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The WIPO Model Laws for the Protection of Unpatented Know-How: A Comparative Analysis

by
Suzanne F. Greenberg[†]

INTRODUCTION

With the explosion of domestic and international trade in the high-technology field, the issue of legal protection for the intellectual property components of high-technology products and processes has become increasingly important. While the standard protective mechanism for intellectual property has traditionally been the patent, this mechanism is often unsuitable as a means of providing effective protection for high-technology items.¹ First, many courts have difficulty fitting high-technology innovations into the framework of the patent system, which was designed to foster the more traditional smokestack industries.² Second, the long and complex patent application process is often not responsive to the rapid evolution of new inventions in the high-technology area.³

This lack of patent protection does not result from a failure to recognize the value of such products and processes. As far back as 1965, commentators noted the crucial role of unpatented information and know-how in the development and transfer of technology, whether between business enterprises or sovereign States.⁴ As one United Nations commentator noted, "The non-patented know-how, though in a license agreement it may appear as an implementing appendage of the patent, is often the more important and the more valuable component of the industrial property package covered."⁵

High-technology firms have increasingly turned to alternative mechanisms to protect their valuable information. One such alternative has been the use of contractual restraints through trade secrecy. A 1978 survey

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1. See, e.g., *Gottschalk v. Benson*, 409 U.S. 63 (1972); *Parker v. Flook*, 437 U.S. 584 (1978). See also *The Role of Patents in the Transfer of Technology to Developing Countries*, United Nations Department of Economic and Social Affairs, Report of the Secretary-General, U.N. Doc. E/3861/Rev. 1 (1964) [hereinafter cited as *The Role of Patents*].

2. See, e.g., *Gottschalk v. Benson*, 409 U.S. 63 (1972).

3. See Lewin, *Putting a Lid on Corporate Secrets*, N.Y. Times, Apr. 1, 1984, at 30F, col. 1.

4. See, e.g., Lachman, *The Role of Industrial Property in the Dissemination of Technical Information in the World Context: A United Nations' View*, 9 IDEA 180, 180-84 (1965).

5. *Id.* at 184.

sponsored by the Commission on New Technological Uses of Copyrighted Works (hereinafter CONTU) showed, for example, that software firms indicated a strong preference for such contractual restraint over either patent or copyright protection.⁶ The reasons for the preference may be that trade secret protection is available without regard to the novelty, form of storage, use, product, or content of the material in question, provided the requisite elements of secrecy are present.⁷ In addition, no complex patent-type application need be filed, making trade secret protection available immediately.⁸ While trade secret protection does not restrict independent discovery, it is for this very reason approvingly cited as pro-competitive.⁹ U.S. commentators generally predict that trade secret law will remain important as a protective device, even for purely domestic transactions.¹⁰

In the field of international transactions, national trade secret laws retain even more importance in the protection of unpatented high-technology items, as statutory protection under copyright or trademark laws may not be formally extended.¹¹ The international reliance on trade secret protection is clearly reflected in the work produced by the World Intellectual Property Organization (WIPO), the international organization formed "to promote the protection of intellectual property throughout the world through cooperation among States."¹² For example, the Model Provisions on the Protection of Computer Software, published by WIPO in 1978, rely heavily on trade secret concepts in defining the rights of software proprietors and the acts which constitute infringements of these rights.¹³

6. See COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT, at H-6 (1978).

7. See Mantle, *Developments in Copyright and Trade Secret Protection for Computer Software*, (1983) (unpublished manuscript) (on file in the offices of the International Tax & Business Lawyer).

8. See Lewin, *supra* note 3, at 30F.

9. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 485 (1974).

10. See Lewin, *supra* note 3, at 30F.

11. For example, the United States is, at present, the only country which explicitly extends copyright protection to computer software. See 17 U.S.C. §§ 101, 102, 117 (1984). In most other countries, software, to receive copyright protection, must fit within the traditional categories of literary or artistic work.

12. Convention Establishing the World Intellectual Property Organization, as amended at Stockholm, July 14, 1967, 21 U.S.T. 1749, T.I.A.S. No. 6932, 828 U.N.T.S. 3, art. 3.

13. INTERNATIONAL BUREAU OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION AND THE ADVISORY GROUP OF EXPERTS ON THE PROTECTION OF COMPUTER PROGRAMS, MODEL PROVISIONS ON THE PROTECTION OF COMPUTER SOFTWARE, WIPO PUB. NO. 814(E) (1978). For an analysis of the Model Provisions on Software Protection, see Abel, *Worldwide Protection of Computer Software: An Analysis of the WIPO Draft Proposal*, 2 N.Y.L. SCH. J. INT'L & COMP. L. 278 (1981).

It is also significant that in June 1983, a WIPO Committee of Experts on the Legal Protection of Computer Software, which was formed to consider the idea of a special international treaty on the protection of software, recommended that no such treaty be pursued at present. See *Committee of Experts on the Legal Protection of Computer Software*, 22 INDUS. PROP. 287, 288 (1983). The Committee instead recommended further study on technical issues, stressing that existing national legislation provided adequate interim protection. *Id.* This decision placed increased emphasis on the effectiveness of existing national laws governing intellectual property

As early as 1964, a United Nations study indicated the crucial need for an international legal infrastructure which would encourage the flow of technological information and processes between developed and developing countries by ensuring protection for the intellectual property components of new technology.¹⁴ At the same time, the International Chamber of Commerce (ICC) strongly recommended a move toward national legislation for the protection of unpatented technological secrets, stating, "Hardly any country so far has dealt in an adequate and comprehensive way with the protection of industrial know-how in modern industry."¹⁵ This outcry led the United International Bureaux for the Protection of Intellectual Property (BIRPI) to publish in 1965 the Model Laws for Developing Countries on Inventions,¹⁶ "to encourage inventiveness and industrial investment through adequate protection for inventions and technological know-how in a way which seems to be most satisfactory for developing countries in need of rapid industrialization."¹⁷ Fifteen years later, a revised set of these Model Laws was completed under the supervision of WIPO, the institutional successor to BIRPI.¹⁸

By providing model laws, rather than a uniform law or binding convention, BIRPI, and later WIPO, hoped to encourage developing countries to enact national legislation suited to their particular economic, social, and cultural needs. This very flexibility, however, has allowed various nations to adopt extremely different intellectual and industrial property legislation, generally based on the same Model Laws.

This Article will explore how some of these different statutory provisions affect the trade secret protections available for unpatented high-technology items and will examine the underlying differences in national policies which produce such disparate statutes. After a brief discussion of the history, structure, and purpose of the Model Laws, the Article will examine and compare the laws protecting unpatented know-how and trade secrets in Japan and Peru, two countries which have adopted legislation based on the Model Laws with widely disparate results. Finally, this Article will compare the

and on the need for continued development of such laws to keep pace with technological innovations.

14. See *The Role of Patents*, *supra* note 1.

15. Statement of the Executive Committee of the ICC, Feb. 21, 1961, ICC STATEMENTS AND RESOLUTIONS 98 (1959-61).

16. UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY (BIRPI), MODEL LAW FOR DEVELOPING COUNTRIES ON INVENTIONS, BIRPI PUB. NO. 801(E) (1965) [hereinafter cited as 1965 Model Laws].

17. *Id.* at 17.

18. WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO), MODEL LAW FOR DEVELOPING COUNTRIES ON INVENTIONS, WIPO PUB. NOS. 840(E) & 841(E) (two volumes) [hereinafter cited as 1980 Model Laws]. It is important to note that both the 1965 and the 1980 Model Laws cover only unpatented *technical* information. Non-technical trade secrets, such as financial information or customer lists, are specifically excluded. Fortunately, most national laws employ a quite liberal definition of technical know-how, which easily encompasses most unpatented high-technology items. See generally 1965 Model Laws, *supra* note 16, at 75. See also Kresalja, *Industrial Property in Peru*, 22 INDUS. PROP. 151, 161, ¶¶ 7.2 & 7.4 (1983).

provisions of Part II of the 1980 Model Laws with those of Part II of the 1965 Model Laws, and will highlight certain problems and ambiguities remaining in both drafts.¹⁹

I

HISTORY AND FUNCTION OF THE MODEL LAWS

A. History

In 1963, BIRPI invited a committee of experts to Geneva to study the problems of industrial property in less developed countries.²⁰ The committee unanimously adopted a recommendation which, *inter alia*, provided that: "BIRPI should undertake to prepare a draft of a model law for the protection of inventions and technical improvements, taking into account the various existing systems, and accompanied by explanatory notes."²¹ BIRPI prepared such draft model laws in 1964 and sent them for study to the governments of sixty-nine countries which considered themselves developing, as well as to the remaining members of the International Union for the Protection of Industrial Property.²² In October 1964, BIRPI submitted the draft model laws to a Model Law Committee, composed of representatives from twenty-two developing countries.²³ This Committee examined the drafts submitted by BIRPI on a section-by-section basis and advised that certain amendments be made to the text of the Model Laws and accompanying commentary. On October 23, 1964, the last day of its meeting, the Committee expressed the view that "the draft respects the special needs of developing countries and represents a useful model for legislation in these countries,"²⁴ and recommended that the draft model laws, as revised by the Committee (hereinafter the 1965 Model Laws), be published and transmitted to the governments and international agencies involved.²⁵

Approximately ten years later, recognition of developments in the high-technology field and new trends in the legislation of developing countries highlighted the need to revise the 1965 Model Laws.²⁶ In 1974, a Working Group on the Model Law for Developing Countries on Inventions and Know-How (hereinafter the Working Group) was established under the

19. This Article will focus on public law provisions regarding know-how protection and will therefore forego any detailed examination of special laws designed to regulate the content or terms of technology-transfer contracts or private licensing agreements, such as the laws of ANCOM nations regulating technology-transfer contracts.

20. 1965 Model Laws, *supra* note 16, at 11.

21. *Id.*

22. *Id.*

23. The countries were all "developing" according to UNCTAD criteria: Algeria, Argentina, Ceylon, Chile, Colombia, Dominican Republic, El Salvador, Haiti, India, Indonesia, Iran, Israel, Kenya, Mexico, Nicaragua, Nigeria, Sierra Leone, Sudan, Tanzania, Thailand, Uganda, and Venezuela. *Id.*

24. *Id.* at 13.

25. *Id.*

26. 1980 Model Laws, *supra* note 18, vol. 1, at 7.

guidance of the WIPO Permanent Committee for Development Cooperation Related to Industrial Property (hereinafter the Permanent Committee).²⁷ The Working Group, composed of experts from a number of countries and observers from both intergovernmental and international organizations,²⁸ met eight times between November 1974 and March 1979.²⁹

At the September/October 1978 meeting, the WIPO Coordination Committee and the Executive Committee of the Paris Union approved publication of Part I of the new Model Laws, which governs patents, but decided that the remaining Parts should be submitted to the Permanent Committee for comments before publication.³⁰ Incorporating the comments presented by the Permanent Committee at the April/May 1980 session, the International Bureau of WIPO made certain additional changes in the final draft before publishing Parts II–VI of the new Model Laws in 1980.³¹ For purposes of simplicity, both volumes of the new Model Laws will hereinafter be referred to as the 1980 Model Laws.

B. Structure and Purpose of the Model Laws

Both the 1965 and the 1980 Model Laws are formulated as a series of general model code sections, with an explanatory Commentary accompanying each section. Both sets of Model Laws also include model regulations for the implementation of national laws. In order to facilitate adaptation of the Model Laws to fit individual national goals and problems, the drafters of the Model Laws crafted the actual sections in very general language, leaving much of the necessary clarification to the Commentaries and Regulations. This format allows individual states to adopt the general idea embodied in a code section while simultaneously adapting it to particularized needs, by amending or redrafting the Commentaries and Regulations.

27. *Id.*

28. *Id.* Experts from the following countries participated in the Working Group: Algeria, Argentina, Brazil, Cameroon, Cuba, Egypt, France, Federal Republic of Germany, Hungary, Indonesia, Israel, Kenya, Mexico, Poland, Soviet Union, Spain, Sri Lanka, Tunisia, United Kingdom, United States, Yugoslavia, and Zaire. Institutional and intergovernmental observers included: UNCTAD, UNIDO, the ICC, the African Intellectual Property Organization (OAPI), the Industrial Development Centre for Arab States (IDCAS), the Secretariat of the Cartagena Agreement (Andean Group), the Council of European Industrial Federations (CEIF), the International Association for the Protection of Industrial Property (IAPIP), and many others. For a complete listing of participants, see the 1980 Model Laws, *supra* note 18, vol. 1, at 141.

29. *Id.* at 7.

30. *Id.* at 8.

31. *Id.* The 1965 Model Laws are organized into four parts of unequal length: Part I (Patents); Part II (Technical Know-How); Part III (Procedural Provisions); and Part IV (two Annex sections containing possible model provisions for Patents of Introduction and Inventors' Certificates). In contrast, the 1980 Model Laws are divided into six parts, contained in two volumes. Volume I contains only Part I of the new Model Laws, which governs patents. Volume II contains five parts: Part II (Know-How); Part III (Examination and Registration of Contracts); Part IV (Inventors' Certificates); Part V (Technovations); and Part VI (Annex on Transfer of Technology Patents). For a more detailed comparison of the 1965 and the 1980 Model Laws, see *infra* Part III.

In drafting the Model Laws, BIRPI, and later WIPO, had to balance the goal of fostering domestic and foreign inventiveness through the improvement of national protection for inventions and technical know-how against the countervailing goal of providing mechanisms to safeguard national sovereign rights.³² The tension inherent in such divergent goals was heightened by the difficulties involved in formulating a single set of Model Laws sufficient to deal with the wide range of economic, social, technical, and cultural situations found in developing countries, as well as the diverse development strategies pursued by such nations.³³

The compromises necessary to allow reconciliation of these competing goals prompted the drafters of both the 1965 and the 1980 Model Laws to indicate that the published provisions were only models and were not intended as uniform laws.³⁴ As stated in the Introduction to the 1980 Model Laws:

The form of existing national legislation as well as the terminology utilized vary considerably, according to legal tradition, governmental structure and other factors. Countries wishing to rely on the new Model Law in the preparing or modifying of their legislation may adapt it not only to their specific development needs, which too may vary considerably, but also to their customary style of legislative drafting.³⁵

Countries utilizing the Model Laws as a basis for national legislation have indeed accepted this invitation and have demonstrated considerable imagination in selectively adapting the model provisions to serve national goals and policies. Unfortunately, the flexible nature of the Model Laws, while resolving the problem of drafting laws suited to diverse national interests, may actually allow results which prove detrimental to the protective goals of national legislation.

II

TRADE SECRET LAW IN JAPAN AND PERU

A. General Background

While Japan is not currently considered a developing country, the Japanese government did adopt a development stance during the 1960s and 1970s regarding high-technology products and processes.³⁶ Peru, in turn, has been classified as a country presently at an intermediate level of development.³⁷ Thus, the contrast between the systems of intellectual property protection in

32. See 1965 Model Laws, *supra* note 16, at 11; 1980 Model Laws, *supra* note 18, vol. 1, at 10.

33. See 1965 Model Laws, *supra* note 16, at 12.

34. *Id.*; 1980 Model Laws, *supra* note 18, vol. 1, at 8.

35. See 1980 Model Laws, *supra* note 18, vol. 1, at 8.

36. See generally Zysman & Cohen, *The Mercantilist Challenge to the Liberal International Trade Order*, 1 INT'L TAX & BUS. LAW. 1 (1983).

37. See THE WORLD BANK, WORLD DEVELOPMENT REPORT 1984, at 214 (1984). See also Kresalja, *supra* note 18, at 154.

Japan and Peru provides a clear example of the different ways in which “developing” nations have adapted the Model Laws, and illustrates the different degrees of protection that arise from such varying interpretations of the Model Laws.

Although Japan has adopted the principles of Part II of the 1965 Model Laws,³⁸ the official Japanese attitude toward unpatented know-how seems to be that know-how merits protection only as tangential to, and as a basis for, the patent system.³⁹

The Japanese view of unpatented know-how as adjunct to patent protection led the Japanese to reject the specific remedy sections set forth in the 1965 Model Laws.⁴⁰ This view has further resulted in Japan’s failure to develop a specific legal mechanism for the protection of unpatented know-how as a separate proprietary right.⁴¹ At present, the Japanese system of intellectual property protection contains no explicit statutory remedy, either civil or criminal, for the misappropriation or misuse of unpatented technical know-how.⁴² Remedies and protection for know-how, where they exist, have for the most part been extrapolated from existing laws designed to deal with far different problems. Consequently, the extent of Japanese legal protection for unpatented technical know-how is often vague and greatly dependent upon the diverse theories and loyalties of legal commentators.

Peru, on the other hand, has followed more closely the guide of the Model Laws in drafting legislation for the protection of unpatented technological know-how. Peruvian law explicitly recognizes unpatented know-how as a distinct item of industrial property⁴³ and adopts the Model Laws’ suggestion of both criminal and civil sanctions for its misappropriation.⁴⁴ In fact, in several sections the language of the Peruvian legislation is virtually identical to that of the 1965 Model Laws.⁴⁵ The result is a law which quite clearly defines the rights and duties of know-how owners and licensees.

Several factors account for Peru’s close adherence to the Model Laws. Peru has a long and proud history of intellectual property protection.⁴⁶ As

38. T. DOI, *THE INTELLECTUAL PROPERTY LAW OF JAPAN* 95 (1980).

39. *Id.*

40. *Id.* at 95–96.

41. *Id.* at 95.

42. *Id.* at 86. See also A. WISE, *TRADE SECRETS AND KNOW-HOW THROUGHOUT THE WORLD*, vol. 1, ch. 1 (1981); Amemiya & Guttman, *Know-How*, in *DOING BUSINESS IN JAPAN*, vol. 4, pt. VI, ch. 5 (Z. Kitagawa ed. 1984).

43. See *infra* part II.C (Proprietary Rights) for a detailed discussion.

44. For a detailed discussion, see *infra* Parts II.D (Civil Remedies) and II.E (Criminal Sanctions).

45. Compare the definition of technical know-how in article 87 of Peru’s Regulations to the General Industries Law (the legislation governing know-how protection): “[a]ll technical knowledge consisting of manufacturing and production processes in general, and the knowledge relative to the use and application of industrial techniques” (as cited in A. WISE, *supra* note 42, vol. 5, ch. 1, at 22) with the definition in section 53 of the 1965 Model Laws: “manufacturing processes or knowledge concerning the use and application of industrial techniques.”

46. See generally D. VALDERRAMA, *LAW AND LEGAL LITERATURE OF PERU* (1976).

early as 1849, Peru had a Law of Intellectual Property governing copyright, believed to be one of the oldest in Latin America.⁴⁷ Laws concerning trademark and patent protection followed in 1892 and 1896, respectively.⁴⁸ Article 29 of the previous Peruvian Constitution provided that, "[p]roperty is inviolable, whether it be material, intellectual, literary or artistic."⁴⁹ The new Constitution, enacted in 1980, similarly enshrines the principle that every person has the right to freedom of intellectual, artistic, and scientific creation and to the protection of property.⁵⁰

More significantly, Peru has begun in recent years to understand the importance of technological invention and investment as a prerequisite to development, and, in turn, the significance of explicit legal protection as a spur to such inventiveness.⁵¹ After the military takeover in 1968, Peru enacted Decreto-Ley No. 18,350 of July 27, 1970 (hereinafter the General Industries Law),⁵² which set priorities in the industrial sector and generally encouraged the development of industry. In 1971, the government issued Regulations to the General Industries Law,⁵³ based on the 1965 Model Laws,⁵⁴ covering the administration of patents, industrial designs and models, trademarks, commercial names, technological know-how, and unfair competition. While the

47. *Id.* at 140.

48. *Id.*

49. *Id.* at 139.

50. See Kresalja, *supra* note 18, at 151.

51. D. VALDERRAMA, *supra* note 46, at 142-45.

52. Decreto-Ley No. 18,350, July 27, 1970, EL PERUANO, July 27, 1970, reprinted in 9 I.L.M. 1225, 1235 (1970) (English translation), amended by Decreto-Ley No. 19,262, Jan. 6, 1972, EL PERUANO, Mar. 8, 1972, reprinted in 11 I.L.M. 383, 389 (1972).

53. Decreto Supremo 001-71-IC/DS, Jan. 25, 1971, EL PERUANO, Jan. 26, 1971, reprinted in 1973 INDUS. PROP. 112 (English translation). Articles 87-90 of the Regulations govern technical know-how. These sections provide:

Article 87. All technological knowledge consisting of manufacturing and production processes in general, and the knowledge relative to the use and application of industrial techniques deriving from intellectual knowledge, experience or methods, may be protected as industrial property when it constitutes a secret, whether it be of the creator or of the enterprise. The manual dexterity or personal skill of one or more workers shall not be protected as industrial property.

Article 88. The State shall protect the owner of a technological process against illegal use, divulgence, communication or appropriation provided that the measures necessary to preserve its secret nature have been taken and that it is truly novel.

Article 89. Anyone, whether a natural or legal person, who has developed, transferred or acquired technological processes, may use, divulge, or communicate them freely, even when the transferor or acquirer has maintained them secret; neither of the parties may legally claim any rights against the other, unless there is a contractual agreement to the contrary between them.

Article 90. The owner of a technological process who makes it accessible to his employee or servant for its application or use in his work premises, may restrict the divulgence by them to any other person, both during [the time] they remain in his employ or after they have left it. In order to prevent the use or divulgence of a secret technological process, the holder may bring an action against anyone who improperly obtains the production secret.

See A. WISE, *supra* note 42, vol. 5, ch. 1, at 22.

54. See Kresalja, *supra* note 18, at 161.

General Industries Law was later amended by Decreto-Ley No. 19,262 of January 6, 1972,⁵⁵ and partially superseded by Decreto-Ley No. 22,532 of May 17, 1979,⁵⁶ neither of these amendments affected the validity of the original Regulations with respect to technical know-how, and the original Regulations continued to protect "technical processes" under Peruvian law.⁵⁷

Unfortunately, very little case law exists on the subject of protection for unpatented know-how in either Japan or Peru. This general dearth of case law is explained in the Japanese system by the deep-rooted Japanese inclination to resort to settlement or conciliation rather than to litigation. In addition, the usual practice in Japan of lifetime employment with a single company reduces employee mobility, with its consequent potential for trade secret misappropriation.⁵⁸ The fact that there are fewer opportunities for abuse naturally results in fewer cases reaching the courts.

The lack of trade secret or know-how cases in Peru exists for somewhat different reasons. First, such cases arise primarily in industrialized, as compared to developing, countries, since cases tend to cluster in areas where important technological research is conducted.⁵⁹ Second, labor legislation in Peru, as in the rest of Latin America, is highly protective of employees, which may lead to an increased percentage of out-of-court settlements of potential trade secret cases involving former employees.⁶⁰ Finally, the legal uncertainty resulting from a lack of precedent in the trade secret area also tends to encourage settlement by potential litigants before trade secret cases can be decided.⁶¹

The absence of case law in both countries means that one must often turn to non-judicial commentary to clarify vague statutory rights. The lamentation of one writer commenting on the Japanese system applies equally well to the situation in Peru:

Litigation is comparatively a rare phenomenon . . . and most important legal questions to which the Codes or their supporting statutes do not speak have never been the subject of litigation, or, at least, never have been the subject of a written judicial opinion. Instead, scholars must fill in the legal gaps with long treatises written on every aspect of their legal subject.⁶²

55. Decreto-Ley No. 19,262, Jan. 6, 1972, *EL PERUANO*, March 8, 1972, reprinted in 11 I.L.M. 383, 389 (1972) (English translation).

56. Decreto-Ley No. 22,532 brought into effect in Peru Decision 85 of the Commission of the Cartagena Agreement. See Kresalja, *supra* note 18, at 153. In May 1982, a new General Industries Law was promulgated by Decreto-Ley No. 23,407. This new law does not regulate industrial property in any form, however, and maintains, by an express final provision, the existing Regulations relating to industrial property.

57. Decreto-Ley No. 22,532 now regulates patents, trademarks, servicemarks, and the transfer and licensing of these items. The original Regulations still govern technical know-how, tradenames, and unfair competition.

58. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 14.

59. *Id.*, vol. 5, ch. 1, at 54.

60. *Id.* at 55.

61. *Id.*

62. Stevens, *Japanese Law and the Japanese Legal System: Perspectives for the American Business Lawyer*, 27 *BUS. LAW.* 1263 (1972).

B. Definition of Know-How

Although the English word “know-how” has increasingly invaded the vocabulary of business people throughout the world,⁶³ authorities have yet to agree on a truly definitive meaning of the term. The most widely accepted definition is that used by the International Chamber of Commerce: “Industrial know-how means applied technical knowledge, methods and data necessary for realizing or carrying out in practice techniques which serve industrial purposes. Where such know-how is of secret character it constitutes a valuable business asset and should be protected in law.”⁶⁴ This definition encompasses several distinct concepts: (1) know-how includes only technical knowledge, not commercial or financial secrets; (2) to be know-how, the knowledge must be applied or applicable on a practical level; theoretical ideas not developed to a point useful in industry are not within know-how protection;⁶⁵ and (3) know-how must be secret, which assumes that the holder of the know-how has taken appropriate steps to keep the knowledge out of the public domain. As the patent process involves publication of technological information, obtaining a patent for such technical knowledge necessarily destroys the secrecy required for know-how protection. This element of the definition thus implies that the knowledge must be *unpatented*, although it need not be *unpatentable*.

Although know-how itself is intangible by nature, it may be “evidenced by some form of physical matter such as blue-prints, specifications or drawings . . . and it may involve accumulated technical experience and skills which can best or perhaps only be communicated through the medium of personal services.”⁶⁶ While the concept of technical know-how may thus be slightly broader in scope than the specific definition of industrial or technical trade secrets, most commentators consider the terms “industrial trade secrets” and “technical know-how” to be functional equivalents.⁶⁷ This Article will therefore use the two terms interchangeably.

The definition of know-how in Japan and Peru generally conforms to the ICC definition, requiring that the knowledge in question, in order to qualify for know-how protection, be: (1) technical knowledge; (2) applied or applicable in industry; and (3) secret in nature.⁶⁸ Inada, a major Japanese writer in

63. See, e.g., T. DOI, *supra* note 38, at 86.

64. See Statement of the Executive Committee of the ICC, *supra* note 15, at 98.

65. This definition seems to cure the problem of attempted appropriation of a purely theoretical algorithm, which has bothered U.S. courts in the computer software area. See, e.g., Gottschalk v. Benson, 409 U.S. 63 (1972). See also Parker v. Flook, 437 U.S. 584 (1978).

66. Inada, *International Know-How Licensing and Territorial Restraint Clauses*, 8 HARV. INT'L L.J. 241, 244 (1967), citing Creed & Bangs, *Know-How Licensing and Capital Gains*, 4 P.T.C.J. RES. & ED. 93 (1960).

67. See, e.g., Selinger, *Protecting Software in the Business Environment: Patents, Copyrights and Trade Secrets*, 3 J. L. & COMM. 65, 80-81 (1983); Inada, *supra* note 66, at 244; A. WISE, *supra* note 42, vol. 1, ch. 1, at 26-29.

68. As in American trade secret law, the secrecy need not be absolute in the owner of the know-how, as long as the information retains relative secrecy vis-à-vis competitors and the gen-

this field, specifically embraces the ICC definition.⁶⁹ Another Japanese author describes know-how somewhat differently as “those tangible and intangible techniques, which are a combination of technical experience, information, and insight required in the industrial production process and which are kept confidential toward outsiders.”⁷⁰

The specific Peruvian definition of know-how may be found in article 87 of the Regulations to the General Industries Law, which provides, in pertinent part:

All technological knowledge consisting of manufacturing and production processes in general, and the knowledge relative to the use and application of industrial techniques deriving from intellectual knowledge, experience, or methods, may be protected as industrial property when it constitutes a secret, whether of the creator or of the enterprise⁷¹

The language of articles 87 and 88 of the Peruvian Regulations to the General Industries Law is modeled quite closely after the language of section 53 of the 1965 Model Laws and therefore speaks in terms of “technological knowledge” and “technological processes”, rather than explicitly of know-how or industrial trade secrets. It is clear from the context, however, that the Regulations are intended to govern the broader concept of technical know-how.⁷²

Despite the basic similarity of the definitions of know-how in Japan and Peru, several distinctive elements set them apart. In Japan, for example, a specific secret technique can qualify as technical know-how even if the general process in which the technique is employed is patented or otherwise publicly available. In the swordmaking industry, for instance, where the ceramic technique, water quality, and fire temperature determine the quality of the finished product, the exact process used by a certain master craftsman may be classified as know-how.⁷³ Kenichiro Osumi, a former Justice of the Japanese Supreme Court, asserts that:

The mere fact that a production process may be public knowledge and in the public domain does not mean that simply anyone can use it to turn out a high quality product smoothly and efficiently Thus, the technical knowledge and experience concerning how to put production processes to the most effective use is know-how, and it must be described as a sort of secret or confidential method involving technology.⁷⁴

eral public. A leading Japanese commentator asserts that secrecy requires that the information be “known to no one else or only to a limited group of people while being either unknown to others or unobtainable by them.” Osumi, *Know-How and its Investment*, 1 *LAW IN JAPAN* 92, 95 (1967). Similarly, Peru’s Regulations to the General Industries Law, *supra* note 53, require that “measures necessary to preserve its [the information’s] secret nature have been taken,” but allow distribution of secret information to employees “for its application or use in his [the employer’s] work premises” if appropriate restrictive measures are taken.

69. See Inada, *supra* note 66, at 243–44.

70. See Sakamota, *Licensing in Japan*, in *INT’L LICENSING AGREEMENTS* 190 (1965).

71. See *supra* note 53.

72. See A. WISE, *supra* note 42, vol. 5, ch. 1, at 11.

73. *Id.*, vol. 1, ch. 1, at 28.

74. Osumi, *supra* note 68, at 94–95.

This expansion of the definition of know-how could prove especially useful in the high-technology field, where new techniques may quickly find their way into the public domain, while the practical experience regarding their most efficient application may remain the secret of a single firm.

In contrast, a unique feature of Peru's know-how definition may serve to limit, rather than to expand, the scope of know-how protection. Article 88 of the Regulations to the General Industries Law requires, *inter alia*, that the know-how be "truly novel" (*efectivamente novedoso*) in order to merit state protection.⁷⁵ The Peruvian Regulations never make clear exactly what degree of novelty is required. Presumably, since know-how protection is designed to encompass industrial property which fails to meet the requirements for patent protection, Peruvian courts will require a lesser degree of novelty for know-how than for patent protection.

The Peruvian provision requiring novelty clearly conflicts with U.S. trade secret philosophy, which does not require that the information or knowledge be novel as long as it is truly secret. The provision may, however, be intended only as a codification of the principle, familiar to American courts, that one party may not appropriate as his secret an item of knowledge or a process which is generally known or utilized in a given industry.⁷⁶ Nonetheless, no cases have yet arisen to clarify the meaning of the term "truly novel", and this ambiguity in the Regulations, if strictly interpreted, could present major problems in the future use of know-how protection in Peru.

C. Proprietary Rights in Know-How

As discussed above, Peru has a long history of protection for intellectual and industrial property,⁷⁷ and the Regulations to the General Industries Law specifically extend this protection to unpatented know-how. Article 88 of the Regulations states that qualifying technical know-how shall be protected by the State against "illegal use, divulgence, communication or appropriation."⁷⁸ Article 90 reinforces the proprietary nature of know-how by providing that the holder of secret know-how may bring an action against anyone who improperly obtains such knowledge.⁷⁹

In stark contrast to the Peruvian provisions, the law in Japan refuses to award unpatented know-how or trade secret property rights for the purpose

75. See *supra* note 53 for the full text of article 88.

76. See, e.g., *Knudsen Corp. v. Ever-Fresh Food, Inc.*, 336 F. Supp. 241 (C.D. Cal. 1971); *Aetna Building Maintenance Co. v. West*, 39 Cal.2d 198 (1952).

77. See *supra* note 46 and accompanying text.

78. See *supra* note 53 for the full text of article 88.

79. See *supra* note 53 for the full text of article 90. A separate issue is whether Peruvian law allows the holder of know-how to bring an action against a third party who obtains the secret know-how without any breach of contractual or fiduciary duty. See *infra* notes 121-124 and accompanying text for a discussion of this subject.

of explicit Civil or Criminal Code protection,⁸⁰ although the Commercial Code now recognizes the property value of know-how for such purposes as inventory valuation, contributions to capital, and licensing arrangements.⁸¹ The decision of the Tokyo High Court in *Deutsche Werft Aktiengesellschaft v. Waukesha Yugen Kaisha*,⁸² one of the few Japanese cases to date which deals openly with the question of property rights for unpatented know-how, highlights the dichotomy between Japan's recognition of know-how as a valuable interest on the one hand, and its refusal to grant relief for its infringement on the other.

In this case, the Tokyo High Court admitted the property value of know-how, but denied injunctive relief against a third party which had willfully misappropriated know-how on the ground that no statutory provision allowed such relief. The plaintiff, a German company, concluded a contract with Waukesha Bearings, Inc., an American company, giving Waukesha an exclusive license to sell oil-lubricated stern tube sealings for ships in Canada and the United States, using the plaintiff's secret know-how. Although Waukesha agreed to keep the know-how secret, it later signed a joint venture agreement with Chuetsu Metal Works, Ltd., a Japanese company, and began to manufacture and sell the sealings in Japan. The plaintiff filed a petition for an injunction against further operations by Chuetsu-Waukesha, the joint venture company, on the grounds that the latter's actions violated the secrecy contract between the plaintiff and Waukesha.⁸³

The Tokyo District Court denied the injunction, apparently on the ground that Chuetsu-Waukesha constituted an independent third party, not bound by any contract with the plaintiff.⁸⁴ On appeal, the Tokyo High Court agreed that Waukesha was legally a third party, not subject to a breach of contract action, and held that:

Although know-how has property value, it cannot be considered, at the present moment, that the law recognizes such right (whether it is an incorporeal right or a right of obligation) as enforceable against a third party. Protection of know-how can only be achieved through the efforts of its owner to maintain it as an industrial secret and prevent disclosure to others [T]he

80. The Japanese Civil Code, articles 85-86, recognizes only tangible real and personal property (*fudosan* and *dosan*) as things which may be the subject of property rights. Although property rights have been extended to registered industrial property items, such as patents, copyrights, and trademarks, there is no Civil Code reference to intangibles, such as know-how or goodwill. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 32-33.

81. In 1962, the Japanese legislature added article 285(7) to the Commercial Code, thereby recognizing *goodwill* as an asset for accounting purposes. Legal writers have interpreted this article to include technical know-how as an accounting asset, capable of depreciation. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 35. In addition, Japanese writers generally agree that trade secrets and know-how must be included in the list of inventory which every merchant must prepare periodically, according to Commercial Code, article 33. *Id.* at 36.

82. 17 *Kayu Minshu* 769, 474 *Hanrei Jiho* 86 (1967) (Tokyo High Court, Sept. 5, 1966). An English language summary of the case appears in T. DOI, *DIGEST OF JAPANESE COURT DECISIONS IN TRADEMARK AND UNFAIR COMPETITION CASES* 102 (1971).

83. T. DOI, *supra* note 82, at 102-103.

84. *Id.* at 103.

respondent is a third person, in a legal sense, to the said license contract; a fact admitted by the claimant. Hence, even if it is admissible that the respondent has committed an illegal act by assisting the licensee company in the non-performance of the latter's duty, the cause for a temporary injunction in the instant petition is not clearly stated.⁸⁵

In an analogous case, *Nisshin Sangyo K.K. v. Masuo Kawakami*,⁸⁶ the Tokyo District Court refused to grant an injunction on the basis of the plaintiff's assertion that the misappropriation by the defendant of the plaintiff's secret manufacturing process interfered with the plaintiff's right to do business. The court held that a general "right to do business" does not exist in Japanese law and, more significantly, that a patentable but unpatented method is not a recognized property right.⁸⁷ A property right in the knowledge, asserted the court, would arise only upon publication in relation to a patent application.⁸⁸

Taken together, these two cases indicate a clear intention on the part of Japanese courts to deny protection to unpatented know-how as a property right, despite the recognition that know-how possesses property value. Most Japanese legal commentators, while not necessarily approving of this stance, agree that this description of the prevailing law is, at present, accurate.⁸⁹ Consequently, the holder of unpatented know-how must look elsewhere in the Japanese law to find redress for misappropriation or misuse of that know-how.

D. Civil Remedies for Know-How Misappropriation⁹⁰

The lack of property protection for know-how under Japanese law is, unfortunately, matched by the absence of any provision concerning misappropriation of unpatented trade secrets or technical know-how in the Unfair Competition Prevention Law of Japan (Law No. 14, 1934).⁹¹ Therefore, the holder of industrial trade secrets must look toward the general tort provisions

85. *Id.* at 104. For a general discussion of the Japanese view regarding proprietary rights in know-how, see Osumi, *supra* note 68, at 97.

86. Tokyo District Court, July 5, 1955. An English language summary of the case appears in A. WISE, *supra* note 42, vol. 1, ch. 1, at 40. A more complete English language summary appears in DIGEST OF JAPANESE COURT DECISIONS IN PATENT INFRINGEMENT CASES 1955-1963 at 13 (1965).

87. A. WISE, *supra* note 42, vol. 1, ch. 1, at 41.

88. *Id.*

89. See, e.g., Osumi, *supra* note 68, at 97-101; A. WISE, *supra* note 42, vol. 1, ch. 1, at 41-42.

90. This section deals only with tort-type actions and not with actions for breach of contractual secrecy obligations, which are handled in most countries under established contract laws rules.

91. See T. DOI, *supra* note 38, at 87. Japan is a signatory to the Paris Convention for the Protection of Industrial Property, as revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, T.I.A.S. No. 6923, 828 U.N.T.S. 305, and it may therefore be possible to infer a civil right of action for know-how misappropriation based on article 10*bis* of that Convention, which covers Unfair Competition. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 77-79. Article 10*bis* provides, in pertinent part:

of the Civil Code in order to obtain civil relief for unauthorized disclosure or misappropriation.⁹² Article 709 of the Japanese Civil Code sets forth the general tort principle as follows: "One who intentionally or negligently violates the right [*kenri*] of another must make compensation for damage arising therefrom."⁹³

A threshold question is whether the misappropriation or misuse of technical know-how fits within the general remedial language of article 709. Strictly interpreted, an injured party may recover damages⁹⁴ only upon proof that he possesses a right which has been injured.⁹⁵ As Japanese courts refuse to recognize property rights in unpatented know-how, article 709 appears, on its face, inapplicable. Commentators have tended to liberally construe article 709, however, stressing that the alleged illegality of the defendant's underlying conduct, rather than injury to the plaintiff's specific "right", should govern recovery under this section.⁹⁶ In an influential article on this subject, Kenichiro Osumi, former Justice of the Japanese Supreme Court, stated:

[W]e should recognize the creation of a tort (unlawful act) for infringements of know-how. As already stated, know-how itself possesses an independent property value, but it is not something which is the subject of specific rights; moreover, Civil Code art. 709 makes an "infringement of rights" the requisite for tortious conduct. However, this so-called "infringement of rights" is nothing more than a symbol for illegality, and if we rely on the modern theories which consider a tort to have been created in the case where one has inflicted damage upon another by an illegal act regardless of whether or not a specific right has been infringed, the unlawful infringement of know-how must be recognized as constituting a tort.⁹⁷

This expansive interpretation of the "rights" protected by article 709 finds support in a 1925 case decided by the Japanese Supreme Court, the *Daigakuyu* or *University Bath* case.⁹⁸ In holding that goodwill was *de facto* property, and thus legally protectable as a right, the court stated, in reference to article 709:

The object of such an injury can be either a concrete (real) right . . . or an interest which warrants protection by the law even though such interest cannot be called a "right" in as strict a sense as the above mentioned rights or, in other

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition

92. See T. DOI, *supra* note 38, at 87.

93. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 59.

94. Japanese courts generally refuse to grant injunctive relief unless a specific statutory provision authorizes such relief. See, e.g., *Deutsche Werft*, *supra* notes 82-85 and accompanying text. See also the more detailed discussion of injunctive relief *infra* notes 100-102 and accompanying text.

95. See T. DOI, *supra* note 38, at 87.

96. *Id.* See also Osumi, *supra* note 68, at 102; A. WISE, *supra* note 42, vol. 1, ch. 1, at 62.

97. Osumi, *supra* note 68, at 102.

98. 4 Dai Shin-In Minji Hanreishu 670, 5 Hanrei Minji Ho 524 (Great Court of Judicature, Nov. 28, 1925). An English language summary of the case appears in A. WISE, *supra* note 42, vol. 1, ch. 1, at 62-63.

words, an interest to which we consider it necessary from a legal standpoint to afford relief against injury under the provisions dealing with torts.⁹⁹

The *University Bath* doctrine is applicable by analogy to the misappropriation of trade secrets or know-how. As Osumi states, "For the protection of know-how there is really no alternative in cases where there has been an infringement but to look for a remedy in the general provisions of the [Japanese] Civil Code."¹⁰⁰ Indeed, Katsumoto, a leading scholar, specifically includes trade secrets in the category of interests having a property-like character which qualify as rights under Civil Code article 709.¹⁰¹

Commentators have also offered several other methods to fit know-how protection into the language of article 709. Doi, for example, asserts that know-how may be viewed as a type of industrial privacy right, and disclosure or misappropriation of know-how as an article 709 violation of that right.¹⁰² Osumi, on the other hand, suggests that the theory of personality rights may provide the "infringement" necessary under article 709 if this concept becomes a stumbling block in civil actions for know-how misuse.¹⁰³

If one insists on making a problem out of the infringement of a right, let us say that people have the right not to be hindered in the pursuit of their business by another as a "right of personality" and that the infringement of know-how is an infringement of this right of personality¹⁰⁴

It is unclear at this time, however, whether a court would rule favorably upon an action framed in terms of personality rights, given the holding in *Nisshin Sangyo*¹⁰⁵ that no such general "right to do business" exists in Japanese law.

Nevertheless, the strength of legal commentary indicates that a party who acts contrary to fair methods of competition, as by inducing an employee to disclose trade secrets or by committing industrial espionage, may be held liable for damages under Civil Code article 709.¹⁰⁶ This section also provides other bases for relief. Osumi implies that a third party who commits no affirmative illegal act, but who uses the know-how with the actual or constructive knowledge that it has been misappropriated, also commits a tort under article 709.¹⁰⁷ In addition, according to the prevailing view in Japanese law, a person who purchases stolen tangible property with the knowledge that it is stolen is liable as a joint *tortfeasor* with the thief in an article 709 *civil* action.

99. A. WISE, *supra* note 42, vol. 1, at 62-63.

100. Osumi, *supra* note 68, at 101-102.

101. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 63.

102. See Lyon & Doi, *The Protection of Unpatented Know-How and Trade Secrets in the United States and Japan*, in PATENT AND KNOW-HOW LICENSING IN JAPAN AND THE UNITED STATES 46 (1977).

103. Osumi, *supra* note 68, at 102.

104. *Id.* See also Ono, Book Review, 10 LAW IN JAPAN 152, 155 (1977) (reviewing PATENT AND KNOW-HOW LICENSING IN JAPAN AND THE UNITED STATES (1977)).

105. See *supra* note 86 and accompanying text.

106. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 65. Almost no cases involving technical know-how or trade secrets have been decided, however, so judicial acceptance of an article 709 right remains unclear. *Id.* at 70.

107. See Osumi, *supra* note 68, at 101.

No proof of common design is necessary; a showing that the third party acted knowingly in combination to violate the rights of another will suffice.¹⁰⁸ Presumably, this doctrine could also apply to allow a *civil* action against the knowing purchaser of stolen *intangible* know-how, even though a *criminal* action for theft of property may not be available.

While common provisions may provide the holder of know-how with monetary relief for misappropriation, he faces a much more difficult obstacle in attempting to obtain injunctive relief. In the absence of specific statutory authorization, notably missing from Civil Code article 709, Japanese courts generally refuse to grant an injunction to prevent an imminent or continuing misuse of know-how, unless the defendant, by this misuse, is in breach of a contract with the plaintiff.¹⁰⁹ Although commentators argue that injunctive relief against third parties is necessary to achieve full justice for the injured party,¹¹⁰ they generally agree that the right to petition for such an injunction is not yet recognized in Japanese law.¹¹¹

In contrast to the ambiguity of the Japanese law, the civil remedies available to the holder of technical know-how in Peru are clear and relatively uncomplicated. The know-how owner has open to him two avenues of civil redress. He may initiate a civil action for compensatory and injunctive relief in the appropriate court¹¹² or lodge an administrative complaint with the Industrial Property Office for the purpose of obtaining an injunction.¹¹³ These remedies are not mutually exclusive: a know-how owner may, if he desires, pursue both.¹¹⁴ The exercise of either or both of the civil remedies also does not preclude the bringing of a criminal action against the same defendant or defendants.¹¹⁵

Of the two civil remedies, the Industrial Property Office (IPO) generally affords the speedier relief, but can order only injunctive measures.¹¹⁶ The IPO, as an administrative agency, may not award damages or convict any party of a crime.¹¹⁷ Nonetheless, civil relief through the IPO remains a

108. See KATO, *THE LAW OF TORTS* 61 (1961), summarized in A. WISE *supra* note 42, vol. 1, ch. 1, at 61.

109. See, e.g., *Deutsche Werft*, *supra* notes 82–85 and accompanying text. See also A. WISE, *supra* note 42, vol. 1, ch. 1, at 73.

110. See, e.g., T. DOI, *supra* note 38, at 88.

111. *Id.* at 88–89; Osumi, *supra* note 68, at 102; A. WISE, *supra* note 42, vol. 1, ch. 1, at 73.

112. A. WISE, *supra* note 42, vol. 5, ch. 1, at 62. Recall that article 88 of the Regulations to the General Industries Law mandates that the State shall protect technical know-how as industrial property, as long as it is secret and “truly novel”. See *supra* note 53 for the text of article 88.

113. A. WISE, *supra* note 42, vol. 5, ch. 1, at 62.

114. *Id.*

115. *Id.* Under the Peruvian Penal Code, articles 65–80, it is possible and generally preferable to seek civil damages as incidental to a criminal action, rather than to maintain an independent civil action. *Id.* at 50. Until 1949 this practice was also possible in Japan, based on articles 567–613 of the Criminal Procedure Code. Since 1949, however, a claimant must seek civil damages in an independent civil action. *Id.*, vol. 1, ch. 1, at 56.

116. *Id.*, vol. 5, ch. 1, at 62.

117. These remedies require a separate civil or criminal action. *Id.* at 63.

widely used practical remedy.¹¹⁸ The first step an injured party takes is to file a written complaint with the IPO itself. The IPO serves the complaint on the alleged infringer, who then has fifteen business days to answer. During this period and thereafter the IPO may gather independent proof through its own investigation. If the evidence clearly establishes the existence of an infringement or misappropriation, the IPO will issue the necessary orders or undertake the necessary measures to stop the infringement. The IPO may, for example:

- (1) cause articles or goods to be withdrawn from the market;
- (2) cause the infringing manufacturing or processing to cease;
- (3) cause the closing of the infringer's business;
- (4) order any other injunctive measures necessary to halt the infringement.¹¹⁹

The Director of the IPO has jurisdiction for these administrative proceedings, but an administrative appeal of the IPO's decision may be taken to the General Director of Industries.¹²⁰

Unlike the situation in Japan, article 90 of the Regulations to Peru's General Industries Law clearly gives the holder of know-how a right to both compensatory and injunctive relief against a third party who misappropriates the know-how by some affirmative action.¹²¹ The civil right of action is less clear, however, in cases where a third party passively receives secret information, either with or without the knowledge that it constitutes protected know-how.¹²² This point of confusion stems largely from the language of article 89 of the Regulations to the General Industries Law, which provides, in pertinent part, that: "[a]nyone . . . who has developed, transferred, or acquired technological processes, may use, divulge, or communicate them freely, even when the transferor or acquirer has maintained them secret . . . unless there is a contractual agreement to the contrary between them."

Thus, under article 89, a licensee may freely divulge the secret know-how which is the subject of the license, absent a specific contractual provision requiring continued secrecy.¹²³ Given this situation of expanded permissible

118. See Kresalja, *supra* note 18, at 162.

119. A. WISE, *supra* note 42, vol. 5, ch. 1, at 63.

120. *Id.*

121. Article 90 provides, in pertinent part:

[T]he holder may bring an action against anyone who improperly obtains the production secret.

See *supra* note 53 for the full text of article 90.

122. See A. WISE, *supra* note 42, vol. 5, ch. 1, at 23.

123. According to article 89, a contractual secrecy provision would be enforceable, and would appear to be the only way to prevent the licensee from claiming the know-how as its own at the expiration of the license. *Id.* at 24. One Peruvian source has reported, however, that the government agency which administers the Andean Pact in Peru has taken the position that unpatented know-how can only be sold or assigned to a Peruvian party and that, article 89 notwithstanding, contracts with clauses restricting the use of the know-how after the termination of the contract will not be approved. *Id.* at 24, no. 7. While the existence of this policy cannot be definitely confirmed at this time, it would not be surprising to find such a stance in Peru, given

disclosure rights, it becomes very difficult to prove that a third party knew, or should have known, that the acquired know-how was misappropriated. It will not suffice, as in a Japanese case,¹²⁴ to prove that the third party knew, or should have known, that the know-how was of a type possessed only by the know-how owner. An owner must also establish that the third party had actual or constructive knowledge of a licensee's secrecy contract, a much more difficult task. Except for truly flagrant misappropriation cases, with clear evidence of prior knowledge, the practical result of article 89 of the Regulations to the General Industries Law may be that third party liability for know-how infringement is limited to circumstances of affirmative wrongdoing.

Peru clearly based article 89 upon section 55 of the 1965 Model Laws, which apparently were drafted without thought to the results which the vague language allowed.¹²⁵ Whether Peru enacted the provision with a similar lack of realization or with the intention of capitalizing on the ambiguity of the language is unclear and relatively unimportant. Instead, the holders and licensors of unpatented know-how should focus upon the practical shortcomings of article 89, keeping in mind the consequent need to clearly label secret know-how as such and to take extra precautions to ensure that the information in fact remains secret.

E. Criminal Sanctions for Know-How Misappropriation

Despite Japan's growing position as a modern industrial power, its Penal Code contains no provision that directly punishes unauthorized disclosure of trade secrets or industrial espionage.¹²⁶ Unofficial sources indicate that, as a result, industrial espionage flourishes in Japan as nowhere else in the world.¹²⁷ Several existing provisions of the Japanese Penal and Commercial Codes, however, do offer some protection against the misappropriation of technical know-how.

Article 134 of the Japanese Penal Code and article 486 of the Japanese Commercial Code make criminally punishable any unauthorized disclosure of secret information by certain professional and business persons, including doctors, lawyers, and pharmacists, as well as directors, auditors, and key employees.¹²⁸ Supplementary to these general provisions, Japan also has

the overall posture of the ANCOM nations. This practice could severely impair know-how transfers to ANCOM countries, by denying any protective rights to know-how owners.

124. See *supra* text accompanying notes 107-108.

125. Section 55 provides:

Any person who has developed, by his own means, manufacturing processes or knowledge concerning the use and application of industrial techniques *and any person who has legally acquired those processes or that knowledge from the former* shall, even if another person has kept secret the same processes and knowledge, be free to use, disclose, or communicate them. (emphasis added)

126. See T. DOI, *supra* note 38, at 97.

127. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 80.

128. Article 134 of the Japanese Penal Code provides, in pertinent part:

separate industry-specific laws designed to protect information personal to individuals and to assure secrecy of communication.¹²⁹

Other articles of the Penal Code indirectly protect technical know-how. For example, article 246 prohibits fraud generally, article 233 punishes fraudulent obstruction of business, and article 247 makes breach of trust or fiduciary duty a criminal offense.¹³⁰ Finally, still other Penal Code provisions protect know-how, but only as embodied in some tangible form. These provisions include:

- (1) article 235 (larceny);
- (2) articles 252–253 (embezzlement);
- (3) article 256 (receiving stolen property);
- (4) article 259 (destruction of documents); and
- (5) article 133 (opening a sealed letter).¹³¹

Under article 61(1) of the Japanese Penal Code, a person who instigates or causes another to commit a crime is punishable as a principal, even if that person took no part in the actual commission of the criminal act.¹³² Similarly, Penal Code article 60 treats two or more persons jointly committing a crime as co-principals, and article 62 punishes, as an accessory, any person who assisted a principal in the commission of a crime.¹³³ Conspiracy to commit a crime is not, in itself, punishable under the Japanese Penal Code.¹³⁴ Japanese case law, however, has developed a concept of “conspiratorial co-principal”, which allows the court to treat both the perpetrators and the conspirators as principals in the crime committed.¹³⁵ These concepts could prove particularly useful in prosecuting otherwise immune third parties who induce or conspire with employees or licensees to obtain secret technical

When a doctor, pharmacist, druggist . . . lawyer . . . notary or any person formerly in such profession without cause discloses a secret which has come to his knowledge in the course of the conduct of his profession, imprisonment with forced labor for not more than 6 months or a fine of not more than 100 yens [sic] shall be imposed.

Article 486 of the Japanese Commercial Code provides, in pertinent part:

If the promoters, directors, auditors, acting directors or auditors of a “Kobushiki-Kaisha” [stock corporation] . . . , manager or any other employees commissioned to undertake certain kinds of matters or specified matters relating to the business, have inflicted damage of a proprietary nature on the company in breach of their duties with a view to benefiting themselves or any third person or to damaging the company, they shall be liable to imprisonment at hard labor for a term not exceeding seven years or to a fine not exceeding five hundred thousand yen.

See A. WISE, *supra* note 42, vol. 1, ch. 1, at 44, 48–49.

129. Such laws include the Medical Services Law, the Pharmaceutics Law, the National Public Service Personnel Law, the Tax Agents Law, and other similar laws. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 45.

130. *Id.* at 44–51.

131. *Id.*

132. *Id.* at 50.

133. *Id.*

134. *Id.*

135. *Id.* at 51.

know-how.¹³⁶

Two prominent cases indicate some willingness on the part of Japanese courts to protect unpatented know-how under the criminal laws. In 1965, the Tokyo District Court decided *Japan v. George Telenchef*,¹³⁷ a highly publicized industrial espionage case. George Telenchef operated a small detective agency which conducted industrial espionage for profit. Toppan Printing Company engaged Telenchef to uncover the trade secrets of its competitor, Dainippon Printing Company. Telenchef and others induced Dainippon employees to steal confidential technical and commercial documents, and to turn these over to Telenchef.¹³⁸ Seven defendants were indicted and charged with a variety of crimes, including larceny, receiving stolen property, and fraudulent obstruction of business.¹³⁹

The court's decision regarding the larceny charge is significant in terms of improving criminal law protection for industrial trade secrets. One defendant, an employee of Dainippon, reproduced a confidential Dainippon document, using Dainippon's photocopy machine and, naturally, Dainippon's photocopy paper. The defendant attempted to argue that the secret contents of the paper, as intangible property, could not be the subject of larceny under article 235 of the Penal Code,¹⁴⁰ leaving him guilty of theft only as to several sheets of copy paper.¹⁴¹ The court rejected this defense, affirming that the subject matter of the larceny was the secret contents of the paper, as well as the paper itself.¹⁴²

A subsequent case, *Japan v. Himei*,¹⁴³ involved the subchief of technology at the Osaka plant of Kaneka Chemical Company. The defendant, while employed with the company, made photocopies, on company paper, of confidential documents describing the secret unpatented process for producing silver vinyl. He took these copies, as well as one hundred grams of the catalyst needed to produce the vinyl, to his home, resigned from his post, and proceeded to sell the secret information to several large Japanese chemical companies.¹⁴⁴ While the Osaka authorities determined that Himei technically

136. Compare the civil provisions making purchasers of stolen know-how liable as joint tortfeasors *supra* notes 107-108 and accompanying text.

137. 7 Kakyu Keishu 1319, 419 Hanrei Jiho 14 (Tokyo District Court, June 26, 1965). An English language summary of the case appears in A. WISE, *supra* note 42, vol. 1, ch. 1, at 52 and in T. DOI, *supra* note 38, at 9.

138. A. WISE, *supra* note 42, vol. 1, ch. 1, at 53.

139. *Id.*

140. See *supra* note 80 for a discussion of real versus intangible property rights.

141. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 53.

142. *Id.*

143. 494 Hanrei Jiho 74, Hanreitaimusu No. 209 (Osaka Dist. Court, May 31, 1967). An English language summary of the case appears in A. WISE, *supra* note 42, vol. 1, ch. 1, at 54 and in T. DOI, *supra* note 38, at 65.

144. See A. WISE, *supra* note 42, vol. 1, ch. 1, at 54.

could not be prosecuted for breach of trust,¹⁴⁵ they did charge him, *inter alia*, with embezzlement from the company.¹⁴⁶ The Osaka District Court convicted Himei on the embezzlement charge under article 253 of the Penal Code, in the process specifically recognizing the value of the intangible information contained in the documents and materials.¹⁴⁷

While these cases do constitute a major step forward in the criminal law protection of unpatented technical know-how in Japan, a certain amount of caution is advisable in interpreting and applying the results. In each case, the defendant was charged with stealing a *tangible* item or items which embodied the secret know-how. These tangible items, themselves protected as "real property", provided a base from which the court could reason that their contents, although intangible in nature, were part of the property that the defendants intended to steal. In the absence of theft of any tangible property, such as the case of an employee who memorizes a secret program or formula and transcribes it onto his own paper, it is doubtful that the Japanese courts would uphold a larceny or embezzlement charge.¹⁴⁸

The uncertain application of these cases underscores the need for including in the Japanese Penal Code a specific provision to punish industrial espionage. The most recent draft of the Revised Criminal Code submitted by the advisory Council for Legislative Reforms to the Japanese Ministry of Justice includes such a provision.¹⁴⁹ Article 318 of the draft provides that a director or employee of a business, including a former director or employee, who has divulged a manufacturing process or other technical secret of that business without justifiable grounds shall be punished by imprisonment not exceeding one year or a fine not exceeding 500,000 yen.¹⁵⁰

Adoption of article 318, or a similar provision, would clearly aid in the protection of unpatented know-how in Japan, by giving the authorities another tool to combat the spread of industrial espionage. Article 318 would alleviate only a portion of the problem, however, as it does not purport to punish outsiders who commit industrial espionage. Although Japanese authorities presumably could continue to prosecute outsiders under traditional Criminal Code sections, such as larceny or fraud, history indicates little likelihood that such prosecutions will bring sustained success in reducing

145. After consultation with the Osaka District Court, the authorities determined that Himei could not be prosecuted for breach of trust because:

(1) He sold the confidential documents after his resignation;

(2) The exact amount of damage to Kaneka could not be clearly determined; and

(3) It was not clear that Himei acted with the requisite criminal intent. (It appears he had a vendetta against the company for having excluded him from research planning after he had been instrumental in developing the new vinyl technology.) *Id.* at 55.

146. *Id.*

147. *Id.* See also T. DOI, *supra* note 38, at 97.

148. For a concurring discussion see A. WISE, *supra* note 42, vol. 1, ch. 1, at 54.

149. See T. DOI, *supra* note 38, at 98.

150. See Ameniyana & Guttman, *supra* note 42, at 13. See also A. WISE, *supra* note 42, vol. 1, ch. 1, at 57.

industrial espionage by third parties. Indeed, the very problems associated with using traditional crimes to protect unpatented know-how provided the original impetus for the proposed new law. A partial solution could perhaps be crafted by using the instigator and co-conspirator provisions of Penal Code articles 60–61,¹⁵¹ thus making an outside actor who induces criminal disclosure by an inside employee or uses information with knowledge that it was stolen equally guilty under the new criminal law.

The Japanese and Peruvian approaches to the protection of know-how reflect far greater similarity in the area of criminal law than in any of the other legal areas compared thus far. Title VIII, book second, section fourteen of the Peruvian Penal Code consists of only one article, article 363, which provides in pertinent part:

Anyone who, having knowledge by reason of his status, office, employment, profession or craft, of secrets, the publication of which could cause damage, reveals them without the consent of the interested party or without their divulgence being necessary to safeguard a superior interest, will be punished, upon complaint of the injured party, by imprisonment of not more than two years or a fine of income of from three to ninety days and disqualification [from office, etc.] in accordance with paragraphs 1 and 3 of Article 27, for no more than three years.¹⁵²

Peruvian Penal Code article 363, with its broad language, appears to address the Japanese concern with breach of professional, business, and technical secrecy manifested in Japanese Penal Code articles 134 (breach of professional secrecy) and 247 (breach of trust), as well as in the proposed article 318. As with Japanese Penal Code articles 134 and 247, article 363 of the Peruvian Penal Code punishes only disclosure of secret knowledge gained in a professional or employment relationship. Similar to the provisions of Japanese Penal Code article 318, criminal liability for disclosure of secrets under Peruvian Penal Code article 363 is not absolute, as such disclosure may be justified by a showing that such divulgence was “necessary to safeguard a superior interest.”¹⁵³

Finally, Peruvian Penal Code article 363 suffers from the same weakness as Japan’s proposed Penal Code article 318, since article 363 punishes only disclosures on the part of employees and fails to address the issue of possible criminal sanctions against outside third parties engaged in industrial espionage. As in Japan, however, a number of more general crimes may be used by Peruvian authorities to punish the misappropriation of unpatented know-how by such outsiders. These crimes include:

- (1) Violation of correspondence secrecy (articles 232–235);

151. See *supra* notes 132–136 and accompanying text.

152. Unfortunately, no Peruvian criminal trade secret or know-how cases decided under article 363 have been located. See A. WISE, *supra* note 42, vol. 5, ch. 1, at 49. Thus, the exact scope of this provision can only be hypothesized by an examination of its language.

153. Note that the language of Japanese article 318 speaks more broadly of “justifiable grounds”, which might allow somewhat more flexibility in fashioning a defense to a criminal disclosure charge.

- (2) Robbery (articles 237–239);
- (3) Illegal Appropriation of Personal Property (articles 240–242);
- (4) Receiving or Dealing in Stolen Property (article 243);
- (5) Fraud (articles 244–247);
- (6) Extortion (articles 249–250); and
- (7) Causing Damage to Property (article 259).¹⁵⁴

A unique feature of Peruvian article 363, however, in comparison with its Japanese counterparts, is the provision calling for “disqualification” of the guilty party for a certain period. Article 27 of the Peruvian Penal Code states that disqualification shall result in the loss of the appointment, position, employment, or post which the convicted party held, even though it may have been gained from popular election, and a prohibition against obtaining any public appointment, position, employment, or commission for the prescribed period.¹⁵⁵ Under the language of article 363, disqualification may be ordered as an alternative to imprisonment, in conjunction with a fine of “income” for a specified period. Article 20 of the Peruvian Penal Code defines “income” as the amount that the guilty party would secure each day through his assets, employment, industry, or labor.¹⁵⁶ If the guilty party has no such income, article 20 deems his income to be a normal salary, as determined by the court.¹⁵⁷ While these penalties may seem somewhat strange to an American observer accustomed to fixed fines and prison terms, they appear uniquely suited to a developing country such as Peru, where the capacity to pay any fixed fine will generally vary greatly between citizens, and where the prohibition of *public* employment will seriously decrease both the employment opportunities and the social status of a guilty party.

III

THE 1965 AND 1980 MODEL LAWS COMPARED

A. Improvements in the 1980 Draft

As the foregoing discussion illustrates, the language and form of the 1965 Model Laws created certain problems for countries which closely followed the Model Laws in drafting national legislation regarding unpatented know-how. The improvements made in the 1980 draft of the know-how sections, however, have eliminated most of these difficulties, and it is hoped that countries such as Japan and Peru, which utilized the 1965 Model Laws as a guide for legislation protecting know-how, will continue to revise such legislation to incorporate these beneficial changes.

Overall, the 1980 Model Laws show an increased sophistication about the nature and uses of know-how and an improved understanding of the

154. See A. WISE, *supra* note 42, vol. 5, ch. 1, at 50.

155. *Id.* at 49.

156. *Id.*

157. *Id.*

special problems which plague know-how transactions. First, the new format of Part II of the Model Laws, now organized in terms of know-how contracts, indicates a recognition that know-how constitutes a property item independent from, although perhaps tangential to, a patent. This format also recognizes that know-how may require its own separate contract, with independent provisions for consideration of the rights and duties of the parties. Consequently, Part II of the 1980 Model Laws sets forth drafting guidelines in terms of specific contractual rights, obligations, and proceedings, rather than as vague general protections. Such specific provisions focus the expectations of the parties and force them to think in terms of a bilateral contract agreement.

Second, the 1980 Model Laws, continuing in their drive toward specificity, also provide a separate section defining the terms know-how and know-how contract. Section 201 provides:

(i) "know-how" means technical information, data or knowledge resulting from experience or skills which are applicable in practice, particularly in industry;

(ii) "know-how contract" means any contract by which a party ("the supplier") undertakes to communicate know-how to the other party ("the recipient") for use by that other party.

This section is clearly an improvement over the vague concepts of "manufacturing process" and "industrial techniques" contained in section 55 of the 1965 Model Laws. Again, this new definition section reflects the growing international awareness that know-how is a concept important unto itself and crucial for technological development.

Third, the 1980 Model Laws refine and clarify the rights of parties who independently develop an item of know-how. Section 204(1)(ii) specifically provides that a know-how owner has no right of action against a third party who has independently developed the same or similar know-how.¹⁵⁸ This section marks an improvement over the vague language found in section 55 of the 1965 Model Laws, which created significant problems with third-party rights in Peru.¹⁵⁹

Finally, section 204(2) of the 1980 Model Laws provides explicit remedies better suited to the problems of trade secrets than the patent protection

158. Section 204 provides, in pertinent part:

(1) The person who has developed know-how as well as any supplier and any recipient of the know-how may institute court proceedings against any person who: . . .

(ii) before any disclosure of the know-how to the public, discloses the know-how to the public, communicates it to another person or uses it for industrial purposes, unless such disclosure, communication or use is made with the agreement of the person who developed the know-how or any supplier or recipient of the know-how, or by a person who was not aware and could not reasonably have been expected to be aware that the know-how had not been disclosed to the public, or by a person, or with the agreement of a person, who has independently developed the same know-how (emphasis added).

159. See *supra* notes 121-123 and accompanying text.

sections utilized by the 1965 Model Laws. This section allows court action where disclosure or misuse is *threatened* and before precious secrecy is lost, as well as after such misappropriation has occurred.¹⁶⁰ Similarly, section 204(2)(c) allows the court to preserve the secrecy of unpatented know-how by appropriate measures during the course of judicial proceedings.¹⁶¹ Thus a court, upon petition of the know-how owner, could hold hearings *in camera*, or even close a trial to the public, if such measures were necessary to protect valuable secrets. This section highlights the increased sophistication of the international legal community regarding the special problems involved in the protection of unpatented know-how and demonstrates an increased awareness of the potential benefits to be derived from improved protection of this unique information.

B. Continuing Problems of the Model Laws

Although the 1980 Model Laws represent a significant improvement over the 1965 Model Laws, the drafters of the 1980 Model Laws unfortunately failed to address several fundamental problems which hinder the utility of the Model Laws as a uniform guide for national laws. Two of the most significant areas of omission concern the rights of know-how owners to obtain injunctive relief against innocent third parties and the problems of the proper forum and applicable law for know-how protection cases.

While both the 1965 and the 1980 Model Laws allow the owner of know-how to proceed against a third party who acts affirmatively to misappropriate the know-how or who uses the know-how with actual knowledge of its secret character, neither draft indicates whether the owner has the right to pursue an injunction against a third party who uses the information without knowledge of its secret proprietary nature. As previously discussed in connection with the examination of third party rights in Peru, the language of section 55 of the 1965 Model Laws appears to give a licensee the right to disclose know-how, absent a contractual provision to the contrary, even if its owner maintains relative secrecy.¹⁶² Such a right clearly permits a third party to innocently receive and utilize proprietary know-how without intentional misappropriation. In this situation, an owner's right to proceed against the licensee for breach of contract is itself not sufficient. If the third party continues to use the know-how, however innocently, its secret character will disappear, stripping the owner of his proprietary rights.

160. Section 204(2) provides, in pertinent part:

(a) Where the performance of an act referred to in subsection (1) is likely, the court shall order that it not be performed.

(b) Where an act referred to in subsection (1) has been performed, the court shall award damages and grant any other remedy provided in the general law

161. Section 204(c) provides, "(c) The court may take all appropriate measures to prevent the disclosure to the public of the know-how in the course of the proceedings."

162. See *supra* notes 121-123 and accompanying text.

The Commentary to section 55 of the 1965 Model Laws does little to clarify this problem, as it speaks only to the issue of independent development of technical know-how, and not to third party use of existing proprietary information.¹⁶³ While section 49 of those laws, which governs civil sanctions for both patented and unpatented inventions, allows an injunction against third parties even where the infringement was unintentional,¹⁶⁴ the correct application of this section in know-how cases is unclear. Section 49 was originally drafted as a remedy provision for patents, and only later adopted for know-how protection by analogy. Because a patent affords protection by granting the owner a limited monopoly over the right to use a particular product or process, an injunctive remedy may logically be awarded for even unintentional infringement. The same concept, however, may not prove applicable to the area of unpatented know-how, where protection rests primarily on the maintenance of secrecy, and where disclosure of information, even if unintentional, can place the object of protection into the public domain.

At first glance, the 1980 Model Laws appear to have solved this problem. The language of section 204(1)(ii) apparently precludes any court proceeding against a person who "was not aware and could not reasonably have been expected to be aware that know-how had not been disclosed to the public."¹⁶⁵ This language clearly precludes any suit for damages or other liability against an innocent third party. Less clear from the overall tone and structure of the section is whether this language was also intended to prevent the owner of know-how from pursuing injunctive measures for purely protective reasons. This confusion is compounded by the provision in section 204(2)(b), which allows the court to grant "any other remedy provided in the general law." Comment (d) to this section refers the reader to section 161 of the Model Laws, which deals with patent infringement remedies. This section, *inter alia*, makes injunctive measures mandatory in cases of demonstrated *patent* infringement. As discussed in connection with the discretionary injunction allowed by the 1965 Model Laws, however, the proper use of injunctions in *know-how* cases is unclear.¹⁶⁶

Unfortunately, neither the Model Laws, the Commentary, nor the Regulations provide a satisfactory answer as to the true intent of the drafters, and legal scholars have yet to comment on this issue. The personal preference of this author is for discretionary injunctive relief against innocent third parties,

163. The Commentary to section 55 of the 1965 Model Laws provides, in pertinent part:
This section means, in essence, that if two persons develop, independently of each other, the same technical know-how, neither of them has any rights against the other

See *supra* note 125 for the text of section 55.

164. Section 49 provides, in pertinent part:

(1) A registered owner of a patent whose rights under sections 21 and 22 are threatened with infringement, or are infringed, may institute legal proceedings designed to prevent the infringement or to prohibit its continuation.

165. See *supra* note 158 for the full text of section 204(1)(ii).

166. See *supra* note 164 and accompanying text.

where necessary to protect the proprietary rights of a know-how owner. Any solution to this dilemma has its perils, however, and the ultimate resolution lies with the individual countries who use the 1980 Model Laws as a drafting guide.

Another problem with both the 1965 and the 1980 Model Laws is the surprising failure of either draft to include specific provisions concerning the proper forum or choice of law in actions brought to enforce proprietary know-how rights. While such provisions are unnecessary in situations involving only domestic parties, they can be crucial in the increasingly common case of a foreign licensor. Section 58 of the 1965 Model Laws and section 109 of the 1980 Model Laws both provide that cases of *patent* infringement will be tried in the place where the patent office is located.¹⁶⁷ Unfortunately, trade secrets are not deposited with a central office, as are patents, making any application of these sections by analogy awkward.

This difficulty, however, is likely to remain more apparent than real in most cases. Sophisticated parties normally include a choice-of-forum and a choice-of-law provision in any international contract, and a know-how licensing agreement would seem to be no exception. In addition, the know-how agreement may call for arbitration of disputes under American Arbitration Association (AAA), ICC, UNCITRAL, or other similar rules, thus avoiding these jurisdictional and applicable law problems completely. In the absence of any contract provisions dictating the forum and applicable law, international choice-of-law rules normally dictate that the law of the place where performance is to occur will govern disputes arising from such performance and that the courts of that place will have jurisdiction.¹⁶⁸ Thus, in a case involving a foreign licensor and a domestic licensee, the law and the courts of the licensee's country would be utilized, as most or all of the acts in dispute will occur domestically.¹⁶⁹

CONCLUSIONS

As the frequency of international transactions in high-technology items has increased, the need for a commonly understood and universally recognized form of protection for unpatented proprietary information has become apparent. Unfortunately, the near future holds no promise of a uniform law or convention governing such transactions. For this reason, Part II of the WIPO Model Laws on Inventions serves an important function as a guideline for national legislation based on commonly recognized legal principles in both developing and developed countries. In this light, the increased

167. Section 109 of the 1980 Model Laws has the added advantage of delegating all patent actions to one "ordinary" court. This selection process allows the judges of that court to develop the technical and procedural expertise which is crucial to patent and other high-technology litigation.

168. See 1980 Model Laws, *supra* note 18, at 92, Comment (d).

169. *Id.*

understanding and sophistication regarding know-how reflected in the 1980 Model Laws must be regarded as a very positive step toward definitive international know-how protection.

It is important to realize, however, that at this time, the WIPO Model Laws on Inventions, including Part II on unpatented technical know-how, remain only *models*. The provisions finalized in both the 1965 and the 1980 drafts represent a series of compromises and generalizations, necessarily containing a number of ambiguous items. These ambiguities and omissions must be clarified by thoughtful individual national legislation if the models are to serve as effective guidelines. While the Japanese system serves as an example of the problems which can arise from too fluid an interpretation of the Model Laws, the Peruvian example demonstrates, in contrast, the difficulties caused by too close an adaptation of the specific model provisions without consideration of potential national goals and conflicts. In short, Part II of the WIPO Model Laws for Developing Countries on Inventions does not provide a magic panacea for know-how protection, but rather serves only as a depository of common principles designed to guide individually crafted national legislation.