Concrete Study Regarding Reform of Judicial Systems for Intellectual Property Rights*

The First Subcommittee,
The Second Patent Committee

(Abstract)

In June 2001 the Judicial System Reform Council prepared a final opinion in writing and submitted the same to the Cabinet. The Intellectual Property Strategic Committee, replying to the above, prepared the "Fundamental Principles of Intellectual Property Strategy" in July 2002.

In accordance with the above principles, this Sub-committee selects an expert committee member system, patent courts, collection procedure of evidence prior to institution of litigation and enhanced protection of trade secrets from matters regarding enhanced protection of intellectual property, and further, makes the following proposal after discussing trials on schedule that is proceeded with from the standpoint of accelerated trials.

(Contents)

1. Introduction

The "Intellectual Property Strategic Committee" (hereinafter referred to as the "Strategic Committee"), consisting of the Prime Minister, Chief Cabinet Secretary, ministers and well-informed persons, was held seven times between March and October 2002 after receiving the "Written Final Opinion regarding Ideal Form of the Future Judicial System in Japan"[1] (hereinafter referred to as the "Written Final Opinion") submitted by the Judicial System Reform Council to the cabinet in June 2001. Purposes of the Strategic Committee were to "promptly draft the Japanese intellectual property strategy and to try to promote such strategy because intellectual properties have become more and more important from the standpoint of enhanced international competitiveness of the Japanese industry and activated economy" and the Strategic Committee prepared the "Fundamental Principles of Intellectual Property Strategy"[2] (hereinafter referred to as the "Fundamental Principles of Strategy") in July 2002. The Strategic Committee pointed out, as concrete planned activities, ① promotion of creation of intellectual properties, ② enhanced protection of intellectual properties, ③ promoted utilization of intellectual

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properties, ④ training of intellectual property-related human resources and improvement of national awareness, and ⑤ effectuation of fundamental principles of intellectual property strategy.

Civil and Personal Trial Sectional Meeting of the Legal System Council held fourteen meetings between September 2001 and December 2002, and announced "an interim and tentative plan of amended Code of Civil Procedure"[3] (hereinafter referred to as the "Interim and Tentative Plan") in June 2002 and sought opinion as to the above.

In addition, the Dispute Settlement Subcommittee in the Intellectual Property Policy Sectional Meeting of the Industrial Structure Council (hereinafter referred to as the "Dispute Settlement Sub-committee"), consisting of well-informed persons such as academics, private individuals, lawyers and judges of high courts, was held six times between May and October 2002 with the Patent Office of the Ministry of Economy, Trade and Industry as the Secretariat. Purposes of the Dispute Settlement Sub-committee were to "discuss ideal form of the dispute settlement system regarding patent rights around the trial system". The draft report of the Dispute Settlement Sub-committee[4] proposed combining two systems of opposition and invalidation trial, thus creating a new trial system.

Under these circumstances, this Sub-committee examined a subject of the "reform of the judicial system for intellectual property rights" last year. This year this Sub-committee examined the expert committee member system, patent courts, expanded collection procedure of evidence, trials on schedule and enhanced protection of trade secrets.

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2. Expert Committee Member System

2.1 Evaluation of Expert Committee Members in Intellectual Property Trials

In the Written Final Opinion submitted on June 12, 2001, an opinion was indicated that "a possible system, in which non-judicial experts in each professional field should be involved in all or part of trials as expert committee members and support judges, should be discussed (assistance in arrangement of issues, charge of and assistance in settlement, commitment to investigation, making statement or taking evidence regarding issues requiring expert knowledge), for which ideal form of introduction should be considered."

Investigators, appraisers and so on, who have expert knowledge of intellectual property-related trials, are to support judges.

Currently three investigators are assigned to the Osaka District and High Courts, seven to the Tokyo District Court and eleven to the Tokyo High Court, respectively. Article 57 of the Court Organization Law provides that investigators should take charge of investigation necessary for trials and litigation under judges' order, accordingly investigators play a role of promoting judges' technical and professional understanding and accelerating trials.

As to those who play a role of supporting judges, and investigators, Table 1 below shows functions and advantages/disadvantages of the above.

Under the current investigator system, investigators are considered to support judges by putting issues in order or by investigating issues with expert knowledge, however, investigators have only limited access to trials, for example, they are not allowed to question witnesses or state their opinion at trial, and so the scope of investigation is limited as well.

In addition, it is unclear how greatly investigators affect judges' conviction and judgement.

On the other hand, appraisers are elected only if the party(s) requests so and the appraisal

Table 1 Functions of those Who Support Judges, Merits and Demerits

	Investigators	Appraisers	Expert committee members 1 (examiners and trial examiners of Patent Office)	Expert committee members 2 (researchers of public organizations)
Issues to be put in order	△	×	○	△
Questioning parties	△	×	○	○
Taking of evidence	×	×	○	○
Questioning witnesses	×	×	○	○
Investigation of issues with expert knowledge	△	○	△	○
Questioning parties	△	△ with permission	○	○
Stating opinion	×	△ directed by the presiding judge	○	○
Question from parties	×	×	○	○
Taking charge of, and assistance in, settlement	×	×	○	○
Participation	At any time	At the request of parties	At the request of parties and according to the decision of court	At the request of parties and according to the decision of court
Recusation and disqualification	×	△ recusation only	○	○
Transparency	△	○	○	○
Neutrality	○	△	○	△
Professionality 1 (technology)	△	○	△	○
Professionality 2 (law)	○	×	○	×
Participation and selectability	◎	△/×	○	△/×

Note) ◎, ○, △ and × indicate the degree of merits and demerits. Especially × shows that the relevant person is not allowed to be involved in the relevant matter or is not requested to do so.

is limited to the matters requested by the party as well, however, since appraisers' appraisal will be published and opinion must be stated in public only, the trial is transparent. But as a matter of fact, appraisers have been hardly adopted in intellectual property-related trials in recent years since there are some problems to be solved, such as, it taking long time to elect appraisers.

Expert committee members 1 come from, like present investigators, examiners and trial examiners of the Patent Office, and expert committee members 1 are not only allowed to be involved entirely in putting issues in order and assistance in settlement but also are sure to be given an opportunity to question the parties and witnesses and to state their opinion, thus expert committee members 1 are able to participate in trials in a more positive way.

Expert committee members 2 are adopted from researchers of public organizations like universities in order to introduce technical professionalism into trials, which expert committee members 1 cannot supplement. While expert committee members 1 participate in trials as a whole, expert committee members 2 support judges only in the case technically expert knowledge is required.

2.2 Suggestion to the Expert Committee Member System

Expert committee members may come from examiners and trial examiners of the Patent Office, patent attorneys, researchers of public organizations and so on, and this Sub-committee made a proposal last year that, from the standpoint of neutrality, expert committee members should be preferably elected from examiners and

trial examiners of the Patent Office (expert committee members 1 of the table 1).

However, in this case, expert committee members are to be elected from those belonging or having belonged to the Patent Office, like investigators. As more and more people are elected from people in the Patent Office, it seems less realistic in view of the number of personnel. In addition, since investigators and expert committee members are professional to the same extent, there is not much to be gained, compared to the present status, by inviting expert committee members. Therefore, it would be preferable that, for the time being, advanced expert knowledge is introduced into trials by electing expert committee members from researchers of public organizations (expert committee members 2 of the table 1), thereby promoting more accurate and swift trials.

By the way, when allowing expert committee members 2 to participate in trials, the scope of investigation must be limited to technical investigation. Therefore, it seems to be necessary that investigation of more legally professional matters, such as doctrine of equivalence in infringement theory and unobviousness in patentability, should be taken charge of by investigators, in other words, investigators and expert committee members should share the scope of investigation.

In addition, it is necessary to take measures to simplify election of expert committee members from researchers of public organizations, such as preparation of list of potential members.

Possible future image of expert committee members may be as follows: A court elects examiners and trial examiners of the Patent Office as expert committee members and makes such expert committee members assume investigation as to all legally and technically professional matters (expert committee members 1), and with respect to trials involving high-tech field, which requires highly advanced professionality, a court elects researchers of public organizations as expert committee members 2 to make them take charge of trials. As the above, expert committee members who are legally professional, and at the same time, have technically expert knowledge according to the level of professionality required by each trial can support judges.

In this case it is necessary to save more people who come from the Patent Office, but investigation that is currently conducted by investigators can be practically transferred to expert committee members. Furthermore, such expert committee members can be involved in trials more positively by, for example, securing an opportunity to question the parties and witnesses and investigation will be improved thereby. As a result of it the current investigator system might become useless.

In any of the above cases, if at least one party requests participation of expert committee members or judges consider it necessary, a court, after asking the other party's or both parties' opinion, should decide whether expert committee members should participate in the trial. In that case a court does not necessarily have to obtain both parties' consent. In addition an opposition must be allowed to be raised against such election in order to achieve a fair trial. That is to say, from the standpoint of a fair trial, it is preferable to permit an opposition that excludes a person who has close relationship with the party such as a relative and who is likely to perform his duty unfairly.

3. Patent Courts

3.1 Patent Courts in Various Countries

(1) United States

In the United States' judicial system federal courts and state courts coexist, and it is federal courts that have exclusive jurisdiction over patent-related cases. The first instance of a patent-related case is tried in a federal district court, and an appeal thereof is brought exclusively to CAFC, whereby judicial precedents are unified. In the United States patent validity may be challenged in a patent infringement trial so that such dispute can be settled at a consistent procedure.

Judges of CAFC are appointed by being designated by the President and approved by the Senate. Judges of CAFC are under lifetime employment, and seven out of twelve active judges have more than ten years' experience at CAFC. In the United States, as you see, it seems that judicial precedents are unified by centralizing judges with expert knowledge in CAFC and that the personnel structure is

arranged so that each judge's professionality is improved.

(2) Korea

In Korea a patent court was established in 1998. Patent court covers all fields of industrial property rights, which takes care of litigation asking for cancellation of trial decisions made by the patent trial section (corresponding to the Department of Appeal in the Japanese Patent Office). Patent court has five trial departments consisting of a panel of three members respectively. There are ten judges, and nine officials with expert knowledge of machinery, electricity/electronics, chemical engineering and biotechnology have been sent from the Patent Office as technical trial examiners. The total number of personnel is fifty-two, including secretaries.

Patent court is characterized by the technical trial examiner system. Although technical trial examiners cannot directly participate in judgement, they can take part in preliminary and oral proceedings, question the parties with the presiding judge's approval and submit a written opinion, thereby being deeply involved in litigation.

In Korea, general courts take care of civil and criminal trials regarding industrial property rights, such as patent infringement trial.

(3) Germany

In Germany a federal patent court was established in 1961. Federal patent court deals with appeals against refusal made by the examination department of the Patent Office as well as requests for patent invalidation. In other words, the German federal patent court takes care of appeals and trials (appeal against the examiner's decision of refusal and trial for invalidation), which would be conducted by the Patent Office if in Japan. Judges of the federal patent court consist of legal members and technical members. Patent-related trial, for example, is tried by a panel of three technical members and one legal member. The total number of members is two hundred and ninety (consisting of sixty-three legal members and eighty technical members).

By the way, the federal patent court does not deal with patent infringement trials, which are within the jurisdiction of district courts and high courts.[5)]

3.2 Determination as to Patent Validity

In the Fundamental Principles of Strategy states that "as to relationship between determination as to invalidity in infringement litigation and trial for invalidation, a conclusion should be reached by the end of 2004, including ideal form of trial proceedings, after a wide variety of discussions are carried out in order to achieve rational settlement of disputes, including methods of aiming at settling disputes at a consistent procedure."

For a long time the Japan Intellectual Property Association has insisted necessity of settling disputes at a consistent procedure, the reasons of which are as follows.

① If an argument of patent invalidity in infringement litigation and invalidation trial at the Patent Office are examined at the same time, a considerable burden will be put, and it is inefficient from the viewpoint of judicial economy.

② There is a case in which a decision made by the Patent Office is different from a decision made by a court, and a patent is determined to be valid in infringement litigation while the same patent is determined to be invalid in a trial for invalidation. In that case a retrial can make a relief available (in re Aruze case[6)], the court decided that the patent concerned was not apparently invalid, and the Patent Office gave notification of reasons for invalidation by ex officio after infringement was acknowledged. There were three trials for invalidation that were instituted nearly at the same time, and the Patent Office concluded that reasons for invalidation would be established by evidence submitted in those trials for invalidation), however, on the contrary, in a case where an argument of abuse of rights based on "apparent invalidity" was accepted but the Patent Office determined the patent concerned was valid, a relief by means of a retrial is not available, which is inconsistent with the above case.

③ In the latter case of the above ②, if a patentee sues another person allegedly committing infringement, a completely different conclusion might be reached and confusion might arise.

④ Patentee is apt to insist that, in infringement litigation, the claim concerned is broad so that an allegedly infringing product is covered by such claim but that, in a trial for invalidation, the claim is small so that the claim

does not contain reasons for invalidation. Person allegedly committing infringement, on the contrary, is apt to insist oppositely.[4)]

The trial system took over the prewar structure in which, as to acquisition and loss of patent rights, the first decision was entrusted to the Patent Office as the professional governmental agency, and the second decision, i.e., litigation against appeal/trial decision, has been made by the Tokyo High Court. Therefore, if only personnel structure is adequately prepared in courts and qualified staffs capable of making technical decisions are appointed, it is desirable that the trial for invalidation system is abolished and patent validity is consistently determined by courts, which is rational and can solve the foregoing problems. However, considering the current circumstances of courts and the Patent Office regarding the degree of perfection of personnel structure, it is too early yet to promptly shift making of the first decision as to patent validity to courts. Personnel structure, i.e., staffs capable of making technical decisions, should be promptly prepared.

Reasons to oppose courts' determining patent validity are that ① courts will assume increased duties and accordingly a period of trials will become longer, ② while the Patent Office can not only investigate evidence submitted by parties but also investigate evidence by ex officio, courts carry out trials on the basis of evidence submitted by parties only, and ③ a patent right that is decided to be invalid in a trial for invalidation will be deleted from the patent register, and as a result of it the patent concerned will become invalid not only against the parties to the trial but also against any third party, however, judgement of abuse based on "apparent invalidity" does not affect the patent registration and become effective only for the parties to the trial.

Having said so, the following measures may be taken in order to resolve the above issues: ① preparing the foregoing personnel structure, ② allowing courts to have functions of evidence investigation by ex officio, if necessary, after discussing necessity thereof, and ③ entering judgement in the patent register (substantial effectiveness for the public, like in the United States, is sufficient).

3.3 Suggestion to Patent Courts

The Fundamental Principles of Strategy states that the Committee plans to submit a bill to an ordinary session of the Diet in 2003, a bill to give exclusive jurisdiction over intellectual property-related trials to the Tokyo District Court and Osaka District Court. It also states that the Committee will consider measures to reinforce the professional settlement system at a high court by the end of 2004, which include centralization of high courts jurisdiction to the Tokyo High Court. The present problem that the Osaka High Court shares investigators with the Osaka District Court was pointed out[7)], so early unification of appeal trials are desirable. Press release announced that the above two issues would be incorporated into the draft revision of the Code of Civil Procedure, and further the measures to fix judges belonging to the intellectual property department, like CAFC of the United States, in order to secure and improve professionality of judges, measures to train judges with technical knowledge and to appoint expert staffs who can be deeply involved in trials, like law clerks of CAFC or technical trial examiners in Korea, should be considered.

It will be necessary, in the future, to separate a department dealing with intellectual property-related trials from the main body and to establish the independent Patent Courts (Tokyo District Patent Court, Osaka District Patent Court and Tokyo High Patent Court). In addition, it is desirable that, after abolishing trials for invalidation instituted to the Patent Office at the time of instituting infringement litigation, the Patent Court determines patent validity consistently at a consistent procedure. In other words, the Japanese Patent Courts should be in the form of the United States patent courts, not Korean or German patent courts. Furthermore, a trial for invalidation instituted independently of infringement litigation should be abolished as well, or only an interested party should be allowed to institute a trial for invalidation so that a defendant of infringement litigation cannot institute a trial for invalidation, and accordingly patent invalidity to be examined by a court and by the Patent Office at the same time can be restrained.

4. Expanded Collection Procedure of Evidence Prior to Institution of Litigation

4.1 Problems in the Collection Procedure of Evidence Prior to Institution of Litigation

The Interim and Tentative Plan regarding the revision of the Code of Civil Procedure was submitted in June last year, in which a plan for expanding the collection procedure of evidence in advance was built. Last year this Sub-committee also discussed the collection procedure of evidence prior to institution of litigation mainly from the viewpoint of necessity thereof. This Chapter will show a result of discussion on the basis of discussion held by this Sub-committee last year as well as revised contents suggested in the Interim and Tentative Plan.

The current Code of Civil Procedure sets forth a protection procedure of evidence as a method of collecting evidence prior to institution of litigation, and an inquiry by the parties after institution of litigation.

Protection procedure of evidence (Article 234 and the following) means a supplementary procedure for examining and protecting evidence in advance separately from primary the trial procedure if, under certain circumstances, regular and official taking of evidence would be too late to use such evidence.[8)]

Some insist the protection procedure of evidence should be carefully made use of because it may impair fairness of courts, but it is generally understood that the protection procedure of evidence should be approved for the sake of fairness between the parties in the case, like medical malpractice litigation, evidence is unevenly distributed and may be subject to alteration.

However, in the case of medical malpractice litigation, there is no problem in identifying a patient's medical sheet, evidence that must be protected. On the other hand, in the case of patent infringement litigation, if a patent right has been obtained for the product concerned, the patentee can buy an infringing product in the market and acknowledge an infringing act by analyzing it, and therefore the protection procedure of evidence would be less necessary. In that case, as patent infringement is highly probable, the patentee can immediately institute patent infringement litigation. Injunction based on the Patent Law is also available. Therefore, in the case the patent concerned relates to a manufacturing method or simple method and analysis of the product cannot make determination as to whether or not the patent right is infringed possible, protection of evidence will be more significant in patent infringement litigation. In this case it seems difficult to identify the manufacturing equipment concerned when evidence is protected in advance. Even if the manufacturing equipment concerned that is subject to protection of evidence can be identified, the manufacturing method cannot be identified unless such manufacturing method is characteristic of such manufacturing equipment, thus protection of evidence is difficult. After all, ordering to submit documents relating to the manufacturing method would be at the most.

By the way, if the collection procedure of evidence is permitted, the party concerned is to investigate the opposite party's manufacturing equipment, however, apart from the case in which such other party is willing to accept such investigation, such other party, a competitor, will naturally reject such investigation based on a trade secret.

Inquiry by the parties means a system in which, while a trial is pending, one party to the trial can directly ask the opposite party for a written reply, within a prescribed period, to the request made in writing by the first party as to matters necessary for preparation of argument or verification. This system of inquiry by the parties sets forth an obligation of such opposite party to make a reply in good faith, but does not set forth punishment when such good faith reply is not made. Therefore, whether this system becomes effective or not as a method of collecting evidence depends on how this system is used.

By the way, as the expanded collection procedure of evidence prior to institution of litigation, ① previous warning of instituting litigation, ② inquiry by the parties prior to institution of litigation, and ③ entrustment of service of documents and so on are proposed in the Interim and Tentative Plan, and thus the Plan tries to facilitate collection of evidence by making an inquiry by the parties, which is currently permitted only after institution of litigation, permissible prior to litigation as well and by preparing

the appropriate procedure for entrusting service of documents.

This Sub-committee basically agrees on the Interim and Tentative Plan but considers the Plan to be rather insufficient, because the collection procedure of evidence prior to institution of litigation aims at general civil litigation as aforementioned and its structure is not appropriate for intellectual property litigation.

4.2 Suggestion to the Collection Procedure of Evidence Prior to Institution of Litigation

As to settlement of disputes between the parties regarding intellectual property rights, a settling method is promoted such as ADR (it is ambiguous which party is a winner and which is a loser), in addition to judgement made in trials. It is because, in patent infringement trials, it cannot be declared that such patent right is absolutely valid and, taking doctrine of equivalence and estoppel in the course of filing the application into consideration, it is sometimes difficult to make a decisive decision as to the relationship between the patented invention and a third party's exploitation.

As far as patent infringement trials are concerned, it is appropriate to allow judges to make decisions freely without being imposed legal restrictions when they form their conviction on which judges make their decisions. It seems quite possible to achieve fairness between the parties with uneven evidence by reviewing the regulation to order submission of documents, such as appropriate allocation of burden of proof.

In other words, it appears necessary to build a mechanism in which, if the party fails to comply with the voluntary collection of evidence whether prior to or after litigation, such failure affects the judge's legal decision. Especially as to the system of inquiry by the parties, possible expansion thereof is discussed so that such system may be used prior to litigation, and it seems also effective to impose legal sanction on the faithless parties. In civil cases, it is inappropriate to take compulsory measures before conclusion of a trial against the party who fails to voluntarily submit evidence[9], however, it might be likely that such indirect compulsory measures as reflecting in the judge's legal decision as aforementioned are effective to some extent.

As to the system of inquiry by the parties prior to institution of litigation, which is mentioned in the Interim and Tentative Plan, it would be also necessary to make a legislative rule that, for example, evidence for a civil case must not be used for a criminal case, in order to take effective testimony by means of the system of inquiry by the parties from the standpoint of the fact that, in addition to doubtful effectiveness of the system without penal regulations, witnesses can refuse to testify if such witnesses are likely to be criminally prosecuted or be found guilty and the fact that criminal punishment is provided for against patent infringement (Article 196 of the Patent Law).

5. Trials on Schedule

5.1 Present Situation of Trials on Schedule

Many articles and ideas regarding trials on schedule have been recently published in connection with acceleration of intellectual property-related trials, including "suggestion to administration of intellectual property infringement trials" (section 3, trials on schedule)[10], a round table talk conference "ideal form of the expanded collection of evidence and trials on schedule"[11], "interim and tentative plan regarding the expanded collection procedure of evidence and trials on schedule"[12], a book "strategies of patent infringement trials-exercise of patent rights and a countermeasure" (the second, acceleration of patent infringement trials)[13], a round table talk conference "recent trend of the intellectual property trial practice"[14].

According to the above articles and ideas, the Tokyo District Court and Osaka District Court have started trials on schedule, though the method of doing so used by the one court differs from the method used by the other. Osaka District Court started to adopt trials on schedule in the second half of 1999. Osaka District Court prepares a model of trial on schedule in writing and distributes the same to each of the parties after litigation is instituted and carries out a trial pursuant to such schedule.[15]

On the other hand, the Tokyo District Court does not distribute any paper, but at the beginning of the trial the Court makes a rough

plan of the trial according to characteristics of the case, foresees the future trials and builds a plan of an argument and verification, shares an image of the trial with the parties, thereby proceeding with the trial.

In actual cases a deadline for submission is often met, and there are only a few cases that are significantly different from an initially supposed trial policy.

By the way, the Department of Appeal of the Japanese Patent Office attempted to introduce "trials on schedule regarding trial for invalidation" in July 2001. The full-scale trials on schedule are to start in January 2003 by focusing highly estimated but complicated cases. Korean Patent Office will also start in January 2003 to enforce a system of notice informing expected conclusion time of a patent trial. This will promote a prompt and appropriate trial by informing the parties to a patent trial prior to making a trial decision about an expected conclusion time of such patent trial in order to give the parties a sufficient opportunity to prepare statement and submission of materials, thereby promoting submission of evidential materials.

5.2 Suggestion to Trials on Schedule

"Trials on schedule" in the Interim and Tentative Plan refer to ① duties of the courts and parties, ② cases as to which a trial should be planned, ③ contents of a trial plan, and ④ effectiveness of a trial plan. Japan Intellectual Property Association expressed its opinion about the above four matters on August 2, 2002 as follows: the Association basically agrees on such trials on schedule itself from the viewpoint of swift trials, however, it makes comments on the above ② and ④ from the viewpoint of specialty of intellectual property infringement trials as follows.

(1) Cases as to which a trial should be planned

"Cases as to which a trial should be planned" should include complicated cases as well as cases in which the parties are vicious. As far as a patent infringement trial is concerned, as to which, under the current system, an opposition, trial for invalidation or litigation against trial decision in connection with the same patent right is pending at the Patent Office or the Tokyo High Court, a plan should be made by taking information on a trial plan of the Patent Office or the Tokyo High Court into consideration.

(2) Effectiveness of a trial plan

The Interim and Tentative Plan offers two proposals, i.e., the proposal A and proposal B. According to the proposal A, when a trial plan is scheduled and in the case a court or the presiding judge sets a deadline for submitting methods of offense or defense regarding specific matters, the court shall be entitled, by request or ex officio, to dismiss such methods of offense or defense submitted by the parties behind the prescribed time if the court thinks submission of such methods is likely to delay the plan of such trial, unless unavoidable reasons that the party cannot submit the same before the deadline are proved.

Proposal B provides that a general provision (Article 157, paragraph 1 of the Code) of dismissal of methods of offense or defense that are submitted after a time limit applies to such methods of offense or defense submitted behind the prescribed time set in the proposal A.

Japan Intellectual Property Association basically agrees on the proposal A but considers that, because the parties to an intellectual property infringement trial normally continue to investigate materials to make the right invalid even while a trial is pending, it is likely that materials that substantially affect validity of the right and interpretation of a scope of the right will be found after a deadline for submission, and therefore considers that "the proviso", as in the Interim and Tentative Plan, should be provided for. In that case, the court and the parties should be entitled to change, upon consultation between them, a trial plan pursuant to "3 contents of a trial plan" (note 2).

The above-mentioned Reference 12), "interim and tentative plan regarding the expanded collection procedure of evidence and trials on schedule" showed issues to be discussed as to trials on schedule, as follows.

① How quickly should evidential materials be submitted?

② How do we cope with new issues or new facts if they are newly found?

③ How broad the scope of cases should be, as to which a discussion of trials on schedule is obligatory?

Basically a discussion should be obligated on the day on which both parties appear for the first time, and how about extension is permit-

ted if only it is not exceptionally practical?

④ Isn't it necessary to secure a period of sufficient consideration in order to make a trial plan?

⑤ Should punishment be fixed which is imposed on failure to prosecute a trial according to trials on schedule due to intention or negligence? Is it also necessary to prepare a relief from unfair and unjustifiable trials on schedule made by the court?

Among the above viewpoint, "② How do we cope with new issues or new facts if they are newly found?" They should not be coped with pursuant to inflexible and fixed standards, but be coped with flexibly. "⑤ Should punishment be fixed which is imposed on failure to prosecute a trial according to trials on schedule due to intention or negligence?" It does not seem necessary to set new punishment specifically, because it is often difficult to prove the opposite party's intention or negligence, and restraint seems to sufficiently function by dismissing submission of new evidence.

By the way, there are interesting judicial precedents in connection with the above ①, ② and ⑤, which are briefly shown below.[16)]

Defendants initially continued to refuse disclosure and verification of a refining process of anti-allergy medicine by insisting that verification of a rough crystal making process of such medicine would be sufficient. They had not insisted the contents of a refining process, existence of a mother crystal treating process and the like at an early stage of the trial, which they insisted at the conclusion of oral proceedings. In addition they failed to submit most of the manufacturing records for a long time without justifiable reasons. The above acts were inappropriate judicial activities that inevitably prevented smooth judicial proceedings. Taking these circumstances into consideration, the court decided that, in accordance with Article 63 of the Code of Civil Procedure, four-fifths of court costs spent by the plaintiff should be borne by the defendants although the plaintiff lost the case. The defendants' judicial activities were carried out under the pre-revised Code of Civil Procedure (old Code of Civil Procedure) that adopted a system in which the parties may submit evidence whenever they want to do so.

Recently the Tokyo High Court, an upper court, gave the following judgement.[17)]

"Argument on Appellee's arguing process made by the appellees (defendants of the original trial) in the present court and submission of the second manufacturing record were delayed due to the appellees' intention or gross negligence, i.e., methods of defense submitted behind the prescribed time, which resulted in delayed conclusion of the trial and therefore they should be dismissed (thereafter omitted)", thus the original judgement was reversed and the appellees (defendants of the original trial) lost the case.

Under the current Code of Civil Procedure that aims principally at prompt trials and adopts the timely submission principle, if the same judicial activities are carried out as those carried out by the appellees in the above case, submission of evidence is to be immediately dismissed on the ground that such activities fall under methods of offense or defense behind the prescribed time, and the trial is to be conducted by giving priority to the request of procedural fairness and prompt trials. This judgement is believed to be especially appropriate.

6. Enhanced Protection of Trade Secrets in Patent Infringement Trials

In order to establish the environment in which patent infringement trials are easily instituted in Japan, possible modification of a method of collecting documents proving patent infringement acts has been discussed. Generally speaking, such documents as necessary for proving infringement are often designs or specifications of a product that should be treated by the submitting party as trade secrets. Article 105 of the Patent Law provides that submission of such documents may be refused only if there is a "legitimate reason", as an exception of Article 220 of the Code of Civil Procedure that exempts submission of documents related to trade secrets in the order of submission of documents, and trade secrets do not necessarily fall under a "legitimate reason", and therefore, in a patent infringement trial, the court might, if necessary, require submission of documents even though they fall under trade secrets. Accordingly the plaintiff's burden of proof may be reduced and this situation should be favorably estimated.

However, on the other hand, trade secrets submitted to courts have not been handled sufficiently carefully. In this section problems in handling of trade secrets by courts will be discussed and a proposal toward solution of such problems will be offered.

6.1 Present Situation of Protection of Trade Secrets

In recent years protection of trade secrets becomes more and more important, and the revised Unfair Competition Prevention Law will provide for criminal punishment against disclosure of secrets. The problem here, is that trade secrets, which must be heavily protected, might lose one of the secrecy requirements (not publicly known) as prescribed by the Unfair Competition Prevention Law when they are submitted to courts that are basically open to the public pursuant to Article 82 of the Constitution of Japan, and thereafter such trade secrets might not be able to enjoy protection under the Law any longer.

It is true that, when the Code of Civil Procedure was revised in 1996, special consideration was given to protection of trade secrets in courts. Article 92 of the revised Code of Civil Procedure provides that a court may, at the request of the party, restrict inspection upon the request by a third party "if a trade secret possessed by the party is described or recorded in judicial records." However, many learned persons point out that such provision itself cannot solve the problem.[18)]

First of all, for example, there is no measure to prohibit the opposite party, i.e., non-disclosing party, from having access to such trade secret. In patent infringement trials, both parties are often competitors, and in that case the party does not want to let the opposite party know the former party's trade secret whose disclosure is required. If the former party can prove that the opposite party illegally uses such trade secret so disclosed, the former party may demand damages based on tort, however, considerable efforts will be necessary but practical effects will be doubtful, and the former party will definitely feel reluctant to disclose the trade secret to the opposite party, i.e., the former party's competitor.

In addition, it is the parties' trade secret that is subject to restriction of inspection and such restriction of inspection does not extend to a third party's disclosed trade secret, and furthermore, such third party cannot demand restriction of inspection.

In addition to the above, restriction of inspection aims at judicial records and not at judgement itself even if the trade secret is mentioned in such judgement, therefore judgement is not subject to restriction of inspection. Practically judges sometimes exclude trade secrets from judgement with great care, but it is completely left to the judge's discretion and is hardly universal protection.

Thus trial procedures under the current Code may seriously harm interests of the party disclosing his trade secret, and therefore a mechanism to prevent such risk and to achieve more fair trials is required.

6.2 Suggestion to Enhanced Protection of Trade Secrets

It is the protective order of the United States that is often cited as a mechanism of protection of trade secrets submitted to courts. This order restricts inspection of documents submitted by a party or testimony given by a witness in the discovery by designating the relevant parts as confidential (normally this order allows "outside lawyers only" to inspect such trade secrets but does not allow the parties or a third party to do so). The parts so designated are deleted from the open judicial records and the jury only can inspect the same in an open trial. However, such mechanism is derived from the discovery that is characteristic of the United State, and it seems difficult to rationally adopt the same mechanism into trials in Japan. Since documents not subject to confidentiality obligation are probably only materials that have already been in the public domain, a trial will be proceeded with while a lot of documents are not published unless the opposite party offers opposition to discharge of confidentiality, which does not seem to match the Japanese principle of open trials.

However, this mechanism is highly thought-provoking. After all, as far as protection of trade secrets in courts is concerned, only a limited method of allowing attorneys of the parties and judges (including expert committee

members, investigators and appraisers), not the parties (on the assumption that a secret must not be disclosed even to the parties), to inspect and discuss the relevant documents in camera will satisfy the party disclosing its trade secret. Allowing designation of confidentiality almost freely will result in a lot of documents not to be disclosed under the system of the United States, but in Japan it seems feasible to attain a proper balance between the parties' interests and the public interest achieved in open trials by strictly deciding documents not to be disclosed under the direction of judges. In fact there is an example where, in a patent infringement trial, the court allowed only specific persons, including attorneys and curators, to inspect submitted documents containing trade secrets and prohibited them from communicating such documents to others in accordance with judicial discretional authority.[19),20)] Therefore, it is recommended to make a proposal that the above should be made systematic and that a mechanism that can secure effective performance should be established, such as imposing criminal punishment on its breach. In addition, although it is difficult to adopt such mechanism with respect to the entire Code of Civil Procedure owing to restriction under the Constitution, trade secrets will be probably submitted to courts in patent infringement trials pursuant to Article 105 of the Patent Law, as aforementioned. Therefore, as to patent infringement trials only, it should be considered preparing and establishing such mechanism as special rules of the Patent Law.

7. Conclusion

After the Fundamental Principles of Strategy was prepared, people in various fields started to discuss the reform of judicial system along the lines of the Fundamental Principles of Strategy, and a draft of revised Code will be submitted to an ordinary session of the Diet in 2003. Though it is important to effectuate the revised Code as soon as possible so that the judicial system can be promptly reformed, it seems also important to fruitfully discuss measures that could not be carried out for the time being due to specific reasons, not to be satisfied with moderate measures, to discuss ideal form of a future system and try to continue efforts for achievement.

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