

Case

Case concerning the legal rights of an appellee to be informed by the court of the filing of an application for appeal and to be given the details of the appeal (Supreme Court, May 8, 2008; Hanrei-jihō, No. 2011, p. 116-120)

Keywords : non-contentious cases; right of access to the courts (Art. 32 The Constitution of Japan); right to be heard; The Constitution of Japan (Constitution November 3, 1946); Domestic Relations Trial Act (Act No. 152 of 1947)

[Facts]

‘X’ (applicant; appellant at second instance; and appellee at final instance) and ‘Y’ (respondent; appellee at second instance; and appellant at final instance) married in April 2005 and lived apart from May 2006. In October 2006, X applied to the Family Court to conciliate the problems within the marriage including the provision of spousal financial support. The conciliation proceedings were unsuccessful, and X filed an application for determination proceedings with the Family Court to obtain a divorce and spousal financial support from Y. In the unsuccessful conciliation proceedings, X and Y tentatively agreed that Y should pay X 50,000 yen each month. Y voluntarily paid X 250,000 yen over five months from January 2007.

The court of first instance (Odawara Branch of the Yokohama Family Court, August 9, 2007) ruled that the appropriate amount of spousal financial support that Y must pay was 120,000 yen per month. On this basis, at that time, Y should pay X an additional lump sum amount of 950,000 yen.

X filed an immediate appeal against the ruling. A petition for an immediate appeal must be filed within two weeks from the date of the ruling citing either or both errors in applying the law or errors in fact finding.

The court of second instance (Tokyo High Court, October 11, 2007) ruled the appropriate amount of spousal financial support to be provided by Y was 160,000 yen per month, and that the amount of financial support owed to X at that time was 1,670,000 yen.

However, the High Court did not notify Y that X had filed an immediate appeal against the ruling of the Family Court, and did not send Y copies of the petition and statement of reasons for appeal.

Y lodged an application for a special appeal against the second instance ruling to the Supreme Court. A special appeal against a ruling may be filed with the Supreme Court on the grounds that the order made in the High Court contains a misconstruction of the Constitution or any other violation of the Constitution.

The first ground for the appeal was that the High Court should have sent Y copies of

the petition and statement of reasons for appeal in accordance with the following laws: Art. 7 of the Domestic Relations Trial Act (Act No. 152 of 1947); Art. 25 of the Non-Contentious Cases Procedures Act (Act No. 14 of 1898); Art. 331 and Art. 138, para. 1 of the Code of Civil Procedure (Act No. 109 of 1996); and Art. 58, para. 1 of the Rules of Civil Procedure (Rules of the Supreme Court No. 5 of 1996). The second ground for the appeal was that Y's right of access to the courts under Art. 32 of the Constitution of Japan, combined with Art. 31, was infringed by the failure of the High Court to notify Y that X had filed an immediate appeal and to send him copies of the petition and statement of reasons for the appeal.

In addition, Y claimed that he made two voluntary payments to X on July 18 and October 10, 2007. This information was not provided to the High Court. Therefore, the ruling of the High Court on the amount of unpaid financial support was incorrect.

[Judgment]

The Supreme Court's Third Petty Bench denied Y's application for a special appeal against the ruling of the High Court. The decision was rendered in the form of the main text by four justices (Tokiyasu Fujita, Yukio Horigome, Takaharu Kondo and Mutsuo Tahara), with Justice Tahara giving a supplemental opinion. The presiding judge, Justice Kohei Nasu, rendered a dissenting opinion.

In the main text the majority wrote that the right of access to the courts provided by Art. 32 of the Constitution of Japan is limited to judicial determination of contentious cases. This has been decided by the Grand Bench of the Supreme Court: July 6, 1960 (Minji-hanrei-shū Vol. 14, No. 9, p. 1657) [hereinafter referred to as the "First Decision"]; and June 30, 1965 (Minji-hanrei-shū Vol. 19, No. 4, p. 1114) [hereinafter referred to as the "Second Decision"]. The appeal to the High Court concerned spousal financial support and, therefore, falls within the category of non-contentious cases. Based on the First Decision and the Second Decision, disadvantage from the loss of opportunity to be involved in non-contentious cases has no direct connection with "the right of access to the courts" provided under Art. 32. In this case "the right of access to the courts" was not infringed by the failure of the High Court to give Y copies of the petition and statement of reasons for appeal. Y's reasons for special appeal to the Supreme Court include a claim that Art. 32 of the Constitution had been violated. There are no grounds to support this claim. Further, the remaining reasons for special appeal were that the High Court's ruling violates laws and rules. A claim of violation of laws and rules does not meet the requirements for an application for special appeal under Art. 336, para. 1 of the Code of Civil Procedure.

The records from this case show that the High Court took no measures to inform Y that X had lodged an immediate appeal. If it is true that Y lost the opportunity to make a claim to recover the voluntary payments at the appeal trial, it is doubtful that this case was properly tried. The High Court should have given Y the opportunity to state his case

and to respond to the case put by X to ensure that the characteristics of Family Court proceedings are not undermined. This is particularly the case as the High Court changed the decision of the Family Court against Y. The High Court should have sent Y copies of the petition and statement of reasons for immediate appeal according to its usual practice.

Justice Mutsuo Tahara, in a supplemental opinion to the majority decision, stated that as long as the courts are responsible for managing non-contentious cases Art. 32 of the Constitution should apply to such cases, provided that doing so does not affect the nature of non-contentious cases. However, the guarantee of a party's right to participate and be heard in such proceedings should be considered taking into account the proceedings as a whole. It is possible to say the purpose of Art. 32 and Art. 31 of the Constitution are upheld when a party's right to participate and be heard is sufficient in total rather than considering the guarantee in respect of each stage of the proceedings. In this case, since procedures under Art. 9, para. 1, Group B of the Domestic Relations Trial Act [hereinafter referred to as "B-class matters"] to some extent guarantee the party's right to participate and be heard, the problem of violation of the Constitution does not arise, even though in the appeal trial the guarantee of the party's rights was insufficient.

The presiding judge, Justice Kohei Nasu, gave a dissenting opinion.

In Justice Nasu's opinion Art. 32 of the Constitution should be the guideline for applying the following laws and rules: the Domestic Relations Trial Act; the Non-Contentious Cases Procedures Act; the Code of Civil Procedure; and the Rules of Domestic Relations Trial. Therefore, the Supreme Court should have concluded that in this case sending Y copies of the petition and the statement of reasons for immediate appeal was necessary. Justice Nasu wrote that the High Court should have made a decision on this basis. However, as it did not do so the High Court's decision violated the law. Therefore, it is appropriate that the Supreme Court exercise its authority and remit the case to the High Court.

Justice Nasu wrote that this case on spousal financial support is one of ten B-class matters under Art. 9 of the Domestic Relations Trial Act, and B-class matters can involve sharp controversy between the parties. In light of the purpose of Art. 32 of the Constitution it is with good reason that in B-class matters, at least, a party who may suffer as a result of an adverse decision on appeal should be given the opportunity to object. Providing such a party with this opportunity is the most important part of the so-called "right to be heard in legal proceedings". The guarantee of "the right of access to the courts" under Art. 32 of the Constitution should apply to non-contentious cases.

The majority opinion, citing the First Decision and the Second Decision, is that domestic relations cases are essentially non-contentious cases and, therefore, the disadvantage of the loss of the opportunity to be heard in the High Court appeal has no direct link with "the right of access to the courts". However, the issue in the First Decision and the Second Decision concerned when a trial would be closed to the public under

the laws at the time. This case concerns the situation where Y lost the opportunity to make any objections as he was not sent copies of the petition and statement of reasons for immediate appeal.

Justice Nasu held that the main issue in this case was not whether the trial should be open to the public as required by Art. 82 of the Constitution. The issue of which cases must be open to the public under Art. 82 of the Constitution should not be confused with the issue highlighted in this case. Specifically, which cases should parties be guaranteed a right to be heard and other procedural protections under Art. 32 of the Constitution. Justice Nasu concluded that he disagreed with the reasoning that this case does not have anything to do with “the right of access to the courts” simply on the basis of the First Decision and the Second Decision.

[Commentary]

This decision of the Supreme Court is important for three reasons. First, it provides guidance on how the Court distinguishes between contentious and non-contentious cases. Second, it raises the issue of the need for appropriate legal relief for a party that has been adversely affected by a procedural error of a court. Third, the decision is timely given the comprehensive review being carried out of the Domestic Relations Trial Act and the Non-Contentious Cases Procedures Act.

The distinction between contentious and non-contentious cases

This case highlights the legal issue of procedural protection under the Constitution and has triggered much discussion about whether and how the interpretation of constitutional guarantees in earlier Supreme Court decisions should be maintained. This decision cites two Supreme Court decisions; the First Decision and the Second Decision (mentioned above). According to the First Decision, under Art. 32 and Art. 82 of the Constitution the procedure for contentious cases is that trials must be conducted in public and the court’s decision must be made public. According to the Second Decision, in deciding B-class matters a court must decide the scope of the legal duty, not whether a duty exists. In the Second Decision the Supreme Court concluded three things in relation to B-class matters: first, it is not necessary for the court to be open to the public; second, it is not necessary for all parties to be present in the court; and third, it is not necessary for the court’s decision to be made public. Therefore, it is impossible for there to be a violation of Art. 32 and Art. 82 of the Constitution in relation to B-class matters. These two decisions established the formula to be applied to contentious and non-contentious cases and the exclusion of the latter from the guarantees provided for under Art. 32 and Art. 82 of the Constitution. The majority opinion in the case which is the subject of this article follows the existing formulation of the law.

Some legal scholars point out the problematic nature of this formulation. They argue

that the dichotomy is wrong; the procedure for B-class matters should not follow the three requirements from the Second Decision. Further, they criticise the closely combined application of Art. 32 and Art. 82 by the Supreme Court.

Some legal scholars have closely considered how the application of Art. 32 should be distinguished from the application of Art. 82. They argue that it is inappropriate to apply the existing formulation of the law without fully considering the individual issues of each case. The supplementary and dissenting opinions in this case are most persuasive in their argument that Art. 32 of the Constitution should apply to non-contentious cases unless doing so would undermine the main characteristics of non-contentious cases such as simplicity, swiftness, and flexibility.

Appropriate relief to a party who is affected by a procedural error by a court

Both the majority and dissenting opinions in this case discussed the appropriate way to provide legal relief to Y, given the omission of the High Court. Both opinions held that Y lost the opportunity to participate in the appeal process and to be heard by the High Court. While both opinions held that Y was entitled to legal relief there was no consensus on what relief was appropriate.

According to the majority opinion, if Y's claim that he made two voluntary payments was true, Y could commence a new suit to recover the amount of the voluntary payments. The majority opinion states that Y can recover the amount of overpayment of spousal financial support by commencing a new legal action, but it is not clear from the opinion what the legal basis for such a claim would be. In addition, the majority appears to have overlooked the burden on Y of commencing a new legal claim, which was necessitated solely by the omission of the High Court, not from Y's act or omission. This aspect of the majority opinion lacks fairness for Y.

In his dissenting opinion Justice Nasu stated that to deal with the procedural error in this case, the Supreme Court should have exercised the Court's authority and remitted the decision to the Family Court. This would be better for Y than the proposal in the majority opinion because at least it does not impose a burden on Y to file a new lawsuit. However, there is no statutory basis for the Supreme Court to remit the matter to the Family Court. While Justice Nasu did not explicitly state how this could be achieved we believe he was implying the Supreme Court has discretionary power to do this. It is unclear whether such discretionary power exists, and if it does when it is appropriate to take such a measure. Procedural faults can arise at any time, due to human error. Therefore, discussion about ex post facto relief of affected parties is equally as important as discussion about how to provide procedural protections for parties.

Review of the Domestic Relations Trial Act and the Non-Contentious Cases Procedures Act

This case is relevant to and may influence the review of the Domestic Relations Trial

Act and the Non-Contentious Cases Procedures Act by a committee of the Legislative Council of the Ministry of Justice. Broadly, the purpose of the review is to make these laws more accessible to citizens. The committee has identified many issues, including strengthening the procedural protections for parties in non-contentious cases. This decision is not only relevant but timely given that the review work started in March 2009 and the committee is scheduled to make its interim report by no later than March 2010. The interim report will then be available for public comment. The final report is due to be presented at an ordinary session of the Diet in 2011. The agenda for the third committee meeting in May 2009 included the case, the subject of this article, as materials for discussion by the committee. The Supreme Court's decision must be an important factor in the committee's considerations on how to ensure adequate procedural protections in non-contentious cases.

(Stephen GREEN and ONISHI Takayuki)

Case deciding that the Patent Act allows a court to issue a protective order for trade secrets in an application for a preliminary injunction against infringement of a patent right or exclusive license

(Supreme Court, 27 January 2009) Hanrei-jihō No. 2035, p. 127-131

Keywords : litigation, order of provisional disposition, Patent Act (Act No. 121 of 1959), patent infringement, preliminary injunction, protective order

[Facts]

Sharp Corporation, a Japanese electronics manufacturer, commenced legal proceedings in the Tokyo District Court against Samsung Japan Corporation, a trading company that is part of the Samsung group. Sharp claimed Samsung had infringed Sharp's patent rights relating to liquid crystal displays. Sharp applied for a preliminary injunction to stop Samsung's alleged infringement of Sharp's patent rights.

In response, Samsung filed a motion at the Tokyo District Court for a protective order under Article 105-4(1) of the Patent Act (Act No. 121 of 1959). Samsung wanted to protect its trade secrets which were stated in the brief and other documents that it planned to submit to the Court to oppose the application for a preliminary injunction. The matter relating to the protective order is the subject of this article.

The main point of the case was whether or not the phrase "litigation concerning the infringement of a patent right or exclusive license" (Article 105-4(1) of the Patent Act) includes an application for a preliminary injunction against an alleged patent infringement. The Tokyo District Court held that, in general, a party that is the subject of an application for a preliminary injunction will not be granted a protective order unless there are special

circumstances involved. The District Court held in this case there were no special circumstances to indicate Samsung would face an extraordinary and unreasonable outcome if a protective order, concerning the information the subject of the motion, was not granted.

Samsung appealed to the Intellectual Property High Court (hereinafter “IP High Court”). The IP High Court upheld the decision of the lower court, but for different reasons. The IP High Court decided that a preliminary injunction must not be categorised as “litigation concerning the infringement of a patent right or exclusive license”. The Court’s reasoning was that breaching a protective order is a criminal act (Article 200-2 of the Patent Act), and if Article 105-4(1) is interpreted to include a preliminary injunction it effectively would expand the group of persons that could be subject to criminal sanction; a situation which must be avoided.

Samsung appealed to the Supreme Court of Japan. The Supreme Court quashed the decision of the IP High Court, and revoked the decision of the Tokyo District Court. The Supreme Court’s reasoning follows.

[Judgment]

In a dispute concerning the infringement of a patent right or exclusive license a party that wishes to use its trade secrets to prove the facts of its case is hesitant to submit its legal brief, or evidence which includes its trade secrets. Because the party is concerned about improper use of its trade secrets by other parties, the party either does not pursue the matter, or does not provide all of the evidence it has to support its case. The granting of a protective order provides sufficient assurance that a party can disclose its trade secrets as evidence in such a dispute. The aim of Article 105-4 of the Patent Act is to overcome this problem which can occur in the principal case to determine the merits of an allegation of infringement [hereinafter “the principal case”], and also when a party applies for a preliminary injunction to halt the alleged infringement.

Furthermore, in the Patent Act the term “litigation” is not solely used to refer to the principal case. The term “litigation” is sometimes used in the context of a civil preservation case [proceedings to obtain a provisional remedy until judgment on the merits of the principal case is determined] such as in Article 54(2) and Article 168(2) of the Patent Act.

Therefore, given the purpose of the protective order system described above, it is appropriate to construe a provisional disposition case to obtain a preliminary injunction against infringement of a patent right or exclusive license as being “litigation concerning the infringement of a patent right or exclusive right” as provided in Article 105-4(1) of the Patent Act.

[Commentary]

In a patent infringement suit, the parties must submit to the court their brief or evidence that sometimes includes their trade secrets. In such cases, even if they can win

the case using this information, they expose themselves to the danger that the information will be improperly used by other parties. Because of this, a party will not include its trade secrets and, therefore, often cannot prove its case. To solve this problem, the protective order system (Articles 105(4) and 105(5) of the Patent Act) was introduced in Japan, commencing operation in April 2005.

Article 105-4(1) provides in part:

In litigation concerning the infringement of a patent right or exclusive license, where there is prima facie evidence of the fact that trade secrets (. . .) possessed by a party satisfy all of the following paragraphs [105-4(1)(i) and (ii)], the court may, upon a motion of the party, order by a ruling that the parties, etc., attorneys or assistants shall neither use the trade secrets for any purpose other than those for the proceedings of the litigation nor disclose the trade secrets to any person other than those who receive the order regarding the trade secrets under this provision; provided however, that this shall not apply where the parties, etc., attorneys or assistants have, prior to the filing of the motion, already obtained or been in the possession of the trade secrets by a method other than by reading of the briefs under item (i) or through the examination or disclosure of evidence under the said item:

- (i) where the trade secrets possessed by the party were or are contained in the briefs already submitted or to be submitted or such trade secrets were or are contained in the evidence already examined or to be examined (. . .); and*
- (ii) where it is necessary to restrict the use or the disclosure of the trade secrets under the preceding paragraph to prevent any possible interference with the party's business activities based on the trade secrets, that might arise if the trade secrets are used for any purpose other than those for the proceedings of the litigation or if the said trade secrets are disclosed.¹⁾*

The granting of a protective order by a court would restrict the use of a party's trade secrets solely to the proceedings of the litigation, and only permit disclosure of the trade secrets to persons who receive the court order concerning the trade secrets.

The most contentious point in this case is whether the term "litigation" permits the granting of a protective order in relation to an application for a preliminary injunction. A request for a preliminary injunction is one civil disposition remedy available under the civil preservation system in Japan. The purpose of the civil preservation system is to temporarily address a legal issue while awaiting the judgment on the principal litigation. This system is governed by the Civil Provisional Remedies Act (Act No. 91 of 1989), and is distinct from the principal litigation which is governed by the Code of Civil Procedure (Act No. 109 of 1996).

It is not clear on the face of the Patent Act whether or not the term "litigation" in Ar-

1) An unofficial translation of the Patent Act (Act No. 121 of 1959) is available at : www.japaneselawtranslation.go.jp/

ticle 105-4 is limited to the principal litigation (i.e. procedures under the Code of Civil Procedure). The Supreme Court stated that a protective order should also apply to a request for a preliminary injunction against a patent infringement (i.e. procedures under the Civil Provisional Remedies Act). The Supreme Court further stated there are other articles in the Patent Act using the word “litigation”, which do not distinguish between the principal litigation and a preliminary injunction.

The Supreme Court overturned the decision of the IP High Court in a unanimous decision. The justices of the Third Petty Bench held that the phrase “litigation concerning the infringement of a patent right or exclusive license”, in Article 105-4(1) of the Patent Act, includes a preliminary injunction against a patent right infringement.

This is a sensible decision that responds to the practical demands of business as the risks associated with disclosing trade secrets to oppose an application for a preliminary injunction are the same as in the principal litigation.

Similar protective orders can be requested under the following acts: the Copyright Act (Act No. 48 of 1970); the Design Act (Act No. 125 of 1959); the Trademark Act (Act No. 127 of 1959); the Unfair Competition Prevention Act (Act No. 47 of 1993); and the Utility Model Act (Act No. 123 of 1959). Therefore, the significance of this decision extends beyond patent infringement disputes.

(Stephen GREEN and KAWAHARA Akinobu)