licensees, persons who acquired proprietary information based on their position or contract, the act of acquisition itself is fair, but in cases where they have a relationship with the possessor of the proprietary information that includes the obligation not to use or disclose the proprietary information counter to the intentions of the possessor, the act of using or disclosing the information in violation of that obligation can be considered to be an unfair act. At this time, we will consider officials, employees, consignees, and licensees respectively with regard to their obligations they have to the possessor of the proprietary information to maintain the secret in the following sections: (a) officials and employees while under employment, and consignees while under contract, (b) officials and employees after leaving employment, and consignees after a contract has expired, and (c) licensees.

(a) Officials and employees while under employment, and consignees while under contract

First of all, officials under employment are obliged to pay attention to good management practices under the Civil Code, to be loyal, and to avoid the business competition.
(1) The idea that only obligations to maintain secrets in accordance with special contracts should be subject to unfair acts violating these contracts and permitting the request for prohibition. (Under such an idea, it is sufficient if (a) above is handled by a similar contract law and there is no need to subject it again to a request for prohibition.)

(2) Even in cases where there are no special contracts, because the need for an obligation to keep secrets arises, when there is such an obligation, the request for prohibition is valid given the height of the evil of the act in that proprietary information has been used or disclosed based on an intention to violate the obligation, unfairly reap benefit for oneself or a third party, and add harm to the possessor of the proprietary information.

First of all, with regard to (1), the following can be offered as reasons:

(a) In spite of the fact that the obligation prohibiting the disclosure or use of proprietary information has been levied by contract, persons who do not make that effort have no need for relief.

(b) Unless restricted to cases of special contracts, there is a concern that the freedom of employment selection or business operations will be harmed, such as the concern that changing jobs will be hindered or troubles will occur after a job change, because an obligation to not use or disclose proprietary information is not altogether clear.

With regard to (2), the following can be offered as reasons:

(c) Even in situations where an obligation has been levied by contract prohibiting the disclosure of proprietary information or its use, a special contract, which is not necessarily limited to the contract, and requires that the information not be disclosed or used after leaving employment does not always adhere widely to the firm, so taking cases only where a special contract exists as subject to the right to request prohibition of unfair acts is an issue of practicality. (In particular, there is also the opinion that it is difficult for small and medium sized enterprises which are not too well versed in contract or disclose this information in violation of the obligation levied by contract, persons who do not make that effort for one's own benefit or that of a third party, or adds to the harm of the possessor of the proprietary information.

(f) Unless there is a special contract, relief cannot be obtained, and, on the contrary, there is concern that contracts are rampant that harm the freedom of employment.

With regard to (1) and to the two ideas in (2), it is pertinent that from the perspective of preventing unfair acts related to proprietary information, even in cases where there is no special contract, there might be an unfair act subject to the right to request its prohibition under certain subjective conditions, especially for acts where an obligation to keep a secret is violated, as one uses the proprietary information unfairly for one's own benefit or that of a third party, or adds to the harm of the possessor of the proprietary information.

License contracts have a wide variety of contents, and it is difficult to make a uniform contract. However, classical license contracts can be generalized as tying the parties to the specific contents of the contract, including the obligation prohibiting the use and disclosure of proprietary information, and a common interpretation of such a contract is that there is no obligation for anything not stated explicitly in the contract.

Nevertheless, with regard to the offering of proprietary information by modes outside of such a classical license contract, there are not such clear interpretations established. In this case, while there is no obligation to maintain secrets stated explicitly in the contract, the obligation to maintain secrets arises. Consequently, in the case of such an obligation, we feel acts which violate this and use or disclose proprietary information with the intent to unfairly benefit oneself or a third party or to add to the harm to the possessor of the proprietary information should be considered to be unfair acts which are subject to the right to request prohibition under certain subjective conditions.

As arranged above, it is possible to seek compliance with a contract in cases where an official or employee while employed by a firm, a consignee while under contract, and a licensee, persons who have acquired proprietary information based on their position or the contract, use or disclose this information in violation of the obligation to keep a secret in terms of contract law.

In other words, this is to be applied as follows:

(1) When officials or employees during their term of employment or consignees during a contract who have an obligation to maintain secrets in the terms of the contract violate the contract and use or disclose proprietary information.

(2) When officials or employees after they have left a firm or consignees after their contract has expired have a special contract, violate that contract and use or disclose proprietary information.

(3) When licensees violate the contract obligations and use or disclose proprietary information.
Moreover, with regard to officials, employees, consignees, or licensees (in connection with a contract or after a contract has expired), we feel it is appropriate to make acts in which these persons violate the obligation to maintain a secret and use or disclose proprietary information even in cases where coercive compliance cannot be requested in terms of contract law subject to the right to request prohibition under certain subjective conditions.

(2) Cases in which proprietary information is acquired, used, or disclosed under certain conditions such as unfair receipt from and legal possessor of that information (cases pertaining to (2) in the diagrams above).

This case needs to be divided into one wherein a third party acquires, uses, and discloses proprietary information by the act of theft, or the case of (2) (1) above, in other words, when a third party acquires proprietary information under certain conditions and uses or discloses it when an official, employee, consignee (in connection with their contract or after the contract has expired) or licensee violates the obligation to maintain secrets which the contract says they should maintain and discloses the proprietary information.

Incidentally, it is a matter of course that reverse engineering of hardware and software products that can be obtained by fair means from the open market and the use of disclosure of the information obtained from that are not "unfair acts" with regard to proprietary information as long as it is not prohibited by a legal contract in effect. Moreover, there is the thinking that with regard to reverse engineering there is a need to make clear in the law that reverse engineering is certainly not an "unfair action" with regard to proprietary information since there are cases where it is broadly interpreted as a "theft." However, there is also thinking that because the action of "reverse engineering of manufactured products obtained by fair means from the open market" itself does not include either of the unfair acts enumerated so far, the need is lacking to make such an affirmative stipulation. As a result, we need to study this in the future. In this connection, there is legal precedent in some states of the United States in whose legal statutes is the statement that "reverse engineering is not viewed as an unfair means."

(1) Cases where a third party acquires proprietary information by means such as theft and uses and discloses that information

In cases of theft, taking by force, fraud, and coercion (hereafter called "theft, etc."); we feel that unfair action is involved regardless of the recognition (subjective condition) of the thing acquired being proprietary information. This is because (a) evil nature of the act itself is strong, and (b) unlike the case where proprietary information is acquired by means of a regular business relationship, there is no need to consider the safety of the business transaction. As far as acts subject to the right to request a prohibition are concerned, the act of acquiring the information and the act of using it or disclosing it after acquisition are theoretically considered, but when the realistic need is taken into consideration, the possessor of the proprietary information has inferred in advance that the information has been acquired by such means as theft and the thinking on this is that prohibitions arising by making lawsuits out of this are too difficult to consider.

The following has been pointed out on this point:

(a) In a case, for example, where organized and continued unfair acquisition is carried out in such instances as industrial spying, full consideration is being given to inferring that by advance notification.

(b) If information is acquired all of a sudden and this information cannot be made to disappear from the memory of those committing the act, then just a reversion or abandonment of the medium making this information concrete is insufficient, and the prohibition of the act of acquisition itself is needed.

(c) Even in cases where prohibiting the acquisition is too difficult to consider, there is no need to positively exclude this if prohibition is realistically needed, and there is no inconvenience to making unfair acquisitions subject to prohibition.

On the other hand, the view is also present that the act of unfair acquisition itself should be excluded from acts subject to prohibition. One reason for that is the fear that making the act of acquiring information subject to prohibition will lead to abuse and obstruct the fair acquisition of information. Nevertheless, the act of unfair acquisition itself, such as theft, is an act where there is a fear pertaining to the violation of the penalties of the crime of theft (cases where there is the theft of a medium which contains the proprietary information in concrete form). Making such acts as theft subject to prohibition should not lead to abuse in obstructing the fair acquisition of information. Consequently, by distinguishing between unfair acts or use or disclosure, we feel that there is no positive reason to exclude this from being subject to prohibition.

Incidentally, we believe that the use or disclosure after acquisition by theft is an unfair act subject to the right to request prohibition. No dissent appeared on this point. Moreover, in any case, in light of the fact that acts of acquisition such as theft themselves are acts with a high degree of evil, we feel that requests for the return of the medium through which proprietary information is acquired by theft and concretized and its duplicates and its nullification need to be permitted.

(2) In the case of (1) above, in other words in cases where officials, employees, consignees (in connection with a contract or after the contract has expired) or licensees violate the obligation to maintain secrets in terms of a contract that should be upheld and disclose proprietary

information, the third party acquires the proprietary information concerned under certain conditions and uses and discloses it.

In this case, the act of disclosure is not just pertaining to violations of the obligation to maintain a secret in terms of the contract, and in cases where certain conditions are met, the act of receiving disclosed information and using or disclosing that information after its acquisition is regarded as an unfair act.

As far as these conditions are concerned, because proprietary information does not have an absolute and exclusive right like the patent right, there is a need to restrict cases where an evil act occurs to the subjective designs of those acting. On the contrary, if regardless of the correctness of the subjective conditions, we make this act subject to requests for prohibition as an unfair act, this will markedly harm the safety of information transactions of all sorts, including proprietary information, as a result since proprietary information is information being managed as a secret and regardless of the public nature of such things as patent rights and the right to use semiconductor integrated circuit designs, even persons of good intentions and flawless character will be subject to prohibition.

There are two schools of thought on subjective conditions.

(A) The first school of thought is that the persons disclosing the information know or should know that they are violating an obligation involving unfair acts, and

(B) More positively, goals such as "the goal of unfair competition" and the "goal of benefiting oneself or a third party and harming other persons" should be considered as subjective goal conditions. With regard to whether (A) or (B) is appropriate, there is the thinking that these cannot be called unfair acts unless there is a positive intent such as the goal of unfair competition.

When proprietary information is acquired without a positive design such as the goal of unfair competition or without the situation being known, the act of using it or disclosing it can be considered an unfair act. (This belongs to the class of behavior in article 3, but with regard to stolen information, the act of acquiring something in full knowledge of its situation is an act where there is concern for criminal punishment since it is a crime to obtain stolen goods.) Even during the 1950 amendments to the Unfair Competition Prevention Law, in light of the fact that the positive subjective condition of "the goal of unfair competition" in order to obtain the effective prevention of an unfair competitive act was eliminated, there is no need for positive intentions such as the goal of unfair competition, the aim for personal or third party benefit, or the intent to harm others. For example, while it is recognized that those disclosing such information are violating the obligation with regard to unfair acts, acquiring such information is a grave mistake even without the recognition, and its use or disclosure are considered to be unfair acts.

Moreover, with regard to the act of acquisition in this case, the thinking is that these should be subject to the request for a prohibition because (a) there is concern that this will hinder the flow of information which is being established as a customary trade practice, and (b) there is concern that the opportunities for changing jobs will decline as businesses seek less personnel.

Nevertheless, if the act of acquisition is subject to prohibition only when there are "bad intentions or gross negligence," then prohibition cannot be considered to be a hindrance to the fair act of acquiring information. In particular, in cases where proper practices are established regarding the transaction of information, when information is acquired in a regular transaction mode based on this, one party to the transaction is the legal possessor of the information. He is the person with authority. Therefore, it can be believed that there is no question as to the source of the information. Because the fact of gross negligence is not considered to be an ordinary thing, when a relief system is created for unfair acts with regard to proprietary information, we feel that accepting requests for prohibition can be done easily for information transactions, and in order to prepare for the prohibition requests, there will not be excessive investigative costs required.

With regard to the concept of the corporate activity of hiring employees, there are cases of unfair acquisitions where the company has selected an employee and acquired proprietary information revealed by his violating the obligation to maintain his previous employer's secrets. Because these acts are limited to bad intentions and gross negligence, simply hiring people does not justify a prohibition, and such activity is not likely to decline.

The concept of corporate affiliates is one in which affiliation proceeds among firms that have a contract relationship in the first place to ensure that there will not be a transaction in which the firm receiving the proprietary information (licensor) from the designated firm (licensee) does not have to worry that it is obtaining unfairly the proprietary information of another firm. Even in that concept, there are cases where there is unfair acquisition when the licensee violates the contract and acquires disclosed proprietary information. Similar to hiring employees, since that act is limited to bad intent or gross negligence, an act in which a firm receives a license of proprietary information from the licensee of a designated firm cannot be considered unfair behavior.

With regard to the above point, there is the opinion that if prohibitions are not permitted in this case, "If we cannot seek prohibition for the act of acquiring secrets by a rival firm, then the individual is in the weak position of prohibiting the act of disclosure. The concern is that this is illogical and ineffective at the same time."
We believe that it is necessary to make the act of unfair acquisition subject to prohibition.

Incidentally, in light of the fact that the act of acquisition itself is truly an evil act under a situation where it is recognized that the party disclosing the information is violating an obligation pertaining to unfair acts, or where there is gross negligence and this is not recognized, we consider it necessary to recognize the right to have returned the medium containing this proprietary information or its copies, or to have them nullified. This is similar with case (1) above.

(3) Cases where proprietary information is acquired from a person who has acquired the proprietary information directly by unfair means noted in (1) and (2) above under the condition of knowing that this unfair act took place, and under this specific condition, using and disclosing the information (the case involved in the article in (3)).

This case involves, in the instance of (1) above, the act of disclosing proprietary information after an official, employee, or consignee (who are in a contract relationship or after the contract has expired), or a licensee has violated an obligation to maintain a secret in terms of a contract that should be maintained, or in the instance of (2) above, the act of acquisition by theft or disclosing information after a third party acquires information under certain conditions from a person noted in (1) above, and is a case of indirect acquisition of proprietary information and its subsequent use and disclosure.

Subjective conditions are a problem with regard to this case, but basically it is appropriate to consider it to be similar with the case of (2) above. Therefore, we feel that the act of acquiring proprietary information while recognizing that an unfair act is involved, or acquiring it while being grossly negligent and not recognizing that fact is an unfair act.

Because we consider the act of acquisition under such subjective conditions to be an unfair act similar to (2) above, it is appropriate to make this subject to the request for prohibition. It is also similar to (2) above in that we need to permit requests to return the medium in which the proprietary information was contained as well as its duplicates, or to remove them.

3. Other Points to Bear in Mind

We believe that there is a need to bear in mind the following points other than 1. and 2. above.

(1) Regarding compensation payments in place of prohibitions

There is the thinking that in cases where the request for a prohibition is made against an unfair act concerning proprietary information and where the proprietary information subject to prohibition is, for example, only a small part of an entire manufacturing process, thereby causing great harm for the person receiving the charge to cease and desist but little benefit obtained from the prohibition for the person making the complaint, it is appropriate to obtain relief by the payment of compensation (with regard to future use) without a prohibition.

With regard to legislating this measure, there are the following ideas.

(1) It is desirable to clearly provide for this in the law since it is necessary.

(2) Even though an unfair act has been carried out, if there is a system for ultimately resolving the issue through a cash payment, there should be a warning about "being able to undertake unfair acts."

(3) In cases where a prohibition is deemed to be inappropriate, and the damage arising in the future can be determined while applied to the abuse of authority, there is no need to devise special measures because the request for cash compensation will be recognized.

(4) The nature of the system should be studied carefully.

(2) Regarding the period for exercising rights

We believe that, as for the right to request a prohibition of unfair acts with regard to proprietary information, in accordance with the reasons stated below, there is a need to study stipulating a short-term and a long-term period for exercising that right.

First of all, with regard to a short-term period for exercising the right, we feel that (1) there are cases where neglecting to exercise the right to request a prohibition from the point in time that an unfair act becomes known is to shirk from "managing as a secret," which is a condition of proprietary information, and (2) when a period of time has transpired because the proprietary information is intangible and it is uncertain whether an unfair act has been committed, it is desirable that a legal verdict be reached as soon as possible; consequently, as for the right to request prohibition of unfair acts with regard to proprietary information, when that right can begin to be exercised, namely when it moves from the point in time that an unfair act and its perpetrator have been ascertained, there is a need to study the period of time for exercising that right in the short-term (around 3 years) to be interrupted by a legal complaint or by a complaint and approval outside a court of law, so that the expiration of this period will mean that a request cannot be granted by a court of law.

Moreover, with regard to the right to request a prohibition against unfair acts concerning proprietary information, we feel that there is a need to determine a long-term (10-year) period for making claims, so that after that period has elapsed, claims will not be permitted in a court of law. There is also the thinking that, with regard to such a measure, it is unnecessary to consider the security of the transaction even concerning acts of persons who have carried out unfair acts with bad intent. However, it is necessary to study this idea while giving consideration to the following three points.
(1) Recognizing an actual situation that has continued over a long period of time as an effect of the law is important from the standpoint of the security of the transaction.

(2) Because the right to request a prohibition will not be considered subject to the usual time periods unless the period to exercise the right is stipulated in the law, a situation in which one would be able to exercise the right to request a prohibition would continue forever, and this is considered to be inappropriate since the proprietary information involved would be receiving stronger protection than ordinary proprietary information.

(3) If because of a short period to exercise this right, there would be a halt, and then the exercise period would begin again repeatedly, the legal relationship would continue to be in an unstable situation.

However, in cases where there is a request for prohibition after a considerable period of time when there is no clear time limit in the law, we believe that a method is possible to eliminate the request for prohibition by basing this on the legal logic of abuse of the right or by interpreting this as the fact that the proprietary information "has not been managed as a secret."

(3) Persons With the Right to Make a Request (Persons Who Fear Their Business Profits Will Suffer)

As for persons who can request a prohibition request with regard to unfair acts concerning proprietary information, in light of the fact that protecting business profits is the goal of proprietary information, we believe that it is appropriate to call these people "persons who fear their business profits will suffer" just as stipulated in Article 1 of the existing Unfair Competition Prevention Law.

With regard to this point, there is the opinion that defining this as "persons who fear their business profits will suffer" is overly restrictive, but in light of the goal of proprietary information to protect business profits from unfair actions, it is appropriate to permit the right to request by limiting it to persons who have interests in business activities.

Incidentally, there is the thinking that it is necessary to limit this to "persons who have a legitimate profit over which to appeal," but by means of adding "legitimate profit to be protected as a secret" as an objective condition of proprietary information, we believe we have the same effect.

(4) Handling of Regulations for Estimating the Amount of Damage

Because proprietary information is an intangible asset, determination of the amount of damage caused by an unfair action is difficult. Therefore, the thinking is that the rules for estimating the amount of damage should be as in Article 102 of the Patent Law. However, proprietary information, unlike the intangible assets of Patent Law, includes all sorts of things. Consequently, we feel that applying a uniform way rule for estimating the amount of damage is limited, and that we need to study this carefully.

(5) Handling of Punishment

In current practice, a considerable portion of unfair acts with regard to proprietary information is subject to penalty, such as treating unfair acts accompanying the taking of documents or designs like theft or embezzlement, and treating unfair acts accompanying violation of responsibility like breach of trust. Moreover, under the existing legal system, in cases where the unfair acquisition, use and disclosure of proprietary information is itself subject to new penalties, we feel that there can be an issue, such as a balance of the legislated penalty and the relationship between these newly determined crimes and existing crimes like theft, which is mentioned above. The ideal criminal penalty for these acts, including this point at issue, needs to be studied carefully from the perspective of preventing unfair competition.

(6) Time to Determine Subjective Conditions (Handling of Persons With Bad Intent After the Fact)

With regard to the point in time to determined objective conditions, there is a need to divide this into (a) cases in which a third party has directly or indirectly acquired proprietary information, and (b) cases in which the proprietary information has been acquired based on a contract. With regard to the former in particular, we feel there is a need to create an appropriate system from the standpoint of basically weighing against one another the benefits of the proprietary information to its possessor and the request to protect the interests of the person who has acquired the proprietary information in good faith and without gross negligence.

(a) Case in Which a Third Party Acquires Proprietary Information Directly or Indirectly

With regard to a person who acquired proprietary information without bad intent or gross negligence at the time of acquisition but who subsequently had evil intent (known hereafter as "a person with evil intent after the fact"), we feel that such a person should be subject to prohibition in regard to disclosing this proprietary information if he is permitted its subsequent use. This is because once proprietary information is disclosed, and damage occurs, it is difficult to recover.

With regard to this point, it is necessary, as stated above, to weigh the benefit of the original possessor of the proprietary information and the benefit of the third party who acquired it with good intent. We need to consider three points from such a perspective.

(1) Irrespective of whether the authority of disclosure had been originally required, we need to consider that injury that being subject to a prohibition will cause the profits of the person who acquired the information with good intent and went on to disclose it. (In particular, we believe there is a problem where the [possessor] himself
As far as the practical problems of a lawsuit involving proprietary information for the unfair benefit of oneself or a third party, according to Article 82 of the Constitution, when the event of use actually began, there was not ill design when use began, there was eventually the intention, after the fact, to use the information for the unfair benefit of oneself or a third party, or to harm the possessor of the proprietary information.

We think that if a party who acquired the information with good intent originally to only acquire the information for limited use within a certain timeframe is prohibited completely from use, this would be giving excessive protection surpassing the request for ensuring the safety of the transaction.

We think that because, in cases where a representative is established in line with the Civil Code, a contract for acquiring the proprietary information is effectively in force, for example, when proprietary information is acquired with good intent and without gross negligence, careful study should be given to use and disclosure with the framework of the authority acquired based on the contract concerning the proprietary information concerned at that point in time.

Incidentally, in the system concerning intangible assets in Japan, measures have been devised to take into consideration a balance between the protection of the holder of the rights and the safety of transactions.

In Article 24 of the Law on Circuit Design of Semiconductor Integrated Circuits, persons of good intent when receiving a copied chip are not to be viewed as committing an act of infringement when passing that information in turn so as not prevent the smooth flow of chips, even if they do so with bad intent.

In addition, Article 113 of the Copyright Law states that a person who has received without his knowledge a program that was written by infringing on a copyright is not to be considered to be infringing on that copyright when he uses the program, even if he does so with bad intent. The aim in both of these is to ensure the safety to transactions involving programs.

(b) Cases Where Proprietary Information is Acquired Legally on the Basis of a Contract

The appropriateness of making a person subject to a prohibition when he has acquired proprietary information based on a contract but then has proceeded to violate the obligation to maintain secrecy, has been covered fully in Section 2 above. In this case, we feel that whether to make a certain act of use subject to prohibition should be determined by the subjective conditions at respective points in time concerning the acts carried out daily. However, we think that we may not be giving enough consideration to the fact that regardless of whether there was not ill design when use actually began, there was eventually the intention, after the fact, to use the information for the unfair benefit of oneself or a third party, or to harm the possessor of the proprietary information.

As far as the practical problems of a lawsuit involving proprietary information are concerned, three problems were pointed out during the deliberation of our groups: (1) the procedures for collecting evidence and the proof and recognition of the amount of harm, (2) maintaining secrets in a court of law when the proprietary information is revealed by the trial, and (3) designation of the contents of the request and the verdict. Nevertheless, we feel that such problems of lawsuit procedures warrant careful consideration in the future, while bearing in mind that while there are no inherent problems in a lawsuit over proprietary information, the relationship with the principle of an open trial which is set in the Constitution is vital to the ideal of civil suits in general.

Among the problems in lawsuit procedures related to the above, if we cover the present system and its operation, we find, first of all, problems of procedures for collecting evidence and proof of the amount of damage. The present civil suit procedures have procedures for seeking the disclosure of evidence that the other party possesses and the exercise of explanation by the court, such as the order to present documents (Article 314, Civil Lawsuit Law), the order to present identified objects (Article 335 of the same law), the system for preserving evidence before raising a lawsuit (Article 343 and Article 351.2 of the same law; see the provisions on questioning witnesses, written evidence, verification, and other activities in the collection of evidence).

In the second place, there is the problem of the principle of an open trial. However, Article 82 of the Constitution states that (1) the confrontation of the trial between the accused and the accuser and the verdict must be in an open court, and (2) that the confrontation can be closed when the judges unanimously decide that it would harm public order and morals, with the exceptions of political crimes, crimes involving publishing, and incidents where the authority of the people guaranteed in Article 3 is an issue. Because proprietary information has a basically secret nature, it can be said that close procedures are desirable to ensure its protection. However, the system of a public verdict in order to realize a fair verdict and eliminate secret verdicts is a higher order legal requirement of Japan. We feel that the protection of proprietary information should be planned under this principle. At present in actual trials, there are measures to protect the defendant's proprietary information when rebuttals and evidence are presented to defeat the assumption of Article 104 of the Patent Law. For example, there is a precedent in which the means were devised so that the argument of the defendant's methods are sufficed when kept to the minimum necessary, and not everything requires disclosure.

In the third place, there are claims and verdicts in lawsuits, but because a verdict cannot be closed according to Article 82 of the Constitution, when the complaint of the plaintiff itself contains the contents for
prohibiting the disclosure and use of the secret information itself, there is the fear that the subject of the request for prohibition will become public because of the verdict in court. Consequently, we feel a practical concern that the contents be recorded in a way that the secret information is not made known by the contents of the complaint by the plaintiff.

Chapter 5. Legal Framework of Relief From Unfair Acts Concerning Proprietary Information

As far as the base and legal framework is concerned when stipulating the right to request a prohibition of unfair acts concerning proprietary information as above, we feel that it is most appropriate to follow the amendment to the Unfair Competition Prevention Law for the following reasons. This is in light of (1) the ideal system for relief from unfair acts concerning proprietary information as described in Chapter 4, (2) the legislative examples of foreign countries, and (3) the contents of the Civil Code and legal benefits of protection in Japan.

1. The Unfair Competition Prevention Law and Its Legal Protection and Benefits

As touched upon in Chapter 2, the existing Unfair Competition Prevention Law is a law enacted in 1934 for the purpose of participating in the Hague Amendment Treaty to the Paris Treaty Concerning the Protection of Industrial Property Rights (1925). In other words, the Hague Amendment Treaty took Paragraph 1 of Article 10.2 of the Paris Treaty, which stated that "the allied countries will effectively protect the people of the allied countries from unfair competition (1900, stipulated in the Brussels Amendment Treaty of 1900), and put in a new Paragraph 2, which said that "all acts that go against public practice from an industrial or commercial standpoint make up unfair competitive acts, and in a Paragraph 3, set down the acts designated for prohibition. Hence, in this way, the amendment was enacted to fulfill the obligations of the treaty.

When we consider the circumstances surrounding the enactment of the Unfair Competition Prevention Law and its relationship with the Paris Treaty, we believe that the Unfair Competition Prevention Law is a law that serves as the basis for prevention of "all acts that go against public practice from an industrial or commercial standpoint," and as for civil relief with regard to specific unfair acts in economic life, we believe that it serves as a special law in which is stipulated the right to request a prohibition. Incidentally, with regard to the "competition" in Article 10.2 of the Paris Treaty, we believe that this indicates direct competitive acts among similar kinds of firms. However, in a broad sense, this is a concept that indicates unfair acts in economic life regardless of whether they are directly related to a competitor. How this is grasped is understood on the basis of fair trade practices that have been established in international transactions and fair trade practices that exist in various countries.

Even in the existing Unfair Competition Prevention Law, the act of mistaking and confusing products and businesses (Paragraph 1.1 of Article 1, and Paragraph 1.2 of Article 1) is something widely recognized up the act of dilution of a person with whom one does not have a competitive relationship, and in the spirit of the Paris Treaty, is within the framework of preventing unfair competitive acts.

2. Thinking on Unfair Acts Concerning Proprietary Information

The thinking on making unfair acts concerning proprietary information subject to prohibition, just like the interpretation of the concept of "competition" in the aforementioned Paris Treaty and Unfair Competition Prevention Law, consists of two ideas:

(1) the idea that there are unfair acts concerning proprietary information in economic life; and

(2) the idea that persons with whom one has a competitive relationship should be restricted regarding competitive acts which unfairly use proprietary information.

With regard to this point, the use of proprietary information, for example, technological knowhow and business knowhow like customer lists, is not limited to firms with whom one is in competition. Rather, there are many cases where such information has general purposes. Consequently, we believe that when the scope of unfair acts is limited to competitive use of proprietary information, the concern will be great that the relief from unfair acts concerning proprietary information will be insufficient. As a result, we believe that there is a need to make unfair acts concerning proprietary information in economic life subject to prohibition.

Conversely, when we consider the idea that unfair acts concerning proprietary information are limited to competitive acts, (1) acts in which an entrepreneur who is not a competitor unfairly acquires and uses competitive information, and (2) acts in which a direct competitor is not involved like an employee publishing the proprietary information of a firm for his own profit are acts that harm the business interests of the firm possessing the proprietary information, cause a reduction of the incentive to make a normal effort, and have an adverse impact on orderly competition. We believe that a problem is created if effective relief from these acts is not provided in the form of a prohibition.

As covered above, because "unfair competitive acts" as stated in the Unfair Competition Prevention Law are to be interpreted in the aforementioned broad sense, renewing the idea of unfair acts concerning proprietary information which should be subject to prohibition by grasping "unfair competitive acts concerning proprietary information" and taking that to be a new model for unfair competitive acts from the standpoint of the Unfair Competition Prevention Law is appropriate, we feel, from the relationship between the best way to
protect proprietary information and the nature of the Unfair Competition Prevention Law.

Moreover, like Japan, there is a Continental legal system, and in West Germany, Switzerland, and Austria, which are countries that have Unfair Competition Prevention Laws, there is thinking that can serve as a reference to carrying out this sort of protection concerning proprietary information in the Unfair Competition Prevention law.

3. Relationship with Other Legal Systems

Incidentally, we believe the following with regard to problems of carrying out protection of proprietary information in the Civil Code, or in the Patent Law and Copyright Law which protects intangible assets.

(1) Civil Code

Since the Civil Code is the basic civil law, we feel that it is inappropriate to stipulate in the Civil Code only what is related to technological or business information like proprietary information.

(2) Patent Law

With regard to the Patent Law and the Utility Model Act, the subject of protection is “the creation of technological ideas which use the laws of nature” (Article 2 of the Patent Law and Article 2 of the Utility Model Act). Consequently, we believe that these are inappropriate for the protection of proprietary information because business information would not be subject to their protection. Moreover, because both the patent system and the utility model system require openness as a compensation for recognizing the exclusive right, we feel that protection of proprietary information which has the condition that keeping the information private is protection that is inappropriate by the laws.

(3) Copyright Law

We believe that the Copyright Law (1) being a system with the objective of “contributing to the development of culture” (Article 1 of the Copyright Law), is not something which takes the prevention of unfair acts in economic life as an objective, and (2) being a system that protects written works from duplication, does not aim for relief from unfair competitive acts concerning proprietary information such as technological or business knowhow which do not have written works or unfair competitive acts such as using stolen proprietary information.

Conclusion

Policy Recommendation

The problem of the legal protection of proprietary information has been a cause of concern for some time among some experts, and is a problem that has been the subject of study, but we do not believe that its importance has been fully recognized in Japan. Nevertheless, when we consider the base of the Japanese economy over the medium and long-term in the future, there will be no change in the past limitations of being a narrow land with scarce resources, and Japan will have no choice but to rely on its intellectual assets including its technological prowess and on maintaining a stable trade order so that Japan can establish itself as a trade power. In light of the fact that this will hardly change at all, we believe that the best way of protecting proprietary information from the following perspective is an extremely important problem for the nation as a whole.

In the first place is the aim to appropriately protect our intellectual assets and to advance their development. As can be seen in our report, proprietary information, along with patents, is an important intellectual property. Because we believe that the accumulation of such intellectual assets is the basis or the technological and business activity of Japan’s economy, there is a need to ensure appropriate protection for proprietary information so that the incentives of individuals working on its development are not harmed. Of course, because doing this for the sake of increasing intellectual creative activity is likely to obstruct competition if intellectual asset protection is carried out excessively and will also have a negative impact on the development of intellectual assets across the whole economy, we need to carry out protection with a balance in mind. Consequently, for the protection of intellectual assets, we need to bear in mind the nature of the individual intellectual assets and the social environment surrounding them. Our group conducted its deliberations on proprietary information while giving full consideration to this point.

In the second place, we have been seeking the harmonization of international systems in order to maintain a stable trade order. Today, when the economic activity of domestic and foreign firms is becoming global and international business development is moving forward, the disparity between the variety of systems that we and our partner nations have is frequently the cause of international friction. Therefore, we can be said to have been seeking a sincere discussion of what will be logical internationally with regard to the domestic system, while bearing in mind the requirement for harmonization with international systems. We believe that this is a basic requirement in light of the role Japan plays as an international nation.

Based on this sort of perspective, the direction that our group took was that creating a system of relief for unfair competitive acts concerning proprietary information was desirable quickly. Consequently, we would hope that a rapid response to this recommendation can be achieved by an amendment to the Unfair Competition Prevention Law. Moreover, bearing in mind that Japan cannot be said to have sufficient legal precedents in this field, we feel that it would be beneficial to continue to study and arrange our thinking with concrete examples.

Finally, in approaching the execution of the law after it is amended, we hope that the contents of our group’s deliberations will be considered and appropriate measures
taken so that there will not be an adverse impact on the openness of the information needed by society, on job change mobility, and on normal information transactions. Along with this, we would add that it is necessary to study this issue again in the future because the Unfair Competition Prevention Law contains all sorts of discussions in addition to the issue of proprietary information, and we would like to make that a report of our group.

Proprietary Information Group, Industrial Structure Council

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