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# Japanese Patent Attorney-Client Privilege

Sadaaki Kambara

Japan Patent Attorney Association

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## 1. Introduction

Under the general provisions of Rule 26<sup>1</sup> in the Federal Rules of Civil Procedure, which provides a typical characteristic for civil patent lawsuits in the United States, discoverable information is exempt from disclosure to the other party if the relevant communication is privileged. One well-known privilege, having its roots in the Federal Common Law,<sup>2</sup> is the attorney-client privilege.

In the United States, the attorney-client privilege usually applies to the attorneys at law and their subordinates, and only protects clients seeking legal advice or legal services from such people. So there is a question of whether the privilege should be applicable to U.S. patent agents,<sup>3</sup> or, if it is intended to include, non-U.S. attorneys at law or patent attorneys or agents having bases abroad. The answers to these questions will eventually be given on a case-by-case basis by the U.S. courthouses, but in this paper I would like to focus on the Japanese patent attorney-client relationship in light of some U.S. court decisions that have so far been made.

A remarkable report<sup>4</sup> written on a similar theme by U.S. Attorney Yoichiro Yamaguchi has helped me with this examination.

## 2. The Japanese Patent Attorney's Position in a U.S. Discovery Procedure for Patent Litigation

Worldwide free trade policies based on the WTO Agreements or the like have made the circulation of goods and services borderless. To ensure continuous prosperity one has to maintain the industry's international competitiveness by developing new and useful technology, make improvements on the production lines, and add more value to the goods and services

sold in the marketplace. To this end, it is extremely important for intellectual properties to be patented and licensed appropriately, regardless of the country one may be in. In Japan, a pro-intellectual property policy has been adopted and various implementations have already been set in motion.

As intellectual property increases in importance and international trade becomes more active, the clients of Japanese patent attorneys — majority of them being Japanese corporations — will have to expand their patent activities not only in Japan but also in other countries such as the United States. Accompanying this movement will be the numerous communications between Japanese patent attorneys and their clients in respect to patent application, licensing, and infringement issues; such communications, mostly in written forms, are not usually intended for disclosure to a third party.

In a U.S. patent litigation the discovery process can be quite extensive, and when a U.S. court finds a certain document relevant in ascertaining the annulment, infringement, or non-infringement of a patent, it will become mandatory for the holder of such documents to make them available to the other party. As mentioned above, Japanese patent attorney-client communications are normally confidential, so if this situation occurs, the clients will probably incur serious damages through the imparting of corporate secrets, and the Japanese patent attorneys themselves will be set back in their businesses. This slowdown in the routine activities of Japanese corporations will eventually result in a negative impact on the Japanese industries.

Therefore, to keep clients exempt from disclosing discoverable information, the U.S. courts should adopt usually such a system in the discovery process of patent litigation that will place a Japanese patent attorney-client privilege in the same category as an attorney-client privilege.

### 3. Decisions of U.S. Courts

#### 3.1. *Conception Common to Judicial Precedents*

To this day, a number of reports<sup>5</sup> have been made that illustrate the various positions of U.S. courts on the question of whether an attorney-client privilege should apply for Japanese patent attorneys and their clients.

The most common factor in some of the leading court decisions, which seems to be the basis for upholding or denying the privilege on communications between Japanese patent attorneys and their clients, is the concept of interstate comity. To accept comity is to pay due respect to the other country's laws and rules.

The most prominent case in which the U.S. court denied the attorney-client privilege for a Japanese patent attorney is the *Alpex* case (1992).<sup>6</sup> The New York Southern District Court in this case did not classify the information that passed between the Japanese patent attorney and his client permissible for protection. On the other hand, in the *VLT* case (2000),<sup>7</sup> the Massachusetts District Court held similar communications as privileged information and adopted the attorney-client privilege in favor of Japanese patent attorneys and their clients.

#### 3.2. *The Alpex Case*

The decision of the U.S. court in the *Alpex* case was made in accordance with the provisions of the old Japanese Code of Civil Procedure, which was in effect before the revision of the Code in 1996.

Whether the relevant communications were privileged or not depended on how the Japanese laws handled the attorney-client privilege for patent attorneys. If the laws precluded the privilege, then, under the comity rule, the U.S. court would have to adopt the attorney-client privilege principle to protect the Japanese patent attorney-client communications. But as the privilege was not stipulated clearly in the statutory law it was hard to assume that the Japanese courts would act beyond the law to protect their patent attorneys, so the U.S. court ordered the disclosure of the documents that were in question. Correspondingly, the patent attorney offered a counterargument that in fact there was a provision for the patent attorney privilege in article 281 of the old Japanese Code of Civil Procedure. To this, the U.S. court dismissed the argument by stating that article 281 only gives the patent attorney a right to reject testimony under certain circumstances and the law should not be stretched to include protection by privilege.

After this *Alpex* judgement was entered, the New York Southern District Court and the North Carolina

Eastern District Court followed suit by denying attorney-client privileges in the *Novamont* (1992)<sup>8</sup> and *Santrade* (1993)<sup>9</sup> cases, respectively.

#### 3.3. *The VLT Case*

The decision of the *VLT* case was made in light of the provisions of the current Japanese Code of Civil Procedure (revised in 1996), which was put into effect on January 1, 1998.

In this litigation the Massachusetts District Court followed the criteria set by the New York Southern District Court in the *Golden Trade* lawsuit (1992),<sup>10</sup> in which all communications having a "touching base" in the United States were to be subjected to the Federal Rules of Civil Procedure, whereas communications related to only foreign matters should be ruled by the statutory law of the relevant country. Therefore, as there were no U.S. touching bases for the communication documents between the Japanese patent attorney and his client, and because Japan was holding the most direct interest in this matter, it was decided that the Japanese laws would prevail in the discovery procedure. The court judged that since the communication between the relevant Japanese patent attorney and his client is protected under Japanese statute their documents should also be protected in the United States by a privilege similar to that of an attorney-client privilege.

With regard to this decision and taking into mind the Japanese patent attorney's functions — i.e., prosecuting patent applications to the Japan Patent Office, giving legal advice on infringement and validity lawsuits based on Japanese Patent Law, sending letters of warning to possible infringers, and representing clients in court for patent procedures — the U.S. court came to believe that the letter sent from U.S. attorney David Feigenbaum to Japanese patent attorney Fujimura ("Feigenbaum letter") was indeed protected under the Japanese law. Furthermore, the revised Japanese Code of Civil Procedure, which was amended to ensure consistency with the flexible U.S. discovery procedure, listed the types of documents that were non-repudiable (Art. 220), and it was clear to the U.S. court that the documents exchanged between the Japanese patent attorneys and their clients were exempt from disclosure.

The explanation in the last sentence of the above paragraph seems to be based on an inaccurate understanding of the new Japanese Code of Civil Procedure, and one<sup>11</sup> of the aforementioned reports<sup>5</sup> illustrating the various positions of the U.S. courts on the question of the Japanese patent attorney-client privilege, has been

written with a similar perspective.

#### 4. Privilege on Communications between Japanese Patent Attorneys and Clients

(1) From the above discussion, it can be summarized that the privilege on the communications between the Japanese patent attorneys and their clients in a U.S. discovery procedure will depend on the manner in which those communications are privileged in Japanese law.

Here, to be privileged by Japanese law means that the relevant documents, in order to be relieved of their production in court, must fall under the categories listed in Article 220 (1) (iv) (A)–(E) of the new Code of Civil Procedure.

(2) After the VLT decision there is an optimistic view, as seen in one of the reports made by the committee of the Japan Patent Attorneys Association, that the Japanese patent attorney-client privilege, under the new Japanese Code of Civil Procedure, will now be more admissible in the U.S. discovery procedures. However, It would be inappropriate to overvalue the VLT decision or to take things too favorably in this manner.

(3) In the VLT case, the admission of the Feigenbaum letter as privileged information was based on the U.S. court's belief that this matter should be governed by the relevant Japanese law, and the confidential communications exchanged between the Japanese patent attorneys and their clients were deemed similar to that of U.S. attorney-client privileges under Article 220 (1) (iv) of the Japanese Code of Civil Procedure. But it is in this evaluation of Article 220 by the U.S. court that we see an underlying problem that cannot be overlooked.

(4) In the following paragraphs I will discuss this problem in detail.

(4-1) Article 220 (1) (iv) of the new Japanese Code of Civil Procedure does not bear the criteria of universality that defines the non-application of the mandatory production of documents exchanged between the Japanese patent attorneys and their clients, but stipulates with specific conditions the non-repudiable documents of the holder thereof.

The provisions related to patent attorneys and their clients in Article 220 (1) (iv) of the new Code of Civil Procedures provides as follows:

1) Article 220 (1) (iv) (C)

A holder of the following documents may refuse their production in court:

(a) Documents of facts described in Article 197 (1) (ii)

[facts that attorneys or patent attorneys may have access to in the performance of their duties], which are not exempted from confidentiality obligation; and

(b) Documents of matters provided in Article 197 (1) (ii) [matters of secrecy related to technology or trade], which are not exempted from confidentiality obligation.

2) Article 220 (1) (iv) (D)

A holder of the following documents may refuse their production in court:

(c) Documents that are solely for the use of the holder thereof.

(4-2) In light of the above statute, the following issues may be pointed out in regard to the VLT decision, in which the Feigenbaum letter was deemed as privileged information under Article 220 (1) (iv).

(i) Firstly, we must consider the fact that this U.S. court decision was made to accommodate the Feigenbaum letter in particular and was not intended to encompass documents exchanged between Japanese patent attorneys and their clients in general, which means that there is no guarantee that other documents will receive the same treatment.

(ii) Secondly, the Feigenbaum letter decision was a result of a rough approximation based mainly on the deposition of the plaintiff (VLT Corporation and Vicor Corporation), and there is no indication that Article 220 (1) (iv) was examined at length in determining the letter's relevance.

(iii) Therefore, there is now a possibility that the documents exchanged between the Japanese patent attorneys and their clients will be deemed irrelevant after being examined in detail against cases (C) and (D) in Article 220 (1) (iv), and thereby not permissible for protection under attorney-client privilege.

#### 5. Desirable Actions in Japan

To eliminate the possibility of such uncertain interpretations, the Japanese laws should define with more clarity the cases in which the documents exchanged between the Japanese patent attorneys and their clients are exempted from disclosure.

In this chapter I will describe the current situation of the exemption clauses in Japanese laws in relation to patent attorneys, and will propose the desirable actions that should be taken in Japan.

(1) The basic idea

During the pretrial and trial proceedings, both the

patent attorney's documents placed in service for their clients (including electronic data files) and the communication documents exchanged between the Japanese patent attorneys and their clients should be classified in the statute (e.g., the Patent Attorney Law) as documents exempted from disclosure.

(2) The need to exempt the disclosure obligation for Japanese patent attorney-client communications

(2-1) In dealing with intellectual property litigation, e.g., patent infringement lawsuits, Japanese patent attorneys will normally evaluate the validity of the relevant rights, determine whether a certain product is within the claims of the patented invention, and pass their judgement on the relevant infringement activities. All of these appraisals, reports, or opinions will be summarized in documents addressed to their clients. So compared with the other areas of an infringement lawsuit, the pretrial communications between the patent attorney and client, as well as in the trial proceedings, can be quite intensive.

(2-2) Such documents and communications exchanged between Japanese patent attorneys and their clients may, in some cases, be revised and submitted to a third party, but otherwise they are not intended for disclosure to others. Consequently, if these documents are presented as infringement evidences, against the will of the holder thereof, not only will the clients suffer huge losses but the patent attorneys will also experience setbacks in their practices.

(2-3) To minimize the above losses and setbacks, the general rules of document production was stipulated in Article 220 of the new Code of Civil Procedure, where the exemption cases of communication between the patent attorney and client is provided in clause iv as follows:

- (a) Documents of facts described in Article 197 (1) (ii) [facts that attorneys or patent attorneys may have access to in the performance of their duties], which are not exempted from confidentiality obligation; and
- (b) Documents of matters provided in Article 197 (1) (ii) [matters of secrecy related to technology or trade], which are not exempted from confidentiality obligation. (Art. 220 (1) (iv) (C))
- (c) Documents that are solely for the use of the holder thereof. (Art. 220 (1) (iv) (D))

However, as there are many types of documents going between patent attorneys and clients, and because it is unclear in which category — (a), (b), or (c) — they will be placed, each document will need to be judged on a case-by-case basis. Furthermore, Article 220 is effective for document presentation at the trial pro-

ceedings, but is not directly functional in the pretrial stages.

(2-4) For the purpose of enhancing the pretrial evidence collection procedure, the revised Japanese Code of Civil Procedure<sup>12</sup> will be implemented on April 1, 2004, in which the clauses for pretrial inquiries will appear in Article 132bis through Article 132novies. The clause for pretrial inquiries, placed in Article 132bis, will disallow the pretrial document production for inquiries itemized in Article 163, which includes the same inquiries that can be refused in testimony under the provisions of Article 197.

Therefore, if a document between the patent attorney and his/her client falls in the category of (a) confidential documents of facts that attorneys or patent attorneys may have access to in the performance of their duties, or (b) confidential documents of matters of secrecy related to technology or trade (Art. 197 (1) (ii)), then the relevant document will be protected from disclosure by the pretrial inquiry clause. However, as stated before, there are many types of documents exchanged between patent attorneys and their clients, and because it is still unclear what type of document will fall in the categories of the above (a) and (b), each document will have to be judged on a case-by-case basis.

(2-5) Article 105 of the Japanese Patent Law that obligates the document production in patent infringement litigation also stipulates that when the holder of the document has a legitimate reason for refusing he/she will be exempted from disclosure. Also in this case it is unclear whether the document passed between the patent attorney and client is admissible for exemption, so each document has to be judged independently.

(2-6) In view of the above, it should be clearly written in the provisions of the law that communications between Japanese patent attorneys and their clients are exempt from disclosure during both the trial and pre-trial proceedings. Such statutes will help improve the current status of pretrial evidence collection, protect the interests of clients in a patent infringement lawsuit, and maintain the trust of Japanese patent attorneys.

## 6. For Further Reference

The United Kingdom equivalent of the Japanese patent attorney is the patent agent, and under the "Copyright, Designs and Patents Act" of 1988, their privilege is stipulated in its section 280 as follows:

Section 280: Privilege for communications with patent agents

280.-(1) This section applies to communications as to any matter relating to the protection of any invention, design, technical information, trade mark or service mark, or as to any matter involving passing off.

(2) Any such communication

(a) between a person and his patent agent, or

(b) for the purpose of obtaining, or in response to a request for, information which a person is seeking for the purpose of instructing his patent agent, is privileged from disclosure in legal proceedings in England, Wales or Northern Ireland in the same way as a communication between a person and his solicitor or, as the case may be, a communication for the purpose of obtaining, or in response to a request for, information which a person seeks for the purpose of instructing his solicitor.

## References

- 1 Rule 26: General Provisions Governing Discovery; Duty of Disclosure.
- 2 United States v. United Shoe Machinery Corp. 89 F. Supp. 357, 358–359, 85 USPQ 5 (D. Mass. 1950).
- 3 A patent agent is a person who is not an attorney and is admitted to practice before the United States Patent and Trademark Office after acquiring a passing score on its examination. The agent may prosecute patent applications but, unlike an attorney at law, may not represent parties in patent litigation.
- 4 Yamaguchi, Y. (Member of New York State and American Bar Associations, Rader, Fishman & Grauer PLLC), “Report on Attorney-client Privilege Recognized in the U.S. in Connection with Communications between Japanese Patent Attorneys and Clients,” 2003.
- 5 Yamaguchi, Y., “Crisis to Japanese Patent Attorney System Caused by U.S. Attorney-Client Privilege/ Proposal of Revisions to the Patent Attorney Law,” (In Japanese) *Patent* (Monthly magazine of JPAA), Vol. 47 No. 2 (1994).
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- 6 *Alpex Computer Corp. v. Nintendo Co., Ltd. and Nintendo of America Inc.* 86 Civ. 1749 (KMW), LEXIS 3129 (S.D.N.Y. 1992).
- 7 *VLT Corp. and Vicor Corp. v. Unitrode Corp.* 194 F.R.D. 8, LEXIS 8987 (D. Mass. 2000).
- 8 *Novamont North America Inc., et al. v. Warner-Lambert Co., et al.* 91 Civ. 6482, LEXIS 6622 (S.D.N.Y. 1992)
- 9 *Ltd. and Sandvik Special Metals Corp. v. General Electric Co.* 27 USPQ2d 1446 (E.D.N.C. 1993).
- 10 *Golden Trade, S.r.L. and Greater Texas Fishing Corp. v. Lee Apparel Co. and Blue Bell, Inc.* 143 Federal Rules Decisions 514 (S.D.N.Y. 1992).
- 11 Umeda, S., “Attorney-Client Privilege in U.S. Patent Litigation,” *Intellectual Property Management* (Journal of JIPA), Vol. 51 No. 4 (2001): 527.
- 12 Amendment of the Code of Civil Procedure in Japan (Law No.108 of 2003).