

Cross-Border Exchange of Music Content and Trade Secrets: A View from Japanese Private International Law

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I. INTRODUCTION

Although cross-border exchanges of intellectual assets have been developing rapidly, the actual legal situation does not seem to promote them, but rather prevents or hinders them. The purpose of this article is to describe the legal situation of such exchanges in Japanese private international law and to identify issues which may hinder them, focusing on two different types of intellectual assets that have not been sufficiently discussed so far, at least in Japan: music content and trade secrets.

In cases where exchanges of music content and trade secrets are conducted internationally, questions regarding private international law (conflict of laws) arise. Actually, each country has its own private international law. Legal matters regulated by private international law are as follows: international judicial jurisdiction (whether a court should try a case involving international civil disputes or not), choice of law (which country's law should apply), recognition and enforcement of foreign judgments.

In Japan, there is no specific provision prescribing international jurisdiction. Case law gives the following guideline: a defendant should be subject to the jurisdiction of Japan when the conditions of the case establish internal territorial jurisdiction (or local venue) as provided in the Code of Civil Procedure¹ (the defendant's domicile, the place

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where the obligation is to be performed, the place where the tort occurred, the place where the property is located, etc.), unless exceptional circumstances are found, or if a trial in a Japanese court would contradict the promotion of fairness between parties, and the equitable and prompt administration of justice would not be served.²

As for choice of laws, a new law entitled *Hô no tekiyô ni kansuru tsûsoku-hô* (*the Act on the General Rules of the Application of Laws*) [*Tsûsoku-hô*] was enacted in 2006.³ There is no specific provision stating which state's law is applicable to copyrights and unfair competition in this new legislation, except for defamation (Article 19).⁴

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1 *Minji Soshô-hô*, Law No. 109 of 1996.

2 Supreme Court, 11 November 1997, *Minshû* 51, 4055; an English translation can be found in: *Japanese Annual of International Law* 41 (1998) 117. New legislation regarding international jurisdiction is now being discussed by the government.

3 Law No. 78 of 2006; an English translation can be found in: J. BASEDOW / H. BAUM / Y. NISHITANI (eds.), *Japanese and European Private International Law in Comparative Perspective* (Tübingen 2008) 405-419, as well as in: *Japanese Annual of International Law* 50 (2007) 87-98. See generally, K. TAKAHASHI, A Major Reform of Japanese Private International Law, in: *Journal of Private International Law* 2 (2006) 311; Y. OKUDA, Reform of Japan's Private International Law: Act on the General Rules of the Application of Laws, in: *Yearbook of Private International Law* 8 (2006) 145.

4 As for intellectual property, since the significance of the *lex loci protectionis* is still unclear and academic opinions are divided, it was considered that a new provision would be premature. As for unfair competition, it could not be determined whether only one choice-of-law rule based on the law of the place where the market is located would be sufficient for all kinds of acts regarding unfair competition. See the Explanatory Note on the Proposal of 22 March 2005 (in Japanese) (<http://www.moj.go.jp/PUBLIC/MINJ57/refer02.pdf>, last visited 19 October 2009), 96-97.

In contrast, a new EU Regulation on the law applicable to non-contractual obligations introduced provisions with regard to unfair competition and intellectual property rights. See Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), OJ L 199/40.

– Article 6 (Unfair competition and acts restricting free competition):

“1. *The law applicable to a non-contractual obligation arising out of an act of unfair competition shall be the law of the country where competitive relations or the collective interests of consumers are, or are likely to be, affected.*

2. *Where an act of unfair competition affects exclusively the interests of a specific competitor, Article 4 shall apply.*

3. (a) *The law applicable to a non-contractual obligation arising out of a restriction of competition shall be the law of the country where the market is, or is likely to be, affected.*

(b) *When the market is, or is likely to be, affected in more than one country, the person seeking compensation for damage who sues in the court of the domicile of the defendant, may instead choose to base his or her claim on the law of the court seized, provided that the market in that Member State is amongst those directly and substantially affected by the restriction of competition out of which the non-contractual obligation on which the claim is based arises; where the claimant sues, in accordance with the applicable rules on jurisdiction, more than one defendant in that court, he or she can only choose to base his or her claim on the law of that court if the restriction of competition on which the claim against*

Lastly, foreign final judgments could be recognized and enforced pursuant to Article 118 of the Code of Civil Procedure and Article 24 of the Code of Civil Enforcement.⁵ The conditions are procedural and the effects of foreign judgments are to be applied without any review of the case in Japanese courts.

What is unique in the field of intellectual property rights, including copyrights, is the so-called principle of territoriality and the existence of multilateral treaties. The principle of territoriality in the field of intellectual property is generally understood as follows: the existence, transfer, effect, etc. of each country's intellectual property rights is governed by that country's law, and the effects of intellectual property rights are recognized only in the territory of that country.⁶ Thus, the copyrights of a work exist separately and independently in each country. In addition, as regards copyright, the Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886 ("Berne Convention") stipulates the national treatment of foreign authors or works and the minimum standard of protection. In Japan, as well as in other countries, there is discussion as to whether Article 5 (2) of this Convention has the characteristics of a choice-of-law rule, which designates the law of the country for which protection is claimed (*lex loci protectionis*).⁷ Although three judgments of the Tokyo District Court confirmed that this provision has such characteristics,⁸ other judgments did not mention this provision in the choice-of-law process and implicitly denied its choice-of-law character.⁹ Even so, case law is consistent in regarding *lex loci protectionis* as a choice-of-law rule with regard to copyright.

each of these defendants relies directly and substantially affects also the market in the Member State of that court.

4. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14."

– Article 8 (Infringement of intellectual property rights)

"1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.

2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the applicable law shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.

3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14."

In addition, Swiss private international law also has provisions with regard to unfair competition (Art. 136) and intellectual property (Art. 110 and 122).

⁵ *Minji Shikkôhō*, Law No. 4 of 1979.

⁶ As regards patents, see Supreme Court, 1 July, 1997 [BBS case], *Minshû* 51, 2299; an English translation can be found in: *Japanese Annual of International Law* 41 (1998) 100.

⁷ See generally Y. NISHITANI, *Intellectual Property in Japanese Private International Law*, in: *Japanese Annual of International Law* 48 (2005) 87, 95.

⁸ Tokyo District Court, 31 May 2004, *Hanrei Jihô* 1935, 140; Tokyo District Court, 14 December 2007 (forthcoming); IP High Court, 24 December 2008 (forthcoming).

⁹ For example, Tokyo High Court, 30 May 2001, *Hanrei Jihô* 1797, 111; Tokyo High Court 28 May 2003, *Hanrei Jihô* 1831, 135; Tokyo District Court, 26 October 2007 (forthcoming).

The following sections will describe, first, the private international law issues that arise in the cross-border exchange of music content (Section II) and, second, those that arise in the cross-border exchange of trade secrets (Section III).

II. CROSS-BORDER EXCHANGE OF MUSIC CONTENT

Among many types of civil disputes regarding the cross-border exchange of music content, this text will mainly mention disputes involving contracts. Problems regarding international jurisdiction and applicable law will be mentioned successively (1 and 2).

One of the characteristics in the field of music content is the existence of a single or several collecting societies in each country which collect royalties for the copyright holders. They maintain reciprocal representation agreements with affiliated foreign collecting societies.¹⁰ According to the agreements, each rights holder who is a member of one collecting society becomes fictively a member of another collecting society.¹¹ One special clause authorizes one collecting party to take an infringement action in its country against the users not authorized by another collecting society.¹² This framework will create considerable obstacles for the exchange of music content in the development of the Internet (3).

1. *International Judicial Jurisdiction*

If a case deals with a copyright in Japan, or if the defendant has his or her domicile or principal office in Japan, the international jurisdiction of the Japanese courts would be permitted, unless there are exceptional circumstances. This “exceptional circumstances” condition might matter in a case where a collecting society brings an action against a foreign author who does not live in Japan and has little contact with Japan. In such a

10 See, for example, the case of Harry Fox Agency [HFA], one of the collecting societies in the United States, Frequently Asked Questions: International, at <http://www.harryfox.com/public/infoFAQInternational.jsp> (last visited on 10 April 2008). See generally AMY AIDAC LAM, Comment: Internet Music Downloads: A Copyright Owner's Protection of Royalties in The United States and Abroad, in: Sw.U.L.Rev. 34 (2004) 267, 276; A. LUCAS/H.-J. LUCAS, *Traité de la propriété littéraire et artistique* (2nd ed., 2001) 1013-1015; P.-Y. GAUTIER, *Propriété littéraire et artistique* (4th ed., 2001) 691, 694, according to which they are mandated not only to conclude contracts with users but also to take actions in their own country for the other party's sake. In such cases, as far as the agreements or the articles of incorporation and the local law permit, they act for the other party with their own name. (This was confirmed by the reply to my question from a French collecting society, SACEM. I am most grateful to Mr. Laurence Bony and Mr. Desurmont Thierry of SACEM and Professor Philippe Gaudrat of the University of Poitiers.)

11 M. JOSSELIN-GALL, *Les contrats d'exploitation du droit de propriété littéraire et artistique, Étude de droit comparé et de droit international privé* (Paris 1995) 386.

12 JOSSELIN-GALL, *ibid.*

case, the international jurisdiction of Japanese courts might be denied because the extent of the defendant's burden, such as the obligation to appear in court, is one of the important elements considered when examining the "exceptional circumstances" condition.¹³

According to a Japanese collecting society, JASRAC, in reply to our questionnaire, there is an arbitration agreement and a jurisdiction clause in a contract between collecting societies.¹⁴ They are also accepted as an effective defence in international civil disputes.¹⁵ Thus, if the dispute arises out of a contract between collecting societies, the Japanese court would dismiss the case on the basis of the arbitration agreement or the jurisdiction clause.¹⁶

2. *Applicable Law*

a) *Contracts*

Legal issues regarding contracts, such as the validity and the effect of a contract and the interpretation of its provisions, are determined by the law applicable to the contract.¹⁷ With regard to contracts, parties can freely choose the applicable law, not only explicitly but also implicitly.¹⁸ In the absence of the parties' choice, the governing law is the law of the place most closely connected with the contract.¹⁹ This is presumed to be the place

13 See, *supra* note 2.

14 There seems to be a general tendency that reciprocal representation agreements include an arbitration agreement and a jurisdiction clause, JOSSELIN-GALL, *supra* note 11, 387-388. Arbitration agreements can sometimes be found in contracts between a right holder and a collecting society. For example, in the BMI (Broadcast Music Incorporated) Publisher Agreement, there is an arbitration agreement as follows: "All disputes of any kind, nature or description arising in connections with the terms and conditions of this agreement shall be submitted to the American Arbitration Associations in New York..." (Art. 18). The agreement can be found in: A. KOHN/B. KOHN, *Kohn On Music Licensing* (Frederick 2002) 933-936. However, according to the reply from SACEM, its reciprocal representation agreements do not include any arbitration clause, whereas there is a jurisdiction clause in it.

15 See Supreme Court, 4 September 2001, Minshû 51, 3657; Supreme Court, Minshû 29, 1554.

16 According to JOSSELIN-GALL, *supra* note 11, 388, international relations between collecting societies have so far been very harmonious and there has been no case where a dispute arose between them and those agreements applied. Also, according to the reply from SACEM, collecting societies have the common objective of protecting the creators' interest in the world and have the spirit of permanent and effective collaboration. That is why SACEM has created cordial and durable relations with other foreign collecting societies. Thus, some disputes, which may sometimes occur, are most frequently resolved in settlement.

17 As for rules regarding the law to the contract, see generally Y. NISHITANI, *Party Autonomy and Its Restrictions by Mandatory Rules in Japanese Private International Law: Contractual Conflicts Rules*, in: Basedow/Baum/Nishitani (eds.), *supra* note 3, 77; Y. HAYAKAWA, *New Private International Law of Japan, General Rules on Contracts*, in: *Japanese Annual of International Law* 50 (2007) 25.

18 Art. 7 *Tsûsoku-hô*.

19 Art. 8(1) *Tsûsoku-hô*. Under the old Act, the governing law was the law of the place where the contract was concluded, Art. 7 (2) *Hôrei*, Act No. 10 of 1898.

where the party who is to affect the characteristic performance of the contract is habitually resident.²⁰ Thus, as regards the assignment agreement of a copyright, the most closely connected law would be deemed to be the law of the country where the right holder is habitually resident.²¹

According to JASRAC's reply to the questionnaire, there is neither a choice-of-law clause in contracts between JASRAC and rights holders, nor in contracts between JASRAC and foreign collecting societies.²² With regard to the former, in most contracts with Japanese rights holders the court would consider that the parties implicitly intended Japanese law to govern. The case of a contract between JASRAC and a foreign rights holder would be somewhat problematic. With regard to the determination of which law has the closest connection with a trust, Article 7 of the Hague Convention on the law applicable to trusts and on their recognition, adopted on 10 January 1986, gives useful indications, although Japan has not ratified it. According to this provision, the following elements should be stated explicitly: the place of administration of the trust designated by the settlor, the *situs* of the assets of the trust, the place of residence or business of the trustee, the objectives of the trust and the places where they are to be fulfilled. Thus, the contract between JASRAC and a foreign right holder would also be most closely connected with Japanese law.²³ On the other hand, as for the contract between collecting societies,²⁴ it seems very difficult to determine the most closely connected law because the obligations to collect royalties are mutual and apparently there is no specific performance in this contract.²⁵ However, it can be divided into two contracts, each of which deals with the collection service in one party's own country.²⁶ Also, the situation where disputes regarding this type of contract arise is divided into two, according to the following question: in which country are the obligations as the object of the dispute to be performed? For example, if a dispute arises out of the obligation that collecting

20 Art. 8 (2) *Tsûsoku-hô*.

21 If the assignee's obligations are not monetary but the provision of services, the determination of the applicable law would be more complicated.

22 This seems a general tendency for the reciprocal representation agreements. See JOSSELIN-GALL, *supra* note 11, 387. According to the reply from SACEM, its reciprocal representation agreements do not include any choice-of-law clause.

23 Here what was written is based on the fact that the contract between JASRAC and rights holders is considered as a trust contract. Since there are other types of contracts between collecting societies and rights holders, the significance of Art. 7 of the Hague Convention would be limited. One French author claims that in other countries, the court should consider that the parties tacitly chose the law of the place where the collecting party is located, based on the importance of the standard contract proposed by the collecting society; see T. AZZI, *Recherche sur la loi applicable aux droits voisins du droit d'auteur en droit international privé* (Paris 2005) 391.

24 Reciprocal representation agreements are considered mandate contracts; see GAUTIER, *supra* note 10, 694; AZZI, *supra* note 23, 219; JOSSELIN-GALL, *supra* note 11, 388.

25 JOSSELIN-GALL, *supra* note 11, 388.

26 JOSSELIN-GALL, *supra* note 11, 388.

society X should perform in its country for collecting society Y, it is to be presumed that the law most closely connected with the contract is the law of the place where X is located.^{27, 28}

b) Assignment of Copyrights

By analogy with the case of assignment of corporeal property, courts have consistently confirmed choice-of-law rules on the assignment of copyright that designate the law of the country for which the protection is claimed.²⁹ Thus, the ownership and transfer of copyrights are governed by the *lex loci protectionis*, not the law applicable to the contract.³⁰ Accordingly, in cases where an assignment agreement is not limited to one country's copyright and covers the copyrights of multiple countries,³¹ it would be the law of each country that determines whether a copyright was effectively transferred.³² This would raise several legal problems discussed in the following paragraphs, since the copyright can be transferred by oral agreement in Japan.

27 JOSSELIN-GALL, *supra* note 11, 389. See also AZZI, *supra* note 23, 422, which deals with the law applicable to the license contract concluded through the reciprocal mandate and claims as applicable law the law of the place where works are to be used.

28 Nordic countries adopt the extended licensing system. The collective license means that "a user who has entered into an agreement on the specific use of a certain type of work with an organisation that covers a significant proportion of the copyright holders for this type of work, is granted the right under law to use other works of the same type and in the same way, even if the copyright holders of these works are not represented by the organisation"; see Samradet for Ophavsret, Denmark's Owners and Users of Rights are Building a Better Future Together (29 Feb. 2008) 5, available at http://ec.europa.eu/avpolicy/docs/other_actions/col_2008/ngo/ophavsret_en.pdf (last visited on 15 April 2008). See also G. KARNELL, Extended Collective License Clauses and Agreements in Nordic Copyright Law, in: Columbia-VLA Journal of Law & The Arts 10 (1985) 73. The former paper explains that "foreign rights owners who are not represented receive payment for the use of their work". But how does the contract between collecting societies deal with such payment? For example, does a Nordic collecting society give such payment to JASRAC for Japanese rights holders who are not members of JASRAC? Since the content of the reciprocal representation agreements is not at all clear, this paper cannot answer this question.

29 *Supra* note 9.

30 As regards security interests, issues like the validity and the effect of security interests should be governed by the *lex loci protectionis*, while the validity of the agreement for security interests should be governed by the law applicable to the contract. See, as regards Chattel, Supreme Court, 15 September 1936, Hōritsu Shinbun 4033, 16.

31 For example, the BMI Publisher Agreement provides as follows (Art. 3): "Except as otherwise provided herein, Publisher hereby sells, assigns, and transfers to BMI, its successors or assigns, for the term of this agreement: A. All the rights where Publisher owns or acquires publicly to perform, and to license others to perform, anywhere in the world, any part or all the Works" [underline added], KOHN/KOHN, *supra* note 14, 933.

32 Moreover, in some countries like Germany the intellectual property cannot be transferred.

First, in some countries a contract or certificate in writing is required for the effective transfer of copyright.³³ If an assignment agreement between an author and a publisher has been concluded orally, the transfer of copyright would not be effective in those countries.³⁴

Second, in some countries, for subdivided rights to be transferred effectively each right must be specified.³⁵ If an agreement between a collecting society and a rights holder stipulates a transfer of subdivided rights in a comprehensive way, such a transfer would be void in those countries.³⁶

In order to avoid such problems, it would be appropriate to conclude an assignment agreement in writing and specifying the subdivided rights.^{37, 38}

3. *Difficulties Related to Internet Music Downloads*

Nowadays, musical works are transmitted over the Internet by streaming or downloading. There is still no international rule or agreement stipulating which country should collect royalties in a cross-border digital download, and every country has its own collection policy. For example, while licenses granted by HFA, an American collecting society, specify that copies of the sound recordings for digital downloads are restricted to servers located in the United States,³⁹ GEMA, the German collecting society, takes the position that if a digital download is delivered to users in Germany, even if the server origin is located abroad, Germany's royalty rate should apply and it should

33 For example, 17 U.S.C. 204; UK Copyright Act 1988, Art. 90. One should then carefully consider whether the law of the *lex loci protectionis* expressly requires the certificate in writing as the condition of transfer, or if it requires only the validity of the contract while in general a contract shall be concluded in writing in that country. As an example of the latter, see Art. L. 131-2, paragraph 1 of the French Intellectual Property Code (“Les contrats de représentation, d’édition et de production audiovisuelle définis au présent titre doivent être constatés par écrit....”).

34 While JASRAC hands over a trust deed in response to the offer of the contract, it is not clear whether the other party is really a rights holder in other countries, in the case where the contract between the author and the publisher is concluded orally.

35 See, for example, French Intellectual Property Code, L. 131-3.

36 In addition, in some countries a transfer of subdivided rights from a rights holder to a collecting society is not allowed or partially limited. In that case, it is not certain that such a transfer contract would be valid under the law of those countries.

37 As regards contracts concluded online, one must consider the law of each relevant country to determine if a contract concluded on a web site is considered to be in writing.

38 At the Symposium, which was held for this project in Tokyo on 8 December 2007 (“Promotion of Cross-Border Exchange of Intellectual Assets”), it was confirmed that, in practice, assignment agreements are concluded in writing even in Japan.

39 Harry Fox Agency Mechanical License for Digital Phonorecord Deliveries provides as follows: “The authority hereunder is limited to ... the making of a copy of a sound recording of a musical work on a computer file server located in the United States, its territories or possessions, solely for the purpose of distributing such DPDs [digital phonorecord deliveries].” This agreement can be found in: KOHN/KOHN, *supra* note 14, 1379-1381.

collect royalties.⁴⁰ Thus, in the case where a music service provider is located in the US but the digital download was transmitted to a consumer located in Germany, the provider would have to pay not only the HFA but also GEMA. Such a situation is clearly a great obstacle to the exchange of music content.⁴¹ Collecting societies respond to such difficulty by concluding agreements with affiliated foreign collecting societies to establish which statutory rate should control and which terms should apply. But it is not clear that such agreements will benefit the copyright owners or the public.⁴² Private International Law (Conflict of Laws) is not a sufficiently useful tool to respond to this obstacle since each country has its own conflict-of-laws rules. Thus, international agreements or the harmonization of copyright laws at the global level would be necessary to overcome this obstacle.⁴³

III. CROSS-BORDER EXCHANGE OF TRADE SECRETS

Civil disputes regarding the cross-border exchange of trade secrets vary from case to case.⁴⁴ From the viewpoint of private international law, it may be useful to distinguish two types of disputes: (1) cases where a non-Japanese company having its activity in foreign countries takes action against a person living in Japan or a Japanese company, on the grounds that the latter has exposed the former's trade secrets to another party ("Case A"); and (2) the case where a Japanese company having its activity in Japan starts an action against a person living abroad or a foreign company ("Case B").

40 KOHN/KOHN, *supra* note 14, 1361. Such a position is problematic from the point of view of the music service provider. Since the user simply enters his or her own credit card information and then has instant access to the digital downloads and no physical address is needed, it is not always clear where the country of destination is at the time the transmission is made, Kohn/Kohn, *supra* note 14, 1361.

41 See Comment, *supra* note 10, 276-278. This problem had already occurred in cases of the satellite diffusion of music contents, JOSSELIN-GALL, *supra* note 11, 391-396.

42 *Ibid.*, 281.

43 See J. MALONEY, A Collective Rights Society for the Digital Age, in: J. Transnat'l L. & Pol'y 16 (2006) 123, in which it is claimed that a uniform method of regulating and licensing digital music is necessary for the Internet market. As for the response to this obstacle at the EU level, see COMMISSION OF THE EUROPEAN COMMUNITIES, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Creative Content Online in the Single Market (3.1.2008), SEC (2007) 1710.

44 The Japanese government has recently published a survey on the actual situation of the misappropriation and security control technique in Japan. See METI (Ministry of Economy, Trade and Industry), *Waga kuni ni okeru gijutsu ryûshutsu oyobi kanri no jittai ni tsuite* [Survey on the actual situation of the misappropriation and security control technique in Japan], available at <http://www.meti.go.jp/committee/materials/downloadfiles/g70625a05j.pdf> (last visited on 16 April 2008).

1. *International Judicial Jurisdiction*

Since the defendant can be sued in his domicile,⁴⁵ there is no difficulty as regards international jurisdiction in Case A. In Case B, if the tort has occurred in Japan⁴⁶ or the obligation is to be performed in Japan,⁴⁷ the Japanese court may exercise jurisdiction, unless exceptional circumstances are found. Thus, generally speaking, if trade secrets have been brought out of Japan or a confidentiality agreement covers Japan, the condition for a local venue might be met. However, Japanese courts have a tendency to apply the conditions for "exceptional circumstances" in a broad and flexible manner and on a case-by-case basis,⁴⁸ thus it is not easy to predict the types of cases in which international jurisdiction would be permitted.

In particular, the international jurisdiction of Japanese courts becomes uncertain in a case where concurrent litigation is pending in a foreign country.⁴⁹ With regard to trade secrets, one case deals with this problem.⁵⁰

In 1984, Miyakoshi Machine Tools Co., Ltd. ("Miyakoshi"), a Japanese company manufacturing copper foil, entered into a contract with an American company established by a former employee of Gould, Inc., another American company which also manufactured copper foil. In this way, Miyakoshi allegedly obtained the know-how of Gould with respect to the surface treatment of copper leaf. In 1985, Gould brought an action in the United States District Court for the Northern District of Ohio against Miyakoshi and some other companies for damages and a restraining order under the Racketeer Influenced and Corrupt Organizations Act (RICO), as well as other legislation. Gould alleged that they had received a trade secret, which had been misappropriated by the former employee. Then, as a countermeasure, Miyakoshi filed an action for a negative declaration of liability against Gould in the Tokyo District Court. The court sustained its international jurisdiction based on the fact that the negotiation and conclusion of the contract on the technology had occurred in Tokyo and that the transfer was executed in Tokyo. The concurrent litigation in Ohio did not prevent the Japanese court from sustaining its international jurisdiction, because it was still considered uncertain whether the Ohio action would result in a judgment.

Since this case, Japanese courts have had a tendency to consider concurrent foreign litigation as one of the elements that should be examined when considering the existence of "exceptional circumstances". In this way, the international jurisdiction of a Japanese court is determined case-by-case.

45 Art. 4 (1) Code of Civil Procedure.

46 Art. 5, item 11 Code of Civil Procedure.

47 Art. 5, item 1 Code of Civil Procedure.

48 See *supra* note 2.

49 See generally M. DÔGAUCHI, *Concurrent Litigations in Japan and the United States*, in: *Japanese Annual of International Law* 37 (1994) 72.

50 Tokyo District Court, 30 May 1989, Hanrei Jihô 1348, 91. See DÔGAUCHI, *supra* note 49, 72-75.

2. *Applicable Law*

As for applicable law, a case where an action for a restraining order or damages is brought against the third party by a company whose trade secret has been exposed would be characterized as a tort in Japanese private international law. For example, in the above-mentioned case between Miyakoshi and Gould, Japanese law was applied in accordance with the provision of the law applicable to torts.^{51 52} Many academic opinions support this characterization.⁵³

Under the *Tsûsoku-hô*,⁵⁴ legal relations arising from torts will usually be governed by the law of the place where the results of a tort were felt. If the occurrence of the results in that place could not normally be predicted, the applicable law will be that of the place where the tortious act took place.⁵⁵ If there is a place clearly more closely connected than those specified by this general rule, the law of that place governs instead.⁵⁶ Also, parties are allowed to change the governing law by agreement after the claim has arisen.⁵⁷

With regards to a trade secret, although there are still different views,⁵⁸ the place where the result of the tort is felt would generally be the location of the market where the company that obtained the secret could affect the benefits of the original owner.⁵⁹

51 Art. 11 (1) of *Hôrei* stipulated as follows: “*The creation and effect of claims arising from management of affair without mandate, unjust enrichment, and unlawful acts are governed by the law of the place where the facts giving rise to the claim occur.*”

52 Tokyo District Court, 24 September 1991, Hanrei Taimuzu 709, 280; an English translation can be found in: Japanese Annual of International Law 35 (1992) 175.

53 A. TAKAKUWA, Case note, in: Jurisuto 1006 (1992) 148; A. KUNITOMO, Case note, in: Jurisuto 1002 (1992) 260; Y. NOMURA, Case note, in: Shihô Hanrei Rimâkusu 1993-2, 156.

54 See generally T. KONO, Critical and Comparative Analysis of the Rome II Regulation on Applicable Laws to Non-contractual Obligations and the New Private International Law in Japan – Seeking a Common Methodological Approach in Japan and Europe, in: Basedow/Baum/Nishitani (eds.), *supra* note 3, 221; Y. NAKANISHI, New Private International Law of Japan, Torts, in: Japanese Annual of International Law 50 (2007) 60.

55 Art. 17 *Tsûsoku-hô*.

56 Art. 20 *Tsûsoku-hô*.

57 Art. 16 *Tsûsoku-hô*. These new rules have considerable similarities with the Swiss PIL rules on torts (Articles 133-139). See F.-J. DANTHE, *Le droit international privé suisse de la concurrence déloyale* (Genève 1998) 55.

58 Some writers claim that the exposure of a trade secret would directly affect the competitor’s productivity and only indirectly affect the client and the market; thus the applicable law should be the law of the place where the employee who has exposed the trade secret had worked. For such an opinion and critics against it, see DANTHE, *supra* note (57), 66-67. As for the discussion on the law applicable to unfair competition acts in Japan and in Europe, see D. YOKOMIZO, *Teishoku-hô ni okeru fusei kyôshô no toriatsukai* [International Unfair Competition and Conflict of Laws], in: Chiteki Zaisan Hô Seisaku Gaku Kenkyû [Intellectual Property Law and Policy Journal] 12 (2006) 185.

59 B. GOLDMAN, *Les champs d’application territoriale des lois sur la concurrence*, in: *Recueil des cours de l’académie de droit international* 128 (1969), 633, at 722-723.

It would normally be predictable that the company whose trade secret has been exposed might suffer damages in the market where it competes with the company which obtained the secret. Thus, in Case A, as well as in Case B, the place of the market is the dominant factor for the determination of applicable law.⁶⁰ ⁶¹ Even so, there might also be cases where the exposure of the trade secret might not necessarily lead to the damages of the victim company in the market, since the exposure of the trade secret consists of several stages – from the obtainment of the trade secret by an employee through to the sale of the trade secret and to its use by the competing company; the litigation would not always start at the final stage. In such cases, unless the market can be specified from a stream of stages, the law applicable should be determined on a case-by-case basis.

A dispute may also arise from a confidentiality agreement. For example, a contracting company may claim damages against the other party to a confidentiality agreement.⁶² In such cases, legal relations would be characterized as a contract, and Article 7-12 of *Tsūsoku-hô* would apply. If there is no applicable law chosen by the parties, the law of the place most closely connected with the contract would apply.⁶³ If only one party has the obligation to keep information confidential, the place where his/her habitual residence or the place where the establishment is located would be presumed to be the most closely connected place. However, in cases where the obligations for confidentiality are mutual, there would be no characteristic performance in such a contract and thus the most closely connected law must be determined on a case-by-case basis.⁶⁴

60 DANTHE, *supra* note 57, 127.

61 Under *Tsūsoku-hô*, there is a special rule for defamation, which is generally considered as one of the unfair competition acts. Art. 19 stipulates as follows: “*Notwithstanding Article 17, the formation and effect of claims arising from defamation against an individual or an entity shall be governed by the law of the place of such defamed person’s habitual residence (the law of the place of its principal establishment, if the defamed person is a juristic person or other association or foundation.*” One might ask whether this provision applies extensively to other types of unfair competition acts, like exposure of the trade secret. However, as mentioned above (*supra* note (4)), considering that it was explicitly determined in the drafting stage not to introduce a new rule on unfair competition, the answer would be negative.

62 As for Japanese material law, case law is inconsistent regarding the degree of control for confidentiality required for the protection of the trade secret by law. See E. TSUBATA, *Eigyô himitsu ni okeru himitsu kanri yôken* [Reasonable Efforts to Maintain Secrecy in Trade Secret Law], in: Chiteki Zaisan Hô Seisaku Gaku Kenkyû [Intellectual Property Law and Policy Journal] 14 (2007) 191; T. KOJIMA, *Eigyô himitsu no hogo to himitsu kanri sei* [Requirement of Keeping Secrecy under Section 2 (6) of the Unfair Competition Prevention Law (Prosthetic Tooth Case, Kyoto Dist. Ct., 1 Nov. 2001)], in: Chiteki Zaisan Hô Seisaku Gaku Kenkyû 14 (2007) 215. It might have been an obstacle to foreign companies to transfer their trade secrets in Japan.

63 Art. 8 (1) *Tsūsoku-hô*.

64 As mentioned earlier, here again it would be easier to determine the governing law if it can be divided into two contracts, each of which deals with one party’s obligation of confidentiality.

Lastly, it should be noted that in a contract between an employer and an employee, there is a special rule for such a contract⁶⁵ according to which, in the absence of the party's choice, the law of the place where labour is to be carried out is the most closely connected law.⁶⁶

3. *Recognition and Enforcement of Foreign Judgments*

Before the revision of the Unfair Competition Law in 2004,⁶⁷ there was some doubt about the possibility of recognizing and enforcing foreign judgments when they resulted from litigation that was closed to the public. It was not clear whether the procedural *ordre public* condition⁶⁸ would be met with such litigation. After the revision and introduction of litigation closed to the public in Japan, this problem does not seem to exist any more, although it might always occur in cases when a foreign judgment has been made in a country where the confidentiality of litigation is much higher than in Japan.

Multiple or punitive damage awards would not be enforced in Japan, except to the extent that they are compensatory.⁶⁹ Thus, for example, the treble damages awards under RICO in the US would not be enforced in Japan.

Lastly, foreign arbitration awards are also to be enforced in Japan.⁷⁰ However, in cases where the application in the arbitration proceeding involves disputes that could not become the object of arbitration agreement according to Japanese law, the arbitration awards are not to be enforced.⁷¹ Under Japanese law, the object of an arbitration agreement is limited to civil disputes for which the parties could take a settlement.⁷² Thus, there would be no problem for the enforcement of foreign arbitration awards that deal with civil disputes regarding trade secrets.

IV. CLOSING REMARKS

Legal issues with regard to the cross-border exchange of music content and trade secrets have been complicated by rapid technical evolutions such as the Internet. In particular, in cases where a tortious act takes place online, it would be difficult to determine the governing law. If the results of the tortious acts occur in many countries through the

65 Art. 12 *Tsūsoku-hô*.

66 Art. 12 (3) *Tsūsoku-hô*. Even when there is an applicable law chosen by the parties, if such a law is a law other than the most closely connected law, the specific mandatory rules in the most closely connected law shall apply, provided that the employee expresses his/her will to the employer to the effect that such mandatory rules should apply, Art. 12 (1).

67 Law No. 120 of 2004.

68 Art. 118, item 3 Code of Civil Procedure.

69 See Supreme Court, 11 July 1998, *Minshû* 51 (1998) 2573.

70 Art. 45 *Chûsai-hô* [Arbitration Act], Law No. 138 of 2003.

71 Art. 45 (2), item 8 *Chûsai-hô*.

72 Art. 13 (1) *Chûsai-hô*.

Internet, the burden of the courts and the parties to the dispute would be high. Article 17 of the *Tsûsoku-hô*, which allows the parties to change the law governing torts by agreement, or Article 20, regarding a rule of displacement in cases where there is a place more clearly connected than the places specified by other rules, might have a greater role in such disputes.^{73, 74}

Also, considering the unpredictability of international jurisdiction and applicable law (at least in Japan), arbitration will play a more important role for the resolution of disputes regarding the international exchange of music content and trade secrets in the future.

73 However, even though an infringement of copyright should be characterized as tort, it is not clear whether the existence of infringement should be determined by the law applicable to tort or the *lex loci protectionis*. If the latter governs the issue, the burden of the court and disputing parties would not be lightened in spite of the change of the governing law of tort by agreement.

74 As regards the Internet, it is still unclear whether an online agreement on international jurisdiction is effective in Japan. As an affirmative example, see D. YOKOMIZO, *Denshi hôtôrihiki ni kansuru teishoku-hô jô no shomondai* [Conflict-of-Laws issues with regard to Electronic Commerce], in: *Minshô-Hô Zasshi* [The Journal of Civil and Commercial Law] 124 (2004) 163, 178, note (42).

ZUSAMMENFASSUNG

Dieser Aufsatz hat sich zum Ziel gesetzt, die rechtliche Situation bei der grenzüberschreitenden Übertragung geistigen Eigentums im japanischen IPR zu analysieren und Probleme herauszuarbeiten, die diese behindern können. Dabei konzentriert er sich auf zwei Arten geistigen Eigentums: Musikinhalte und Geschäftsgeheimnisse.

Bei Musikinhalten könnte im Fall der Klageerhebung einer Verwertungsgesellschaft gegen einen ausländischen Urheber, der nicht in Japan lebt und wenig Bezug zu Japan hat, die internationale Zuständigkeit japanischer Gerichte abgelehnt werden. Im Fall eines Vertrags zwischen der Japanischen Gesellschaft für die Rechte von Autoren, Komponisten und Verlegern (JASRAC) mit einem ausländischen Rechteinhaber wäre die engste Verbindung zu Japan. In Fällen, bei denen eine Übertragung von Rechten nicht auf das Urheberrecht in einem Land beschränkt ist und die Urheberrechte mehrerer

Länder abdeckt, wäre es das Recht jedes einzelnen Landes, das bestimmt, ob ein Urheberrecht wirksam übertragen wurde. Um hieraus entstehende rechtliche Probleme zu vermeiden, wäre es angebracht, einen Übertragungsvertrag schriftlich abzuschließen und die Rechte aufgegliedert aufzuführen. In einem Fall bei dem ein (Online-)Musikdienstanbieter in einem Land seinen Sitz hat, der digitale Download aber zu einem Konsumenten in einem anderen Land erfolgte, müsste der Anbieter an die öffentlichen Verwertungsgesellschaften beider Länder zahlen.

In Bezug auf Geschäftsgeheimnisse ist es schwierig zu prognostizieren, in welchen Fällen die internationale Zuständigkeit anerkannt werden dürfte. In Fällen, in denen die Aufdeckung eines Geschäftsgeheimnisses nicht unbedingt zu einem Schaden des Opfers führen würde, sollte das anwendbare Recht abhängig vom Einzelfall festgelegt werden. Auch Geheimhaltungspflichten können Anlass zu Streitigkeiten geben. Sind diese wechselseitig ausgestaltet, existiert in diesem Vertrag keine charakteristische Leistung, und das Recht mit der engsten Verbindung muss ebenfalls abhängig von den jeweiligen Umständen im Einzelfall festgestellt werden.

(dt. Übers. durch d. Red.)