Vanderbilt Journal of Transnational Law

Volume 40
Issue 2 *March 2007*

Article 5

2007

How Can Japanese Corporations Protect Confidential Information in U.S. Courts?

Masamichi Yamamoto

NOTES

How Can Japanese Corporations Protect Confidential Information in U.S. Courts? Recognition of the Attorney-Client Privilege for Japanese Non-*Bengoshi* In-House Lawyers in the Development of a New Legal System

ABSTRACT

U.S. courts have seen a significant increase in the number of lawsuits involving both U.S. and Japanese corporations. In deciding these cases, U.S. courts may have to choose how to apply the attorney-client privilege to in-house lawyers retained by corporations in Japan, where the legal system and discovery rules are fundamentally different from those of the United States. U.S. courts would most likely analyze these situations under the Remy-Martin/Minolta *test and recognize the attorney-client privilege only for managers of legal departments in Japanese corporations, not for other non-bengoshi (non-licensed) in-house lawyers. This will change in the near future, however, when Japanese corporations start to retain bengoshi, graduates from new Japanese law schools, as in-house lawyers. Meanwhile, Japanese corporations may still be able to protect confidential information by using legal managers, U.S. and Japanese licensed in-house lawyers, in-house lawyers acting as agents, and Upjohn memoranda. The Japanese government may also be able to support Japanese corporations by signing the Hague Evidence Convention with declaration and*

reservation, amending the Code of Civil Procedure provision regarding privilege, and most importantly, raising the bar passage rate for graduates of Japanese law schools. These measures would more likely protect confidential corporate information, regardless of whether U.S. courts recognize the attorney-client privilege for Japanese non-bengoshi in-house lawyers.

TABLE OF CONTENTS

I. INTRODUCTION

What is the Japanese equivalent to a lawyer or attorney? The general answer is *bengoshi*.[1] In the corporate transactional context, however, "Japanese lawyer" does not necessarily mean "Japanese *bengoshi*" because Japanese lawyer includes both Japanese *bengoshi* and Japanese non-*bengoshi*.[2] This distinction significantly affects the analysis of whether the attorney-client privilege applies to communications between a Japanese corporation and its non-*bengoshi* (i.e., non-licensed) in-house lawyers. Should the attorney-client privilege be applied to all Japanese in-house lawyers (i.e., both licensed and non-licensed lawyers)? Will the analysis change with the development of new Japanese law schools opened in 2004? What can a Japanese corporation and the Japanese government do to protect confidential corporate information in U.S. courts?

Because many multinational corporations[3] have entered into transactions, U.S. courts have seen a significant increase in the number of lawsuits involving both U.S. and foreign corporations, particularly Japanese corporations.[4] What happens if a U.S.

---

1. *See, e.g.*, Constance O'Keefe, *Legal Education in Japan*, 72 OR. L. REV. 1009, 1009 (1993) ("The term *bengoshi* is often translated 'lawyer,' . . . .").

2. While *bengoshi* is a licensed lawyer, there are many non-*bengoshi* (i.e., non-licensed) in-house lawyers working at Japanese corporations. *See infra* Part III.C (discussing traditional Japanese in-house lawyers). I was one of these non-*bengoshi* in-house lawyers.

3. "[M]ultinational corporations may be broadly defined as affiliated corporations conducting a common enterprise and under common control although incorporated in different jurisdictions." 17 WILLIAM MEADE FLETCHER ET AL., FLETCHER CYCLOPEDIA OF THE LAW OF PRIVATE CORPORATIONS § 8926.10 (perm. ed., rev. vol. 1998).

4. *See* Jacqueline M. Efron, Comment, *The Transnational Application of Sexual Harassment Laws: A Cultural Barrier in Japan*, 20 U. PA. J. INT'L ECON. L. 133, 163–65 (1999) (explaining the anticipated increase in employment discrimination litigation against Japanese corporations and necessities of preventive measures); Eric Sibbitt, *The New World of Corporate Lawyering in Japan*, 3 CHI. J. INT'L L. 503, 507, 510 (2002) (observing the cross-border legal services due to increased exposure of Japanese corporations to litigation associated with a public offering in the United States). For recent cases involving both United States and Japanese corporations, see, for example, *Metric Constructors, Inc. v. Bank of Tokyo-Mitsubishi, Ltd.*, 72 F. App'x 916 (4th Cir. 2003); *Rotec Industries, Inc. v. Mitsubishi Corp.*, 348 F.3d 1116 (9th Cir.

corporation sues a Japanese corporation in a U.S. federal court? U.S. discovery rules are generally more liberal than those of foreign countries, providing few barriers to total disclosure.[5] The attorney-client privilege is the oldest privilege among U.S. discovery rules.[6] By contrast, the scope of discovery in Japan is far narrower than that in the United States, and Japan does not have the same type of pretrial discovery as the United States.[7]

During discovery in a U.S. court, a U.S. corporation may request all documents that are "related to the claim or defense of any party."[8] The Japanese corporation might resist producing the documents, invoking the attorney-client privilege for communications with its in-house lawyers.[9] However, most of the in-house lawyers are non-*bengoshi* in Japan,[10] so the U.S. corporation could refute this defense on the grounds that Japanese lawyers are not admitted to the Japanese bar.[11] The court would be forced to decide whether the attorney-client privilege applies to the communications between the Japanese corporation and its in-house lawyers. There are strong arguments that U.S. courts should compel disclosure if the evidence is vital to the case.[12] Some courts have even denied foreign corporations protection for their confidential legal communications.[13]

In Japan, because of the limited number of *bengoshi*, various types of non-*bengoshi* perform functions usually performed by U.S.

2003); *Eisai Ltd. v. Dr. Reddy's Laboratories, Inc.*, 406 F. Supp. 2d 341 (S.D.N.Y. 2005); *Murata Manufacturing Co. v. Bel Fuse Inc.*, No. 03 C 2934, 2005 WL 281217 (N.D. Ill. Feb. 3, 2005).

5. *See* CARL F. GOODMAN, THE RULE OF LAW IN JAPAN 244 (2003) ("Discovery rules in the United States are quite liberal—indeed the most liberal in the world.").

6. Upjohn Co. v. United States, 449 U.S. 383, 389 (1981); EDNA SELAN EPSTEIN, THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE 2 (4th ed. 2001).

7. GOODMAN, *supra* note 5, at 248. But, to the extent that the preliminary hearing is considered "pretrial," the judge may order document production. *Id.*

8. FED. R. CIV. P. 26(b)(1).

9. For cases where a foreign corporation invoked attorney-client privilege, see, for example, *Renfield Corp. v. E. Remy Martin & Co.*, 98 F.R.D. 442 (D. Del. 1982).

10. *See* Richard S. Miller, *Apples vs. Persimmons: The Legal Profession in Japan and the United States*, 39 J. LEGAL EDUC. 27, 31 (1989) (discussing typical Japanese in-house lawyers).

11. In *Remy Martin*, a U.S. corporation, Renfield, claimed that French in-house lawyers of a French corporation, Remy Martin, were not members of a bar, thus the privilege was unavailable. 98 F.R.D. at 444; *see also infra* Part V.B (discussing *Remy Martin*).

12. *See, e.g.*, Jack B. Weinstein, *Recognition in the United States of the Privileges of Another Jurisdiction*, 56 COLUM. L. REV. 535, 539 (1956) (claiming that U.S. courts should compel disclosure of vital information, even if it would expose a party to liability abroad).

13. *See, e.g.*, Status Time Corp. v. Sharp Elecs. Corp., 95 F.R.D. 27 (S.D.N.Y. 1982) (holding that attorney-client privilege did not apply to communications between Japanese corporation, Sharp Electronics, and its in-house patent lawyers because they were not members of a bar of the United States).

lawyers.[14] Legal education in Japan was fundamentally different from that in the United States before 2004, because a law degree in Japan was predominantly an undergraduate degree[15] and education was largely separate from practical legal training.[16] In April 2004, however, sixty-eight new law schools modeled on the U.S. system opened[17] to increase the number of *bengoshi* and the importance of the law in Japan.[18] Thus, a drastic change is expected in the number and role of in-house lawyers in Japanese corporations.

This Note explains that U.S. courts would likely extend the attorney-client privilege to a non-*bengoshi* manager of a legal department of a Japanese corporation but not to most of the other non-*bengoshi* in-house lawyers working there. Part II provides an overview of the attorney-client privilege in the United States. Part III explores the Japanese legal system including the discovery rules, development of legal education, and roles of in-house lawyers. Part IV discusses various approaches taken by U.S. courts to the application of the attorney-client privilege for foreign legal professionals. Part V focuses on two cases from U.S. federal courts applying one of these approaches, and examines arguments for and against the recognition of the privilege for Japanese non-*bengoshi* in-house lawyers. Part VI analyses which approach U.S. courts would likely take and what Japanese corporations and governments could do to protect confidential corporate information.

II. AN OVERVIEW OF ATTORNEY-CLIENT PRIVILEGE IN THE UNITED STATES

A. *Defining and Justifying the Privilege*

The attorney-client privilege is the oldest privilege protecting confidential communications.[19] Wigmore formulated the attorney-client privilege as follows:

> (1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance

---

14. Miller, *supra* note 10, at 29–30.

15. *See id.* at 30 (describing legal education in Japan).

16. James R. Maxeiner & Keiichi Yamanaka, *The New Japanese Law Schools: Putting the Professional into Legal Education*, 13 PAC. RIM L. & POL'Y J. 303, 304 (2004).

17. Jeff Kingston, *Japan Speeds up the Process of Reinventing Itself*, ASIAN WALL ST. J., Mar. 17, 2005, at A9.

18. Maxeiner & Yamanaka, *supra* note 16, at 310.

19. Upjohn Co. v. United States, 449 U.S. 383, 389 (1981); EPSTEIN, *supra* note 6, at 2.

> permanently protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived.[20]

Under the modern approach, there are only four basic elements required to establish the existence of the attorney-client privilege: (1) a communication; (2) made between privileged persons; (3) in confidence; (4) for the purpose of obtaining or providing legal assistance for the client.[21] The party asserting the privilege must raise and demonstrate each element of the privilege explicitly, affirmatively, and in a timely manner.[22]

First, a communication is "any expression through which a privileged person . . . undertakes to convey information to another privileged person, and any documents or other records revealing such an expression."[23] Second, privileged persons are "the client (including a prospective client), the client's lawyer, agents of either who facilitate communications between them, and agents of the lawyer who facilitate the representation."[24] Third, a communication is in confidence if "at the time and in the circumstances of the communication, the communicating person reasonably believes that no one will learn the contents of the communication except a privileged person . . . or another person within whom communications are protected under a similar privilege."[25] Finally, a communication is made for the purpose of obtaining or providing legal assistance "if it is made to or to assist a person: (1) who is a lawyer or who the client or prospective client reasonably believes to be a lawyer; and (2) whom the client or prospective client consults for the purpose of obtaining legal assistance."[26]

The main purpose of the attorney-client privilege is to encourage clients to make full and honest disclosure to their attorneys and thereby promote broader public interest in the observance of the law.[27] The rationale is premised upon three assumptions. First, complying with obligations under modern complex law and uncertainty about the law make it necessary for clients to consult lawyers.[28] Second, a client who consults lawyers would not be able to

---

20. 8 JOHN HENRY WIGMORE, EVIDENCE § 2292 (John T. McNaughton rev., 1961).

21. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 68 (2000).

22. EPSTEIN, *supra* note 6, at 28–34.

23. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 (2000).

24. *Id.* § 70.

25. *Id.* § 71.

26. *Id.* § 72.

27. *Id.* § 68 cmt. c; *Upjohn*, 449 U.S. at 389. For other purposes, see, for example, Alison M. Hill, Comment, *A Problem of Privilege: In-House Counsel and the Attorney-Client Privilege in the United States and the European Community*, 27 CASE W. RES. J. INT'L L. 145, 177 (1995) (explaining the idea that the client should have autonomy as to who can have access to confidential information).

28. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 68 cmt. c.

obtain adequate legal assistance without disclosing all of the facts.[29] Finally, clients would be unwilling to disclose all facts unless they could be assured the privilege.[30]

By contrast, as Wigmore noted, the attorney-client privilege could obstruct the administration of justice by violating the public's "right to every man's evidence."[31] The privilege, therefore, "should be recognized only within the narrowest limits required by principle," and "[t]he investigation of truth and the enforcement of testimonial duty demand the restriction, not the expansion, of these privileges."[32] For example, in *United States v. United Shoe Machinery Corp.*, the court denied expansion of the attorney-client privilege to a communication between a corporation and its in-house patent lawyer.[33] Thus, the critical issue is defining who should be an "attorney" to promote public interest without obstructing the administration of justice.

While each state in the United States has its own rules, Rule 501 of the Federal Rules of Evidence governs the privilege in U.S. federal courts.[34] Rule 501 provides that "the privilege of a witness, person, government, State, or political subdivision thereof shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience."[35] The U.S. Supreme Court in *Upjohn* interpreted Rule 501 to allow courts to decide the applicability of the privilege on a case-by-case basis.[36] As a result, U.S. federal courts have experienced some uncertainty as to the scope of the attorney-client privilege.[37]

For example, is a law graduate who has yet to be licensed an "attorney"? To be protected by the attorney-client privilege, a communication must be made to someone who is duly licensed as an attorney when the communication is made.[38] The privilege does not apply retroactively, even if the person later obtains a license.[39] Therefore, a law school graduate who has not been admitted to the

---

29. *Id.*
30. *Id.*
31. WIGMORE, *supra* note 20, § 2192.
32. *Id.* § 2192(3).
33. 89 F. Supp. 357, 361 (D. Mass. 1950).
34. James N. Willi, *Proposal for a Uniform Federal Common Law of Attorney-Client Privilege for Communications with U.S. and Foreign Patent Practitioners*, 13 TEX. INTELL. PROP. L.J. 279, 289–90 (2005).
35. FED. R. EVID. 501.
36. Upjohn Co. v. United States, 449 U.S. 383, 396–97 (1981).
37. *See id.* (noting that a case-by-case basis may undermine desirable certainty to some extent).
38. EPSTEIN, *supra* note 6, at 137.
39. *Id.*

bar may not be considered an "attorney," at least for the purpose of the privilege.[40]

U.S. courts, however, have recognized the extension of the privilege to a certain class of agents and subordinates such as summer associates, paralegals, and secretaries who are working under the direct control and supervision of a lawyer.[41] The privilege, therefore, could be extended to such "not-yet-lawyers" under the agency theory that they are working as agents of other admitted lawyers.[42] Otherwise, the privilege does not generally extend to non-attorneys, no matter how experienced or knowledgeable they may be.[43] For example, although some non-lawyers, such as "jail-house" lawyers or police officers, give legal advice on occasion, no privilege will be extended to such non-lawyers.[44] Some U.S. state courts suggested the possibility of extending the privilege to a communication between an insurer and an insured,[45] but U.S. federal courts will not extend the privilege in the insurance context, because no encompassing privilege between insurer and insured exists.[46]

B. *Recognition of the Attorney-Client Privilege for In-House Lawyers*

In a corporate transactional context, whether an in-house lawyer is an attorney for purposes of the privilege is a crucial issue. The privilege may apply to a communication between a U.S. corporation and its in-house lawyer.[47] In *Upjohn*, the U.S. Supreme Court held

---

40. EDNA SELAN EPSTEIN, THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE 23 (4th ed. Supp. 2004); *see, e.g.*, Fin. Techs. Int'l, Inc. v. Smith, No. 99 CIV. 9351 GEL RLE, 2000 WL 1855131, at *1, *6-*7 (S.D.N.Y. Dec. 19, 2000) (holding that communications between a corporate client and an unadmitted law school graduate are not privileged even though he has passed the bar examination).

41. EPSTEIN, *supra* note 6, at 147; *see, e.g.*, U.S. v. Kovel, 296 F.2d 918, 922 (2d Cir. 1961) (extending the attorney-client privilege to an accountant who worked under the direction of an attorney).

42. EPSTEIN, *supra* note 40, at 23.

43. EPSTEIN, *supra* note 40, at 24; *see, e.g.*, HPD Labs., Inc. v. Clorox Co., 202 F.R.D. 410, 411, 415 (D.N.J. 2001) (denying the extension of the privilege to a member of an in-house legal team, who serves as a specialist for regulatory matters, because employee sought merely her own legal views not legal advice).

44. EPSTEIN, *supra* note 6, at 141–42.

45. *See, e.g.*, Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. Resolution Trust Corp., 5 F.3d 1508, 1515 (D.C. Cir. 1993) ("[W]here the insured communicates with the insurer for the express purpose of seeking legal advice with respect to a concrete claim, or for the purpose of aiding an insurer-provided attorney in preparing a specific legal case, the law would exalt form over substance if it were to deny application of the attorney-client privilege.").

46. EPSTEIN, *supra* note 6, at 142–43. *But see, e.g.*, Long v. Anderson Univ., 204 F.R.D. 129, 135 (S.D. Ind. 2001) (holding that statements from the insured to the insurer given under a duty to defend was protected by the attorney-client privilege).

47. EPSTEIN, *supra* note 6, at 143–44; *see also* Rager v. Boise Cascade Corp., No. 88 C 1436, 1988 WL 84724, at *3 (N.D. Ill. Aug. 5, 1988) ("There is no question that

that the attorney-client privilege did apply to in-house lawyers who were licensed in the United States.[48] *Upjohn* involved communications between managers of foreign subsidiaries and in-house counsel, concerning questionable payments to foreign officials.[49] The in-house counsel was a member of the Michigan and New York Bars and had been the corporation's General Counsel for twenty years.[50] The court found that the General Counsel who conducted the investigation was in a position to give legal advice to the board members and that employees were aware they were being questioned so that the board members could obtain legal advice.[51]

The Court did not lay down broad rules regarding the applicability of the privilege to in-house lawyers but provided some guiding principles: (1) the control group is not the appropriate criteria; (2) the applicability of the corporate attorney-client privilege should be determined on a case-by-case basis; and (3) the privilege exists to protect not only the giving of professional advice to clients who rely on it, but also the giving of information to the lawyers who give sound and informed advice.[52]

Although U.S. federal courts make no distinction between outside and in-house lawyers when determining the applicability of the privilege, in-house lawyers often provide clients both legal and business advice in practice.[53] While communications made for the purpose of seeking legal advice from in-house lawyers are protected, communications made for a purely business purpose will not be protected.[54]

In an increasingly complex business world, even the work of a strictly legal counselor must be closely enmeshed with the business transactions of the corporation.[55] Thus, a problem may arise over whether an in-house lawyer acted as legal counsel or business advisor.[56] U.S. federal courts recognize this blurry line between legal and business advice. While all courts place the burden of establishing the privilege on the party asserting it, some courts demand a "clear

---

the communications between the in-house counsel of a corporation and at least some of the corporation's employees and agents are protected by the attorney-client privilege.").

48. *Upjohn*, 449 U.S. at 390. The U.S. Supreme Court, however, has not decided how the attorney-client privilege applies internationally. *See infra* Parts IV–V (discussing transnational application of the privilege).

49. 449 U.S. at 386–87.

50. *Id.* at 386.

51. *Id.* at 394.

52. *Id.* at 396–97.

53. EPSTEIN, *supra* note 6, at 141.

54. *Id.*

55. 1 JOHN K. VILLA, CORPORATE COUNSEL GUIDELINES § 1.16 (Supp. 2005). The distinction, however, is not always difficult to make; for example, tax advice or an opinion on lawfulness of a particular transaction is clearly legal advice. *Id.*

56. EPSTEIN, *supra* note 6, at 141.

showing" that the advice was given in a professional capacity.[57] The Restatement emphasizes clients' reasonable expectation and requires that they must consult the lawyer "not predominantly for another purpose."[58]

> Whether a purpose is significantly that of obtaining legal assistance or is for a nonlegal purpose depends upon the circumstances, including the extent to which the person performs legal and nonlegal work, the nature of the communication in question, and whether or not the person had previously provided legal assistance relating to the same matter.[59]

U.S. courts, therefore, will not extend the privilege when a sophisticated corporate client tries to involve in-house lawyers merely to hide embarrassing information, rather than to obtain legal advice.[60] For example, one court denied the privilege when a corporation attempted to protect documents with the following instructions: "Also, unless instructed otherwise, any written correspondence you author, whether by letter, memo, Excel spreadsheet, e-mail, etc., should be directed to my attention (at least as one of the recipients) to assure that the attorney-client privilege is retained."[61]

Thus, in the United States, where in-house lawyers are licensed, the attorney-client privilege is generally applicable. But should U.S. courts apply the same privilege to in-house lawyers from a country that has a fundamentally different legal system?

---

57. *E.g.*, *In re* Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984) ("The Company can shelter [in-house lawyer's] advice only upon a clear showing that [she] gave it in a professional legal capacity."); SEC v. Gulf & W. Indus. Inc., 518 F. Supp. 675, 683 (D.D.C. 1981) ("They have not clearly shown, as they are required to show, that this alleged 'advice' was given by [their in-house lawyer] in a professional legal capacity."); United States v. Chevron Corp., No. C-94-1885 SBA, 1996 WL 264769, at *4 (N.D. Cal. Mar. 13, 1996) ("While an attorney's status as in-house counsel does not dilute the attorney-client privilege . . . a corporation must make a *clear showing* that in-house counsel's advice was given in a professional legal capacity.").

58. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72 & cmt. c (2000).

59. *Id.* § 72 cmt. c; *see also* Boca Investerings P'ship v. United States, No. 97-602 (PLF/JMF), 1998 U.S. Dist. LEXIS 11870, at *16 n.4 (D.D.C. June 9, 1998) ("I know of no principle that would have the existence of the privilege to turn on bar membership in the state where the advice is rendered. . . . The privilege should fairly turn on the client's *reasonable perception* of whether she is dealing with a person who appears to be authorized to provide legal advice, not on the arcane question of bar membership in the state where the advice is rendered.") (emphasis added).

60. EPSTEIN, *supra* note 6, at 161.

61. Bell Microproducts, Inc. v. Relational Funding Corp., No. 02 C 329, 2002 U.S. Dist. LEXIS 18121, at *3-*4 (N.D. Ill. Sept. 24, 2002).

III. AN OVERVIEW OF THE JAPANESE LEGAL SYSTEM

A. *Discovery in Japan*

Both Japan and the United States have discovery, but the rules governing discovery in the two countries vary fundamentally.[62] In Japan, the procedure is not adversarial, but rather resembles an inquest where the judge plays a significant role in requiring the production of evidence considered important, and the lawyers play a much more cooperative role.[63] Japanese discovery rules under Minji Soshōhō (the Code of Civil Procedure or CCP) are much more limited than those in the United States.[64] There are no depositions, and discovery is still limited, although it has become somewhat broader under the new CCP.[65]

There are at least five reasons why such great differences exist. First, the Japanese system was modeled after the German civil law system, which has traditionally limited discovery.[66] Second, because there is no jury system in Japan, there is no need to have a short and quick trial.[67] Third, the burden of proof required to maintain a suit is not judged until all evidence has been evaluated by the judge, so there is little pressure on parties to discover evidence that could be procured at a trial stage.[68] Fourth, the aversion to confrontation among Japanese people often leads to settlement before trial.[69] Finally, because appellate courts in Japan may conduct fact finding as courts of first instance, the first trial tends to serve as a form of discovery.[70]

In the United States, discovery from non-U.S. defendants is governed according to either the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters (Hague Evidence

---

62. GOODMAN, *supra* note 5, at 245; *see also* Craig P. Wagnild, *Civil Law Discovery in Japan: A Comparison of Japanese and U.S. Methods of Evidence Collection in Civil Litigation*, 3 ASIAN-PAC. L. & POL'Y J. 1, 2 (2002) ("It may therefore be said that while systematic differences profoundly influence the form and extent of discovery practice in Japan, Japanese attorneys do 'discover' evidence, including documents, witnesses, and physical evidence, for use in civil trials.").

63. GOODMAN, *supra* note 5, at 245–46.

64. *Id.* at 247–48.

65. *Id.* at 248.

66. Wagnild, *supra* note 62, at 16.

67. GOODMAN, *supra* note 5, at 245. The Japanese Diet, however, passed an act creating a jury-like scheme on May 21, 2004. For a discussion of the new system, see generally Kent Anderson & Mark Nolan, *Lay Participation in the Japanese Justice System: A Few Preliminary Thoughts Regarding the Lay Assessor System (Saiban-In Seido) from Domestic Historical and International Psychological Perspectives*, 37 VAND. J. TRANSNAT'L L. 935 (2004).

68. Wagnild, *supra* note 62, at 17.

69. *Id.*

70. *Id.* at 18.

Convention)[71] or the Federal Rules of Civil Procedure (FRCP).[72] Japan, however, has yet to sign the Hague Evidence Convention, though calls for Japan to join the Convention are persistent.[73] Instead, the United States and Japan have signed a bilateral treaty as to the gathering of evidence.[74] Although this treaty allows a U.S. litigant to take evidence directly in Japan according to the FRCP,[75] it does not solve all major obstacles. U.S. courts have no authority to compel compliance with U.S. rules.[76]

The Japanese legislatures, however, somewhat liberalized the restrictive Japanese discovery system by the enactment of the new CCP on January 1, 1998.[77] The new CCP made all documents possessed by private parties presumptively discoverable, thus reversing the presumption of the limited scope of Japanese discovery.[78]

B. *The Attorney-Client Privilege in Japan*

Though Japan has discovery rules different from those of the United States,[79] the Japanese attorney-client privielge laws are somewhat similar to those in the United States. First, Bengoshi Hō (Lawyers Law),[80] which applies to all Japanese *bengoshi* as an ethics code, provides that *bengoshi* have an obligation to maintain the confidentiality of information acquired during the course of their duties.[81] In addition, Benrishi Hō (Patent Lawyers Law),[82] which applies to all Japanese *benrishi* (licensed patent lawyers), provides similar rules.[83]

---

71. Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, *opened for signature* Mar. 18, 1970, 23 U.S.T. 2555, 847 U.N.T.S. 231 [hereinafter Hague Evidence Convention].

72. Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court, 482 U.S. 522, 541 (1987).

73. Wagnild, *supra* note 62, at 19.

74. Consular Convention and Protocol, U.S.-Japan, Mar. 22, 1963, 15 U.S.T. 768.

75. *Id.* at art. 17(1)(e)(ii)–(iii).

76. Wagnild, *supra* note 62, at 20.

77. Toshiro M. Mochizuki, *Baby Step or Giant Leap?: Parties' Expanded Access to Documentary Evidence Under the New Japanese Code of Civil Procedure*, 40 HARV. INT'L L.J. 285, 286 (1999).

78. *Id.* at 286–87.

79. *See supra* Part III.A (discussing the difference between U.S. and Japanese discovery rules).

80. Law No. 205 of 1949 (Japan).

81. *Id.* at art. 23.

82. Law No. 49 of 2000, art. 30 (Japan).

83. *Benrishi* handles the legal work and gives advice on matters relating to patent prosecution, infringement and invalidity. For the more detailed description, see generally Daiske Yoshida, Note, *The Applicability of the Attorney-Client Privilege to Communications with Foreign Legal Professionals*, 66 FORDHAM L. REV. 209, 220–24 (1997).

Under the old CCP, a party may not refuse to produce a document only if the requesting party cited the document, if the requesting party has a right to demand its production, or if the document is written in the interest of the requesting party.[84] In other words, the old CCP did not require any other documents to be produced. Thus, one could have argued that any documents, including communications between a corporation and its in-house lawyer, whether she is licensed or not, are all presumptively privileged under the old CCP.[85]

The new CCP, however, added a requirement that parties shall produce all other documents relevant to a case.[86] Exceptions to this general obligation include documents that contain information the holder received in the line of duty as a "professional."[87] Professional includes *bengoshi* and *benrishi*,[88] so communications between a corporation and *bengoshi* or *benrishi* are privileged under the current Japanese law. By contrast, non-*bengoshi* in-house lawyers are not included in the definition of professional.[89] Therefore, the attorney-client privilege under the current Japanese law does not protect communications between a corporation and non-*bengoshi* in-house lawyers.

C. *Traditional In-House Lawyers in Japan*

Because of the limited number of *bengoshi* in Japan, non-lawyers perform many functions usually performed by lawyers in the United States.[90] Members of an in-house legal department have been typically non-*bengoshi*, but graduates of the undergraduate law faculty who have decided not to study for Shihō Shiken (Japanese Bar exam) or have given up trying to pass.[91] These non-*bengoshi* perform many of the similar functions that in-house lawyers in the United States would do, such as documenting, negotiating, and giving advice to various departments in a corporation.[92]

---

84. KYŪ-MINSOHŌ [Old Code of Civil Procedure], art. 312(1)–(3) (Japan).

85. *See* YASUHIRO FUJITA, NICHI/BEI KOKUSAI SOSHŌ NO JITSUMU TO RONTEN [TRANSNATIONAL LITIGATION: US/JAPAN, PRACTICES AND ISSUES] 279 (1998) (Japan).

86. MINSOHŌ [Code of Civil Procedure], art. 220(4) (Japan).

87. *Id.* at arts. 197(2), 220(4).

88. *Id.* at art. 197(2).

89. *Id.*

90. Miller, *supra* note 10, at 29–30. In addition to *bengoshi*, *benrishi* (patent lawyer) and non-*bengoshi* in-house lawyer, Japan has professionals known as Shihō Syoshi (judicial scrivener) who prepare legal documents and Zeirishi (tax lawyer) who perform many functions that are handled by licensed lawyers in the United States. GOODMAN, *supra* note 5, at 136–37.

91. GOODMAN, *supra* note 5, at 136.

92. *Id.*

Although Lawyers Law requires *bengoshi* to provide legal services to the general public,[93] it does not prohibit companies from retaining non-*bengoshi* in-house lawyers to obtain legal advice for their own corporate matters.[94] Most companies have been reluctant to hire *bengoshi* in-house lawyers, because they have to obtain prior approval from the Japanese Bar Association and guarantee wages equivalent to those of outside lawyers.[95] According to the Justice System Reform Council (JSRC), there are about 3,500 listed companies in Japan.[96] Among them, about 1,100 companies have a legal department.[97] While 7,000 to 8,000 employees work as in-house lawyers, only fifty-six of them are *bengoshi*.[98] The traditional roles of in-house lawyers, however, may drastically change due to the birth of law schools in Japan.

D. *Legal Education in Japan Before 2004*

What differentiates the nature of the in-house lawyers in Japan and those in the United States? Legal education in Japan was fundamentally different from that in the United States.[99] A law degree in Japan was predominantly an undergraduate one,[100] and education there has largely been separate from practical legal training of prospective *bengoshi*.[101] There are approximately 45,000 law-major students at nearly 100 universities with an undergraduate law faculty.[102] Among them, six schools have been the most prestigious "brand" schools in terms of bar passage rate and the quality of faculty: Tokyo, Waseda, Keio, Kyoto, Chuo, and Hitotsubashi.[103] The main purpose of education there is not to provide practical training to become a lawyer, but to teach law as one of the liberal arts.[104] Teaching methods follow the typical Japanese

---

93. Law No. 205 of 1949, art. 72 (Japan).

94. FUJITA, *supra* note 85, at 280.

95. *Id.* at 280–81.

96. Memorandum from Hōsō Seido Kentōkai Dai Nana Kai [7th Justice System Reform Discussion] (July 22, 2002) (Japan), *available at* http://www.kantei.go.jp/jp/singi/sihou/kentoukai/seido/dai7/7gijiroku.html [hereinafter JSRC Memorandum].

97. *Id.*

98. *Id.*

99. GOODMAN, *supra* note 5, at 136.

100. *Id.*; *see also* Miller, *supra* note 10, at 30 (describing legal education in Japan).

101. Maxeiner & Yamanaka, *supra* note 16, at 304.

102. *Id.* at 309.

103. MASAHIRO MURAKAMI, HŌKA-DAIGAKUIN [LAW SCHOOL IN JAPAN] 129 (2003) (Japan).

104. *Id.* at 137; *see also* Maxeiner & Yamanaka, *supra* note 16, at 309 ("The focus of undergraduate legal education is on teaching an abstract body of legal principles that are not closely tied to the actual cases in which those principles are applied.").

lecture style, where the professor expounds and expects students to absorb and the Socratic method of questioning is rarely utilized.[105]

This style of legal education has contributed to the extremely low passage rate of the Japanese Bar exam.[106] Only approximately 2-3% of candidates pass the annual exam (see Table 1), whereas more than 60% of the candidates usually pass the New York State bar exam.[107] Successful applicants have taken the Japanese Bar exam, which is held only once a year, an average of five times.[108] Most undergraduate law students, therefore, have no intention of competing for the exam, and those who wish to take the exam would typically undertake studies at cram schools without studying law at a university.[109] A bachelor's of law degree (LL.B.) is not even a prerequisite to take the exam.[110] Although most competitors fail to pass the exam, it is not considered as a lack of competence.[111] Those who fail to pass the exam several times or have no intention of competing would typically find positions as non-*bengoshi* in-house lawyers in the legal departments of major Japanese corporations.[112]

105. GOODMAN, *supra* note 5, at 136.

106. *See* Maxeiner & Yamanaka, *supra* note 16, at 308 ("Because most students do not become lawyers and do not expect to become lawyers, they do not pursue practical training in lawyering, legal research and reasoning and clinical legal education.").

107. *See* Andrew Tilghman, *Overseas Lawyers Add Pressure to Bar Exam*, TIMES UNION (N.Y.), Nov. 23, 2002, at A1 ("The summer exam's overall pass rate was 67.5 percent, a 5 percent drop from last July's rate of 72.5 percent.").

108. Maxeiner & Yamanaka, *supra* note 16, at 310.

109. GOODMAN, *supra* note 5, at 136; Maxeiner & Yamanaka, *supra* note 16, at 310.

110. Maxeiner & Yamanaka, *supra* note 16, at 310.

111. GOODMAN, *supra* note 5, at 136.

112. *See id.* (describing the tendency of Japanese law students).

Table 1: Bar Passage Rate in Japan[113]

Year	Candidates	Passed	Passage Rate (%)
1996	25454	734	2.88
1997	27112	746	2.75
1998	30568	812	2.66
1999	33983	1000	2.94
2000	36203	994	2.75
2001	38930	990	2.54
2002	45622	1183	2.59
2003	50166	1170	2.33
2004	49991	1483	2.97
2005	45885	1464	3.19

After passing the bar exam, a prospective *bengoshi* attends Shihō Kenshūjo (the national Legal Training and Research Institute or LTRI).[114] The LTRI uses both classes and apprenticeships to train prospective lawyers in the skills of drafting judgments, indictments and pleadings.[115] This training system encompasses the technique of applying law to facts to decide particular cases; at the end of the one-and-a-half year training period, a prospective *bengoshi* takes a practice-oriented examination and, upon passing, finally becomes a *bengoshi*.[116] Upon graduation, new *bengoshi* choose to be judges, prosecutors, or private practitioners.[117] One could argue that, therefore, only those who passed the Japanese Bar exam could learn the analytical approach equivalent to that taught at U.S. law schools.

E. *Legal Education in Japan after 2004: The Birth of Japanese Law Schools*

The year 2004 was the beginning of a new era for Japanese legal education. In April, 2004, sixty-eight law schools modeled on the U.S. legal education system opened for the first time in Japan's history.[118] These schools are a key element of a large judicial system reform that

---

113. Press Release, The Ministry of Justice of Japan, Shihō Shiken Dainiji Shiken Shutsugansha Gōkakusha Su Nado No Suii [The Statistics of Bar Pass Rate in Japan] (Nov. 9, 2005), *available at* http://www.moj.go.jp/PRESS/051109-1/17-4syutu.html.

114. Maxeiner & Yamanaka, *supra* note 16, at 309–10.

115. *Id.* at 310.

116. GOODMAN, *supra* note 5, at 137; Maxeiner & Yamanaka, *supra* note 16, at 310.

117. GOODMAN, *supra* note 5, at 137.

118. Kingston, *supra* note 17, at A9.

is designed not only to increase the number of *bengoshi* but also to increase the importance of the rule of law in Japan.[119] The JSRC, an independent commission, wrote the reform report, which encompasses the major changes in the legal education and training system for both civil and criminal justice.[120] Its recommendations were quickly and uniformly adopted as Japan's national policy and implemented without political infighting.[121]

The JSRC report proposed an entirely new legal system where graduate schools, as the core of the system, would provide specialized practical training for legal professionals.[122] The new law schools were placed between undergraduate law faculty and the LTRI.[123] Admitted students generally would spend three years in the program, though individual law schools may allow students with a bachelors of law degree to graduate in two years.[124] The report called for a passage rate of approximately 70-80% for the new Japanese Bar exam and provided that those wishing to take the exam must have graduated from a Japanese law school.[125] However, the numbers of approved new law schools and admitted students were both greater than originally expected.[126] As a result, the passage rate under the new Japanese Bar exam in 2006 was merely 48%.[127] Even though the number is smaller than expected, the increased number of prospective *bengoshi* will surely affect the future role of in-house lawyers in Japan.

F. *The Future of In-House Lawyers in Japan*

The role of in-house lawyers has become more important due to the expansion of business and the growing need for compliance.[128] One scholar predicts that in ten years most Japanese companies will hire *bengoshi* as general counsel in response to the judicial reform and the opening of the new law schools.[129] Although large international or national law firms in metropolitan areas will still be

---

119. Maxeiner & Yamanaka, *supra* note 16, at 310.

120. *Id.*

121. *Id.* at 311.

122. *Id.* at 311–12. There were graduate law schools even before 2004, but they have provided legal education only to a small number of students who hoped to become professors. *Id.* at 309.

123. *Id.* at 312.

124. *Id.*

125. *Id.*

126. *Id.*

127. *New Bar Exam Sees 48% Success Rate*, ASAHI.COM, Sept. 23, 2006, http://www.asahi.com/english/Herald-asahi/TKY200609230137.html.

128. MASAHIRO MURAKAMI, HŌRITSU-KA NO TAMENO KYARIA RON [CAREER PATH FOR LEGAL PROFESSIONALS] 16 (2005) (Japan).

129. *Id.*

the most popular targets for Japanese law school graduates, those in-house positions will be the next.[130]

Multinational trading and manufacturing companies, such as Toyota, Sony, and Panasonic, have already strengthened their international legal expertise, retaining both Japanese and U.S.-licensed in-house lawyers.[131] As many companies have entered into international transactions, they have sent their in-house lawyers to the United States or England,[132] most likely to pursue an LL.M. degree and obtain a local license. According to the JSRC, there were 227 foreign licensed in-house lawyers working in Japanese corporations in 2002.[133] Thus, in ten years the role of legal professionals in Japan will be analogous to that in the United States. In-house *bengoshi* will perform various services, including representation before courts, while Japanese corporations may still seek specialized services from outside *bengoshi*.

IV. TRANSNATIONAL APPLICATION OF THE ATTORNEY-CLIENT PRIVILEGE

A. *The Scope of the Attorney-Client Privilege at the International Level*

Although most countries recognize the attorney-client privilege,[134] the scope of the privilege varies. The parameters of the privilege at the international level mirror the four elements required in the United States.[135]

The main difference in the meaning of "communication" is whether the privilege applies to legal documents held by clients.[136] Confidential documents in the hands of a lawyer are generally protected, but documents in the client's possession may not be protected.[137] For example, in Germany, privilege only attaches to the lawyer, and any documents in the possession of the corporate clients can be seized.[138] Similarly, in Japan documents created by a

---

130. *Id.* at 143.

131. *Id.* at 134–35.

132. *Id.* at 114–15, 137.

133. JSRC Memorandum, *supra* note 96.

134. Joseph Pratt, *The Parameters of the Attorney-Client Privilege for In-House Counsel at the International Level: Protecting the Company's Confidential Information*, 20 NW. J. INT'L L. & BUS. 145, 161 (1999); *see also* EPSTEIN, *supra* note 6, at 469 ("[S]ome form of attorney-client privilege does exist in all the nations of the European Community.").

135. *See supra* text accompanying note 21 (explaining four elements).

136. For the domestic meaning, see *supra* text accompanying note 23.

137. Pratt, *supra* note 134, at 162.

138. Josephine Carr, *Are Your International Communications Protected?*, ACC DOCKET, Nov.-Dec. 1996, at 32, 33.

bengoshi but held by the client do not enjoy the privilege.[139]

In addition, some foreign jurisdictions may extend attorney-client privilege to communications to the attorney, but not from the attorney to the client in the civil context.[140] This distinction partially resembles the strict construction taken by some U.S. courts: they deny the privilege when the legal advice does not encompass the confidences from the client on which the legal opinion is based.[141]

The basic meaning of "in confidence" in foreign countries appears similar to that in the United States:[142] as a general rule, confidential communications are limited by necessity.[143] Although most foreign countries require a certain level of confidentiality,[144] the duty of confidentiality may differ, especially in the former Communist countries and China.[145] In China, the government has traditionally taken a somewhat public approach to private corporate information, and lawyers in China have been required to place their loyalty to the government above that to their clients.[146]

As to the requirement that the communication be "for the purpose of obtaining or providing legal assistance for the client,"[147] most foreign countries, like the United States, consider whether a particular communication between an attorney and a client relates to legal advice before honoring the privilege.[148] Therefore, one should expect that the more a communication digresses from legal advice, the less privilege it will likely enjoy.[149]

The most controversial issue in attorney-client privilege at the international level would probably be the meaning of "privileged

---

139. Jason Marin, Note, *Invoking the US Attorney-Client Privilege: Japanese Corporate Quasi-Lawyers Deserve Protection in U.S. Courts Too*, 21 FORDHAM INT'L L.J. 1558, 1568 (1998). *But see* Eisai Ltd. v. Dr. Reddy's Labs., Inc., 406 F. Supp. 2d 341, 344 (S.D.N.Y. 2005) ("[I]t is clear from the plain meaning of the Japanese statute that any holder of privileged documents—including clients as well as *benrishi*—is permitted to withhold them.").

140. EPSTEIN, *supra* note 6, at 470.

141. *Id.*; *see, e.g.*, U.S. Postal Serv. v. Phelps Dodge Ref. Corp., 852 F. Supp. 156, 163 (E.D.N.Y. 1994) ("The privilege has been upheld for documents sent by house counsel where the documents reveal client confidences or provide legal assistance.").

142. For the domestic meaning, see *supra* text accompanying note 25.

143. Pratt, *supra* note 134, at 162–63

144. *Id.* at 162; *see, e.g.*, John Boyd, *A.M. & S. and the In-House Lawyer*, 7 EUR. L.R. 493, 494 (1982) ("The advice of the EEC-qualified lawyer may be circulated or copied within the client company, but presumably not to such an extent as would prejudice its confidentiality.").

145. Pratt, *supra* note 134, at 162.

146. *Id.* at 162–163; *see also* Timothy A. Gelatt, *Lawyers in China: The Past Decade and Beyond*, 23 N.Y.U. J. INT'L L. & POL. 751, 756, 791–92 (1991) (describing Chinese lawyers as supporters of socialist system, rather than individual professionals).

147. For the domestic meaning, see *supra* text accompanying note 26.

148. Pratt, *supra* note 134, at 168.

149. *Id.*

persons,"[150] which is the central issue of this Note. Countries take one of three approaches to whether in-house lawyers constitute privileged persons.[151] First, in countries such as the United States and England, in-house lawyers are generally considered privileged persons.[152] In England, for example, privilege is recognized if in-house lawyers belong to the bar and operate under the same ethical obligations as outside lawyers.[153] Countries in the second group, such as Austria, do not regard in-house lawyers as privileged persons, because they consider in-house lawyers to be distinct from private practitioners and believe that in-house lawyers are too dependent on their corporate client to exercise independent objective judgment.[154] Third, some countries require in-house lawyers to meet certain standards to qualify as privileged persons.[155] For example, Germany requires the maintenance of a separate office and that the action be undertaken in a capacity as an attorney.[156]

B. *Extension of the Attorney-Client Privilege at the International Level*

Although the U.S. Supreme Court has not decided how the attorney-client privilege applies to litigants from other countries, lower courts generally have agreed that the privilege is applicable to foreign lawyers who are admitted to practice locally.[157] Some authorities place the protection of confidentiality over the principle of disclosure and do not require bar membership. The Supreme Court Advisory Committee, for example, broadly defined a lawyer for purposes of the attorney-client privilege as "a person authorized, or *reasonably believed* by the client to be authorized, to practice law in any state or nation."[158] Wigmore also proposed that a "professional

---

150. For the domestic meaning, see *supra* text accompanying note 24.

151. Pratt, *supra* note 134, at 164.

152. For the explanation of privilege in the United States, see *supra* Part II.D (explaining that the privilege generally applies to communications between a corporation and its in-house lawyer in the United States).

153. Pratt, *supra* note 134, at 164.

154. *Id.* at 165.

155. *Id.* at 167.

156. *Id.*

157. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72 cmt. e (2000) ("[T]he privilege applies to communications to a person whom the client reasonably believes to be a lawyer. Thus, a lawyer admitted to practice in another jurisdiction or a lawyer admitted to practice in a foreign nation is a lawyer for the purposes of the privilege."); *see also* Ga.-Pac. Plywood Co. v. U.S. Plywood Corp., 18 F.R.D. 463, 465–66 (S.D.N.Y. 1956) (holding that an in-house lawyer who was employed in New York but licensed only in the District of Columbia and Pennsylvania had the privilege in New York).

158. Proposed FED. R. EVID. 503(a)(2), *reprinted in* CHRISTOPHER B. MUELLER & LAIRD C. KIRKPATRICK, FEDERAL RULES OF EVIDENCE WITH ADVISORY COMMITTEE NOTES AND LEGISLATIVE HISTORY 300 (1995) [hereinafter Proposed FRE 503(a)(2)] (emphasis added); *see also* CAL. EVID. CODE § 950 (West 2006) ("'[L]awyer' means a

privilege" be recognized for non-lawyer specialists, because people who seek their advice would be in the same position as clients.[159]

Beyond agency doctrine, however, federal courts have rarely extended attorney-client privilege to legal professionals other than lawyers.[160] The issue is most frequently litigated in connection with patent lawyers and agents,[161] and U.S. federal courts have taken three approaches: (1) the touch base approach; (2) the bright line approach; and (3) the functional approach. In addition, two other approaches recently have been proposed by practitioners: the modified functional approach and the uniform federal common law approach.

The touch base approach emphasizes international comity. A majority of U.S. federal courts have turned to a conflict of laws approach in deciding whether to recognize a privilege in the international context.[162] The touch base approach can be summarized as follows: "[C]ommunications with foreign patent agents regarding assistance in prosecuting foreign patent applications may be privileged if the privilege would apply under the law of the foreign country in which the patent application is filed and that law is not contrary to the public policy of the United States."[163]

In *Duplan Corp. v. Deering Milliken, Inc.*, the court applied international principles of comity in analyzing communications with British and French patent agents over which the patent-holder asserted the attorney-client privilege.[164] The court held that the comity-based application of foreign privilege laws protected communications with foreign patent agents that did not "touch base" with the United States.[165] Then, the court *In re Ampicillin Antitrust Litigation* applied *Duplan*'s touch base analysis but reached the opposite holding, recognizing the privilege for a British patent agent.[166] This court held that availability of the attorney-client privilege was governed by the law of the country to which the patent activities related, but communications relating to patent activities in

---

person authorized, or reasonably believed by the client to be authorized, to practice law in any state or nation.").

159. WIGMORE, *supra* note 20, § 2300a ("[T]he specialists, as the client's agent, has a natural and a responsible part in presenting the client's case. The client must confide in the agent precisely as he does in the attorney. There is every reason . . . for recognizing a privilege for those confidences.").

160. Yoshida, *supra* note 83, at 217.

161. EPSTEIN, *supra* note 6, at 472–73.

162. *See* Virginia J. Harnisch, *Confidential Communications Between Clients and Patent Agents: Are They Protected Under the Attorney-Client Privilege?*, 16 HASTINGS COMM. & ENT. L.J. 433, 445–46 (1994) (discussing the traditional analysis of the privilege for foreign patent agents).

163. Willi, *supra* note 34, at 322.

164. 397 F. Supp. 1146, 1169 (D.S.C. 1974)

165. *Id.* at 1169–70.

166. 81 F.R.D. 377, 391 (D.D.C. 1978).

the United States were protected by the privilege only if the agent was registered with the U.S. Patent Office.[167] Thus, whether the foreign communications touch base with the United States would be outcome determinative.

Under this approach, regardless of whether a Japanese corporation touches the United States or a U.S. corporation touches Japan, the attorney-client privilege would not protect communications with non-*bengoshi* in-house lawyers who are not licensed in the United States[168] or admitted to practice under Japanese law.[169] U.S. licensed, non-*bengoshi* in-house lawyers, however, would likely be able to assert privilege if a Japanese corporation's activities touches the United States.

By contrast, some courts rejected the comity approach in favor of a more formalistic approach. The court in *Status Time Corp. v. Sharp Electronics Corp.* articulated a bright line rule: the foreign patent agents were not members of the U.S. bar and thus not attorneys for the purpose of the privilege.[170] Under this rule, foreign patent lawyers are not allowed to assert the attorney-client privilege regardless of the local privilege law.[171] The court reasoned that the necessity for unrestricted confidence did not exist between the client and its patent agent, and the expansion of the privilege would be "beyond its proper bounds."[172]

Status Time strongly influenced decisions in the period immediately following its issuance, as judges lauded *Status Time* as a "singularly erudite opinion"[173] and a "seminal decision."[174] Similarly, in *Duttle v. Bandler & Kass*, the court applied the bright line rule to reject an assertion of the privilege covering German tax advisors and notaries.[175]

In *Novamont*, the magistrate judge distinguished the *Duplan* opinion and its progeny by claiming that "where there are United States interests in issue relating to a United States patent, it is our federal common law of privilege which governs" and expansion of the privilege would "frustrate . . . the truth-seeking process."[176] Under

---

167. *Id.*

168. Some Japanese corporations, however, retain foreign licensed in-house lawyers and those numbers are expected to increase. *See supra* text accompanying notes 132-33 (discussing foreign licensed in-house lawyers).

169. *See supra* notes 87–89 and accompanying text (explaining the attorney-client privilege under the new CCP does not cover non-*bengoshi* in-house lawyer).

170. 95 F.R.D. 27, 33 (S.D.N.Y. 1982).

171. *Id.*

172. *Id.*

173. Revlon, Inc. v. Carson Prods. Co., No. 82 Civ. 4326 (EW), 1983 U.S. Dist. LEXIS 15426, at *5 (S.D.N.Y. July 15, 1983).

174. Novamont N. Am. Inc. v. Warner-Lambert Co., No. 91 Civ. 6482 (DNE), 1992 WL 114507, at *1 (S.D.N.Y. May 6, 1992).

175. 127 F.R.D. 46, 52 (S.D.N.Y. 1989).

176. 1992 WL 114507, at *2.

the bright line approach, there is no room for the application of attorney-client privilege to Japanese non-*bengoshi* in-house lawyers unless they are members of the U.S. bar.

As touch base became the prevailing approach,[177] courts taking the bright line approach were concerned that recognizing an expansion of privilege would "frustrate . . . the truth-seeking process."[178] As the Supreme Court reasoned in *Upjohn*, however, the purpose of attorney-client privilege is to "promote broader public interests in the observance of law and administration of justice."[179] A third approach tries to promote the observance of law and administration of justice without frustrating the truth-seeking process.

In *Heidelberg Harris, Inc. v. Mitsubishi Heavy Industries, Ltd.*, the court applied the functional approach to protect communications between a corporation and its German in-house patent advisors.[180] The court reasoned that the German in-house patent advisors were engaged in "the substantive lawyering process,"[181] thus applying a functional analysis to determine whether privilege existed. This approach would provide a certain level of predictability, because the analysis is based on the nature of the communication rather than the court's interpretation of foreign law. Under the functional approach, the attorney-client privilege would likely be extended to Japanese non-*bengoshi* in-house lawyers, because they are engaged in "the substantive lawyering process."[182]

To prevent the broad expansion of the privilege, a modification of the functional approach was proposed. For example, Yoshida asserts that the functional approach may overly expand the boundaries of the privilege, but the risk may be reduced by additional requirements to ensure that the communication was made to a legal professional.[183] Yoshida finds support in Wigmore.[184] According to Wigmore, the proper test for recognizing the privilege is whether the profession "requires an oath of office and prior proof of professional qualifications and maintains a list of registered persons so qualified, or if in any other way its regulations treat the special practitioners as

---

177. *See* Yoshida, *supra* note 83, at 240 n. 222 ("A survey of reported cases indicates that a majority of cases have applied a comity analysis . . . .").

178. 1992 WL 114507, at *2.

179. 449 U.S. at 389.

180. No. 95 C 0673, 1996 U.S. Dist. LEXIS 19274, at *25–*28 (N.D. Ill. Dec. 18, 1996).

181. *Id.* at *27–*28.

182. *See supra* Part III.C (explaining the role of non-*bengoshi* in-house lawyers in Japan).

183. Yoshida, *supra* note 83, at 245.

184. *See id.*

a licensed body having the responsibility of attorneys and subject to professional discipline."[185]

The modified functional approach extends the attorney-client privilege to foreign legal professionals who provide important advisory services within their own systems.[186] Yoshida argues that much of the current U.S. law tends to limit the protection of the attorney-client privilege to U.S. lawyers, thereby casting a shadow over the principle of the privilege, and this approach represents a solution that gives due deference to international legal communities.[187]

Japanese patent lawyers would be able to assert the attorney-client privilege under the modified functional approach. As to Japanese non-*bengoshi* in-house lawyers, however, the result would not necessarily be the same, because they are neither required to take an oath of office, have prior proof of professional qualifications, be registered nor are they subject to professional discipline.

All of the various approaches above focus on whether or how the attorney-client privilege should be extended in the international context. One practitioner, however, proposes a uniform approach, which covers both U.S. and foreign patent practitioners at the same time. Willi proposes, "The [uniform] federal common law of attorney-client privilege applies regardless of whether the client is foreign or domestic, whether the patent practitioner is foreign or domestic, and whether the patent is foreign or domestic."[188] Willi asserts that, first, the Federal Circuit should adopt the broad definition under proposed Federal Rules of Evidence[189] so that lawyer includes "a person authorized, or reasonably believed by the client to be authorized, to practice law in any state or nation."[190] Then, the Federal Circuit should eliminate the common law requirement that legal advisors be members of a bar.[191] Finally, in light of *Sperry v. Florida*,[192] the Federal Circuit should clarify that both U.S. and foreign patent agents are authorized to practice patent law, and thus, they are both lawyers for purposes of the attorney-client privilege.[193]

---

185. WIGMORE, *supra* note 20, § 2300a.
186. Yoshida, *supra* note 83, at 247.
187. *Id.*
188. Willi, *supra* note 34, at 283.
189. Proposed FRE 503(a)(2), *supra* note 158.
190. Willi, *supra* note 34, at 348.
191. *Id.*
192. 373 U.S. 379, 384–88 (1963) (holding that in light of federal law authorizing patent agents to practice before the USPTO and to perform "services which are reasonably necessary and incident to the preparation and prosecution of patent applications[,]" states were prohibited from restricting such conduct even if it constituted the practice of law).
193. Willi, *supra* note 34, at 348.

Willi claims that the adoption of such a uniform federal common law would result in greater predictability, fewer disputes, and conservation of client and judicial resources.[194] If U.S. courts were to apply this to Japanese non-*bengoshi* in-house lawyers, the critical issue would be whether they were reasonably believed by the client to be authorized to practice law.[195]

C. *The* Eisai *Decision*

A recent federal court decision in December 2005, however, reaffirmed the comity approach taken by *Duplan* and its progeny.[196] In *Eisai Ltd. v. Dr. Reddy's Laboratories, Inc.*, the court held that documents reflecting legal advice provided by Japanese *benrishi* were protected by the attorney-client privilege.[197] The court reasoned that, as a matter of comity, the court should look to Japanese law, subject to overriding U.S. policy concerns.[198] Although the U.S. defendant argued that comity did not require recognition of a Japanese privilege different from the U.S. privilege, the court rejected this argument.[199] The court held that total congruence between U.S. and Japanese law was not required to extend comity and that the *benrishi* privilege was "comparable" to the U.S. attorney-client privilege.[200]

The court observed that "the unanimous weight of authority relating to Japanese *benrishi* subsequent to the 1998 amendment of the Code of Civil Procedure of Japan" extended the privilege to documents created by *benrishi*.[201] As to the 1998 amendment, the court noted that, although there was little need for the privilege before 1998 because there was no civil provision for document discovery, the Japanese legislature adopted the privilege in connection with liberal discovery procedures introduced by a broader reform in 1998.[202] Thus, the functional equivalency argument for

---

194. *Id.* at 349.

195. *See infra* notes 268–72 and accompanying text (discussing the reasonable expectation of the client).

196. *See supra* Part IV.B (discussing *Duplan*'s "touch base" approach).

197. 406 F. Supp. 2d 341, 342–43 (S.D.N.Y. 2005).

198. *Id.*

199. *Id.* at 343–44.

200. *Id.*

201. *Id.* at 343 & n.2; *see* Murata Mfg. Co. v. Bel Fuse Inc., No. 03 C 2934, 2005 WL 281217, at *2–*3 (N.D. Ill. Feb. 3, 2005) (holding that Japanese law accorded privilege to *benrishi*-client communications); Knoll Pharms. Co. v. Teva Pharms. USA, Inc., No. 01 C 1646, 2004 WL 2966964, at *3 (N.D. Ill. Nov. 22, 2004) ("Under Japanese law, documents reflecting communications between patent agents and clients are exempt from production."); VLT Corp. v. Unitrode Corp., 194 F.R.D. 8, 17 (D. Mass. 2000) ("Japanese law would treat the [letter to *benrishi*] as privileged."); *see also supra* Part III.B (discussing the attorney-client privilege in Japan).

202. *Eisai*, 406 F. Supp. 2d at 345.

benrishi-client communications is no longer necessary under *Eisai* reasoning.

V. APPLICATION OF THE ATTORNEY-CLIENT PRIVILEGE TO JAPANESE NON-*BENGOSHI* IN-HOUSE LAWYERS

Even though the *Eisai* decision makes the functional equivalency argument to recognize the attorney-client privilege for *benrishi* unnecessary, the argument is still necessary for asserting attorney-client privilege for non-*bengoshi* in-house lawyers, because there is no privilege applicable to non-*bengoshi* in-house lawyers under current Japanese law.[203]

A. *Application of the Attorney-Client Privilege to Japanese Corporations*

In U.S. federal courts, the FRCP generally govern pre-trial discovery; the rules include document requests, written interrogatories, permission to enter land for inspection, physical and mental examination, requests for admission, and the taking of depositions.[204] Discovery from non-U.S. defendants is either taken according to the FRCP or the Hague Evidence Convention.[205] Japan, however, is not a signatory to the Convention.[206] In such a case, the U.S. court will therefore first consider whether there is in fact any conflict between the discovery rules of Japan and the United States, and second, if there is a conflict, the court will analyze the principles of comity to determine whether these principles require use of Japanese laws in the case.[207]

If U.S. courts look to Japanese law under the *Eisai* reasoning,[208] the privilege would unlikely apply to non-*bengoshi* in-house lawyers. The new CCP allows withholding documents if they contain information the holder received in the line of duty as a professional; *bengoshi* and *benrishi* are included in the definition of a

---

203. *See supra* notes 87–89 and accompanying text (explaining the attorney-client privilege under the new CCP does not cover non-*bengoshi* in-house lawyer).

204. FED. R. CIV. P. 26–37.

205. Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court, 482 U.S. 522, 541 (1987).

206. *In re* Vitamins Antitrust Litig., 120 F. Supp 2d 45, 55 (D.D.C. 2000) ("Japan did not join the Hague Convention apparently out of fear of American-type discovery procedures . . . .").

207. *Id.* The *Vitamins* court, however, applied the FRCP because concerns for the principles of comity and Japan's sovereign interests in protecting its citizens from unduly burdensome discovery did not outweigh the need for prompt and efficient resolution of the case; U.S. plaintiffs would not likely be able to obtain the necessary pretrial testimony and documentary evidence under the Japanese Law. *Id.* at 55–56.

208. *See supra* Part IV.C (analyzing the *Eisai* comity approach).

professional.[209] There is, however, no professional duty applicable to non-*bengoshi* in-house lawyers under current Japanese law.[210] Japanese corporations, therefore, should look to an alternative argument to protect confidential communications with their non-*bengoshi* in-house lawyers.

B. Remy Martin *or* Minolta?

The analysis of the following two U.S. federal court opinions significantly helps in finding alternative arguments for the attorney client privilege.

The court in *Remy Martin* used a functional approach to find the attorney-client privilege applied to communications between a French corporation and its in-house lawyers who were not members of a bar.[211] This case seems to be most supportive of the recognition of the privilege for non-*bengoshi*.[212] Assuming, for purposes of the motion before it, that French law would not grant a privilege, the court analyzed whether U.S. law provided the privilege.[213] The court noted the difference in the legal profession between France and the United States as follows.[214]

In France, there is a two-tiered system where each category of legal professional performs a different function, all of which would be performed by a lawyer in the United States. The *avocat* provides legal services to clients and represents them in court, but may not be employed by other persons or organizations, and the *conseil juridique* provides legal services to clients, too, but may not represent them in court and may only be employed by other *conseil juridique*.[215] In-house lawyers are prohibited by law from being on the list of *avocat* or *conseil juridique*, though they are allowed to give legal advice to corporations.[216]

The court reasoned that, because there is no clear French equivalent to U.S. bar membership, the relevant question was not whether French in-house lawyers were members of a bar, but whether the individual was permitted by law to render legal advice and competent to do so. To be eligible for the attorney-client privilege, an individual must perform similar functions to U.S. lawyers.[217] The French in-house lawyers, like their U.S.

---

209. *See supra* Part III.B (discussing the attorney-client privilege in Japan).
210. *See id.* For the discussion under the old CCP, see *supra* text accompanying notes 84–85.
211. Renfield Corp. v. E. Remy Martin & Co., 98 F.R.D. 442, 444 (D. Del. 1982).
212. Marin, *supra* note 139, at 1588.
213. *Remy Martin*, 98 F.R.D. at 444.
214. *Id.*
215. *Id.*
216. *Id.*
217. *Id.*

counterparts, have legal training and are employed by corporations to give advice on legally significant corporate matters; French law allows them to do so.[218] The French in-house lawyers are, therefore, the functional equivalent of U.S. in-house lawyers.

By contrast, another court reached a different conclusion, applying a similar functional equivalence test to a Japanese in-house patent advisor.[219] *Honeywell, Inc. v. Minolta Camera Co.* involves a patent infringement issue where Minolta, a Japanese film manufacturing company, asserted the attorney-client privilege regarding the communications with its employee, who was not admitted to the bar of Japan or any other country and was not a registered patent agent of Japan or any other country.[220] The court held that the Magistrate's factual determination that the employee was the functional equivalent of an attorney was "clearly erroneous."[221] The court observed that *Remy Martin* was not controlling, because it discussed only the factual circumstances of the case before it and cited no authority for expansion of the privilege.[222]

The court, however, considered various facts to determine whether the employee was the functional equivalent of a U.S. lawyer (i.e., a "de facto attorney").[223] The court reasoned that the following were insufficient factual support for the finding of functional equivalency: (1) the employee had never been licensed to practice law and never been registered as a patent agent in the United States or in Japan; (2) he had only a Bachelor's of Science degree; and (3) he had never received formal training except for attending various seminars, lectures, and classes regarding legal and patent issues.[224]

As to international comity, the court noted that there was no need to look to Japanese law, because no sovereign interest of Japan was implicated: depositions had been conducted in Japan merely as a courtesy to Minolta.[225] Although the court denied application of the privilege to the non-*benrishi* in-house patent advisor, the court did not answer whether Japanese non-*bengoshi* in-house lawyers were the functional equivalent of U.S. lawyers.[226]

---

218. *Id.* The court also noted that the communications were clearly intended and reasonably expected to be in confidence. *Id.*

219. Marin, *supra* note 139, at 1590, asserts that the *Minolta* court rejected the application of the functional equivalence test. However, as this part explains, the *Minolta* court applied a test very similar to the functional equivalence test; the court simply reached the opposite conclusion.

220. No. 87-4847, 1990 U.S. Dist. LEXIS 5954, at *1–*2 (D.N.J. May 15, 1990).

221. *Id.* at *9–*10.

222. *Id.* at *6–*7.

223. *Id.* at *6, *9.

224. *Id.* at *9.

225. *Id.* at *10 n.2.

226. *See id.* at *9–*10.

C. *Arguments For the Attorney-Client Privilege*

The most common arguments for the application of the attorney-client privilege to Japanese non-*bengoshi* in-house lawyers are fairness and predictability, functional equivalency, and reasonable reliance.

One could argue that, because the attorney-client privilege protects communications between a U.S. corporation and U.S. licensed in-house lawyers, unequal treatment would arise between U.S. corporations and Japanese corporations, which generally do not retain *bengoshi* in-house lawyers.[227] In other words, if a U.S. corporation invokes the attorney-client privilege, it should be estopped from denying its opponent Japanese corporation the same protection.[228] The uniform application of the attorney-client privilege, regardless of whether the in-house lawyers are foreign or domestic, would lead to less arbitrary and artificial treatment and thus greater predictability.[229]

Under the functional equivalence test of *Remy Martin* and *Minolta*,[230] Japanese non-*bengoshi* in-house lawyers could be treated as the functional equivalent of U.S. lawyers.[231] The test recognizes that "one can receive the equivalent of U.S. legal education without attending the equivalent of a U.S. law school," and that the amount of legal advice that in-house lawyers provide for a corporation, which employs them specifically for the purpose of seeking legal advice, is equivalent to that given by U.S. lawyers.[232] Under this approach the most important criterion is not a bar membership but rather the legal function of the job.[233]

---

227. FUJITA, *supra* note 85, at 274.

228. Marin, *supra* note 139, at 1592.

229. *See* Pratt, *supra* note 134, at 168–69. ("[D]ifferent applications of the privilege [at the international level] can lead to disastrous consequences for in-house counsel and the corporations they advise."); Willi, *supra* note 34, at 283 (proposing a uniform approach to the applicability of the privilege in U.S. patent litigation, "so that the same federal common law of attorney-client privilege applies regardless of whether the client is foreign or domestic [and] whether the . . . practitioner is foreign or domestic"); Yoshida, *supra* note 83, at 246 ("If the attorney-client privilege can be expanded to cover U.S. patent agents . . . the denial of protection to patent advisers in foreign systems . . . is artificial and arbitrary.").

230. *See supra* Part V.B (explaining the functional equivalence test).

231. *See* Marin, *supra* note 139, at 1602 ("[T]he distinctions between in-house legal personnel and [*bengoshi* in-house lawyers are] very similar to the distinctions between French in-house counsel and independent lawyers discussed in *Remy Martin*.").

232. *Id.*

233. *See id.* ("Courts will be ignoring the requirement of bar membership, in favor of the requirement that the advice rendered be legal in nature."). Some U.S. courts think a local bar membership is not material. *See, e.g.*, *Ga.-Pac. Plywood Co.*, 18 F.R.D.at 464–66 (holding that an in-house lawyer who was employed in New York but

One practitioner argues that the attorney-client privilege would not apply to all non-*bengoshi* in-house lawyers but only to high ranking in-house lawyers.[234] Fujita notes that, in *Upjohn*, the issue involved communications between the corporate client and the chief general counsel who had worked in-house for twenty years.[235] A U.S. court, therefore, would likely find that a manager of a legal department, who is responsible for and participates actively in all legal matters within a corporation, is the functional equivalent of the chief general counsel in *Upjohn*.[236] The qualifications of those high ranking in-house lawyers are also supported by the fact that many legal texts and materials are written by non-*bengoshi* experts, who also teach a majority of practical courses.[237]

Although non-*bengoshi* may not be experts on Japanese law, they have either studied U.S. law or worked in conjunction with U.S. lawyers; thus, their advice has enabled Japanese corporations to comply with U.S. law.[238] It is, therefore, asserted that the extension of the privilege only to *bengoshi* would result in non-*bengoshi* in-house lawyers giving flawed advice on U.S. law to Japanese corporations.[239]

Even if the attorney-client privilege does not apply to non-*bengoshi* in their own capacity, there is an alternative argument for the privilege. U.S. courts have recognized the extension of the privilege to agents and subordinates working under a lawyer.[240] Even if the Japanese non-*bengoshi* in-house lawyers are not experts on U.S. law, they could be acting as an agent of a U.S. lawyer providing legal advice to the corporation.[241]

D. *Against the Attorney-Client Privilege*

Among the arguments against application of the attorney-client privilege for Japanese non-*bengoshi* in-house lawyers are strict interpretation, lack of reasonable expectation of confidentiality, and

---

licensed only in the District of Columbia and Pennsylvania had the privilege in New York).

234. FUJITA, *supra* note 85, at 277.

235. *Id.*; *see supra* text accompanying notes 48–52 (explaining *Upjohn* holding and reasoning); *see also Ga.-Pac. Plywood*, 18 F.R.D. at 464–66 (applying the privilege to in-house counsel who was "Director, Legal and Patent Department").

236. FUJITA, *supra* note 85, at 277.

237. *Id.* at 279–80.

238. Marin, *supra* note 139, at 1603.

239. *Id.*

240. *See supra* notes 41–42 and accompanying text (explaining the privilege under the agency theory).

241. Marin, *supra* note 139, at 1603.

non-equivalency of Japanese legal education to U.S. legal education.[242]

The formalist approach would deny the attorney-client privilege to a communication with one who is not a member of a bar. As Wigmore noted, because the attorney-client privilege may obstruct the administration of justice, the privilege "should be recognized only within the narrowest limits required by principle," and "[t]he investigation of truth and the enforcement of testimonial duty demand the restriction, not the expansion, of these privileges."[243]

To be in confidence, "at the time and in the circumstances of the communication, the communicating person reasonably believes that no one will learn the contents of the communication except a privileged person . . . or another person within whom communications are protected under a similar privilege."[244] Thus, one could argue that it would not be reasonable for Japanese corporations to expect confidentiality from Japanese non-*bengoshi* in-house lawyers who are not explicitly extended the confidentiality privilege under Japanese law.[245]

Even under the functional equivalence test,[246] one could argue that Japanese non-benghosi in-house lawyers are different from U.S. lawyers in many aspects. For example, legal education in Japan and the United States used to be fundamentally different.[247] Most in-house lawyers in Japan did not pass the bar exam, and they did not get analytical training taught at the LTRI and U.S. law schools.[248] One Japanese scholar even comments that "American law school graduates, who receive a higher education than Japanese law department graduates, should enjoy higher social status than their Japanese counterparts."[249] In addition, while the privilege applies only to the legal advice and not to purely business advice,[250] in the case of non-*bengoshi* in-house lawyers, it might be difficult to differentiate legal advice and non-legal advice.

---

242. There is also an argument that in-house lawyer may be overly influenced by their employers, thus lacking independence. *See* Hill, *supra* note 27, at 183–85 (questioning the validity of this argument).

243. WIGMORE, *supra* note 20, § 2192(3). For cases that applied this strict approach, see *supra* text accompanying note 33.

244. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §71 (2000) (emphasis added); *see also supra* Part IV.B (explaining the uniform common law approach based on reasonable reliance of the client).

245. *See* Marin, *supra* note 139, at 1599–1600 (describing the argument about the lack of reasonable expectation); *see also* supra Part III.B (discussing the attorney-client privilege under the Japanese law).

246. *See supra* Part V.B (explaining the functional equivalence test).

247. *See supra* Part III.D (discussing Japanese legal education before 2004).

248. *See id.*

249. Masanobu Kato, *The Role of Law and Lawyers in Japan and the United States*, 1987 BYU L. Rev. 627, 630.

250. *See supra* text accompanying notes 54–59 (explaining the distinction).

VI. RECOMMENDATIONS

A. *How Would U.S Courts Likely Approach?*

Under the recent *Eisai* comity approach, a U.S. court would first decide whether international comity requires the court to look to Japanese law.[251] If the court looked into Japanese law, the court would find that there is no attorney-client privilege applicable to Japanese non-*bengoshi* in-house lawyers.[252] The court, however, would not apply comity, because unlike the case of *benrishi*, no sovereign interest of Japan is implicated where Japanese corporations may not protect communications with non-*bengoshi* in-house lawyers under the Japanese law.[253] The court would then decide whether the attorney-client privilege applies to non-*bengoshi* in-house lawyers under U.S. law.[254]

The functional equivalence argument would provide a test to implement fairness, but it does come with a risk of going beyond the boundaries of privilege.[255] The test, therefore, should be whether an individual is competent to render legal advice and perform similar functions to the U.S. lawyers in terms of education, training, activity, and reasonable expectation of the client; although *Remy Martin* and *Minolta* reached the opposite conclusions, both cases applied this test to non-bar in-house lawyers.[256] This test is different from the modified functional equivalence test proposed by Yoshida,[257] because this test provides clear criteria (i.e., education, activity, and reasonable expectation of the client) based on two U.S. federal cases. This test may be called the *Remy-Martin/Minolta* test. This solution would encourage effective representation through truthful disclosure by corporate clients to their in-house lawyers, thus serving the very policies underlying the privilege.[258]

---

251. *See supra* Part IV.C (explaining *Eisai*'s holding and reasoning).

252. *See supra* Part III.B (discussing the attorney-client privilege in Japan).

253. *Cf.* Honeywell, Inc. v. Minolta Camera Co., No. 87-4847, 1990 U.S. Dist. LEXIS 5954, at *10 n.2 (D.N.J. May 15, 1990) (holding that there is no need for looking to Japanese law because no sovereign interest of Japan is implicated where depositions has been conducted in Japan merely as a courtesy to Japanese corporation).

254. *See supra* notes 204–07 and accompanying text (explaining applicable rule to a non-signatory of the Hague Evidence Convention).

255. *See supra* Part IV.B (discussing the modified functional approach).

256. *See supra* Part V.B (comparing *Remy Martin* and *Minolta*).

257. *See supra* Part IV.B (discussing the modified functional approach).

258. *See* Yoshida, *supra* note 83, at 247 (asserting that the application of the attorney-client privilege to foreign legal advisors under the functional equivalency test would encourage effective representation and serve the goal of the privilege); *see also* Marin, *supra* note 139, at 1605 (claiming that the application of the privilege to all Japanese in-house lawyers serves the purpose of the privilege and the very nature of U.S. judicial system). Among the arguments for the attorney-client privilege, the fairness concern might not be very persuasive because the most salient criteria in evaluating a procedural rule is whether and how the rule works, not whether the rule

B. *Application of the* Remy-Martin/Minolta *Test*

Under the *Remy-Martin/Minolta* test, however, most of the non-*bengoshi* in-house lawyers would likely be denied attorney-client privilege. First, *Remy Martin* would not necessarily control the issue here, because while in-house lawyers are forbidden from the bar in France,[259] Japanese law does not prohibit companies from retaining *bengoshi* in-house lawyers to obtain legal advice for their own corporate matters with prior approval from the Japanese Bar Association.[260] The lack of bar membership is promoted predominantly by the corporations themselves.[261]

Second, the Japanese undergraduate law program is not equivalent to the J.D. program in the United States; the focus of the Japanese legal education is fundamentally different from that of U.S. legal education.[262] Before 2004, only those who passed the bar exam were allowed to attend the LTRI to learn the analytical approach taught at U.S. law schools.[263] That Japanese law schools are modeled on the U.S. J.D. program would support the non-equivalency position.[264] Students who become in-house lawyers without attending the LTRI may not have learned how to apply lawyers' critical skills in a sophisticated way.[265] In *Minolta*, the court emphasized that the in-house patent advisor had only a Bachelor's of Science degree and had never received formal training, except for attending various seminars, lectures, and classes concerning legal and patent issues.[266] This is true for most of the non-*bengoshi* in-house lawyers, too, except that they generally have a Bachelor's of Law degree.[267]

Third, Japanese corporations would not reasonably expect communications with most of the non-*bengoshi* in-house lawyers to be confidential. Japanese law does not list non-*bengoshi* in-house lawyers as part of a class that should receive any sort of privilege.[268] Some in-house lawyers do not perform similar functions to U.S.

---

applies fairly and equally. *See* Maurice Rosenberg, *Federal Rules of Civil Procedure in Action: Asserting Their Impact*, 137 U. PA. L. REV. 2197, 2200–01 (1989) (discussing how to evaluate a procedural rule).

259. *See supra* notes 215–16 and accompanying text (explaining French legal system).

260. *See supra* Part III.C (discussing traditional in-house lawyers in Japan).

261. *See id.*

262. *See supra* Part III.D (discussing Japanese legal education before 2004).

263. *See id.*

264. *See supra* Part III.E (discussing Japanese legal education after 2004).

265. Miller, *supra* note 10, at 37.

266. *See supra* text accompanying notes 223–24 (explaining *Minolta*'s reasoning).

267. *See supra* text accompanying notes 109–12 (describing typical in-house lawyers in Japan).

268. *See supra* Part III.B (discussing the attorney-client privilege in Japan).

lawyers because they rotate among various divisions, such as sales and public relations, as "generalists."[269] Expansion of the attorney-client privilege to such in-house lawyers "would frustrate important principles of our jurisprudence which disfavor testamentary exclusionary principles . . . because they inhibit the truth-seeking process."[270] In practice, Japanese corporations generally retain outside lawyers in complex matters that may potentially lead to litigation.[271]

In addition, the fact that many companies have sent their in-house lawyers to the United States or England to obtain a local license[272] shows corporate expectation for and reliance on the expertise of those foreign licensed lawyers. Thus, compliance with U.S. law would be encouraged not by asserting the application of the privilege to non-*bengoshi* in-house lawyers,[273] but by requiring U.S. bar membership for Japanese lawyers.

By contrast, a U.S. court would likely find a manager of a legal department, who is responsible for and participates actively in all legal matters within a corporation, to be the functional equivalent of a U.S. in-house lawyer. Such a manager performs legal functions sufficiently analogous to the general counsel in *Upjohn*, considering his education, training, activity, and the client's reasonable expectations.[274] This test would generate more predictability, thus encouraging corporations to obtain legal advice and better compliance with the law.

C. *How Can Japanese Corporations Protect Confidential Information?*

The attorney-client privilege, therefore, would not apply to most of the non-*bengoshi* lawyers working in Japanese corporations. At most, it would likely be applicable only to a manager of a legal department. The situation, however, will change in the near future when Japanese corporations start retaining *bengoshi*, who have graduated from new Japanese law schools, as in-house lawyers.[275] Meanwhile, Japanese corporations can protect themselves in the following ways: (1) using either U.S.-licensed lawyers or Japanese *bengoshi* as in-house lawyers; (2) involving a manager of the legal

---

269. MURAKAMI, *supra* note 128, at 139.

270. Novamont N. Am. Inc. v. Warner-Lambert Co., No. 91 Civ. 6482 (DNE), 1992 WL 114507, at *2 (S.D.N.Y. May 6, 1992).

271. MURAKAMI, *supra* note 128, at 135.

272. *See supra* text accompanying notes 132-33 (discussing Japanese corporations retaining foreign licensed in-house lawyers).

273. *See supra* text accompanying notes 238–39 (explaining the argument in connection with the encouragement of compliance with the U.S. law).

274. *See supra* text accompanying notes 234–37 (describing Fujita's argument for the application of the privilege to a certain level of in-house managers).

275. *See supra* Part III.F (discussing the future of in-house lawyers in Japan).

department in all confidential communications; (3) using in-house lawyers acting as agents of *bengoshi* attorneys; and (4) using *Upjohn* memorandum.

First, communications with U.S.-licensed in-house lawyers and those with *bengoshi* in-house lawyers will be protected under the attorney-client privilege, as would those between U.S. corporations and their in-house lawyers.[276] Japanese corporations, therefore, can retain *bengoshi* or U.S. licensed lawyers; alternatively, they can send their non-*bengoshi* in-house lawyers to U.S. law schools so that they can learn the analytical skills and obtain U.S. bar membership.[277]

Second, all important corporate documents and questions from the board of directors should be handled by the manager of the legal department.[278] For example, in complex matters involving subsidiaries that may potentially lead to litigation, all correspondence should be delivered to and from the manger.[279] Japanese corporations, however, should note that all communications must be for the purpose of obtaining legal advice, because attempts to use *bengoshi*, U.S. licensed lawyers, or legal department managers as a shield to hide embarrassing information would be sanctioned by U.S. courts.[280] A manager of a legal department, therefore, may not require all documents to be directed to her attention where legal advice was not expressly sought.

Third, even if the Japanese in-house lawyers themselves are not experts on U.S. law, Japanese corporations could argue that they act as agents of the outside U.S. lawyers.[281] In complex U.S.-Japan transactions, particularly those that may potentially lead to litigation, Japanese corporations should retain outside U.S. lawyers who directly communicate with non-*bengoshi* in-house lawyers as their agents.

Fourth, *Upjohn* memorandum should be utilized to establish that communications between corporations and in-house lawyers are protected under the attorney-client privilege.[282] The memorandum is intended to eliminate any doubt regarding whether the communication was for the purposes of seeking legal advice or merely

---

276. *See supra* note 157 and accompanying text (discussing the applicability of the privilege to foreign licensed lawyers).

277. *See supra* text accompanying notes 272–73 (analyzing the reasonable expectation of Japanese corporations and encouragement of compliance with U.S. law).

278. FUJITA, *supra* note 85, at 281.

279. *Id.*

280. *See supra* notes 60–61 and accompanying text (discussing the use of in-house lawyers as a shield).

281. *See id.* (discussing the use of in-house lawyers as a shield).

282. *See* 2 THOMAS P. HESTER ET AL., SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL § 35:8 (Robert L. Haig ed., 2007) [hereinafter SUCCESSFUL PARTNERING] (explaining *Upjohn* memorandum). The memorandum derives its name from *Upjohn Co. v. United States*, 449 U.S. 383 (1981).

a routine business activity.[283] The memorandum should also be marked "Confidential—Attorney-Client Privilege" to show that confidentiality was desired from the inception of the memorandum.[284] The memorandum should receive limited distribution only to those necessary or present during the communications; otherwise, the privilege may be deemed waived.[285]

In addition to the *Upjohn* memorandum, the legal department may consider having blank forms that must be filled out to open new "matters" to which an in-house lawyer devotes time.[286] The form will require in-house lawyers to describe exactly what legal advice he is being asked and by whom.[287]

D. *What Can the Japanese Government Do to Support Japanese Corporations?*

Although it would be difficult to protect all communications between a Japanese corporation and its non-*bengoshi* in-house lawyers under the current law, there are three possibilities the Japanese government may want to consider to protect Japanese corporations from exposing their confidential information. First, the Japanese government may expressly extend application of the attorney-client privilege to non-*bengoshi* in-house lawyers under the Hague Evidence Convention.[288] Discovery from non-U.S. defendants can be taken according to the FRCP or the Hague Evidence Convention.[289] Though Japan is not a current signatory to the Convention, Japan may sign the Convention with declarations and reservations as to the attorney-client privilege for in-house counsel.[290]

Alternatively, the Japanese government could amend the CCP to include non-*bengoshi* in-house lawyers as professionals who have a duty of confidentiality to the client.[291] Under the *Eisai* reasoning, U.S. courts would likely extend the privilege to non-*bengoshi* in-house

---

283. 2 THOMAS P. HESTER ET AL., *supra* note 282, § 35:8.

284. Carole Basri & Benjamin Nahoum, *Update on How In-House Lawyer Can Use and Expand the Privileges*, THE METROPOLITAN CORP. COUNS., June 1996, at 48.

285. *Id.*

286. VILLA, *supra* note 55, § 1.16.

287. *Id.*

288. The Japanese government is currently hesitant to sign the Convention. *See In re* Vitamins Antitrust Litig., 120 F. Supp at 55 ("Japan did not join the Hague Convention apparently out of fear of American-type discovery procedures . . . ."). Whether Japanese government is inclined to do so in the future is beyond the scope of this Note.

289. *See supra* notes 204–07 and accompanying text (explaining the application of discovery rules at international level).

290. *See* Hague Evidence Convention, *supra* note 71, at art. 11 ("In the execution of a Letter of Request the person concerned may refuse to give evidence in so far as he has a privilege or duty to refuse to give the evidence . . . .").

291. *See supra* Part III.B (discussing the attorney-client privilege in Japan).

lawyers if they were extended the privilege under the Japanese law.[292]

Most importantly, bar passage rate for graduates from new Japanese law schools should be raised while maintaining the quality of practical education for legal professionals. Because the numbers of approved new schools and admitted students were greater than expected, the actual passage rate for the 2006 exam was 48%.[293] More than half of the graduates, therefore, might have to practice without a bar membership. If Japanese corporations are to hire those non-licensed graduates as in-house lawyers, U.S. courts would likely deny the extension of the privilege because U.S. law school graduates who have not been admitted to the bar may not be considered an attorney for the purpose of the privilege.[294]

VII. CONCLUSION

As to the communications between a Japanese corporation and its non-*bengoshi* in-house lawyers, U.S. courts would most likely recognize the attorney-client privilege only for a manager of a legal department of the Japanese corporation under *Remy-Maltin/Minolta* test. The situation, however, will change in the near future when Japanese corporations start retaining *bengoshi*, who have graduated from new Japanese law schools, as in-house lawyers. Meanwhile, Japanese corporations may still be able to protect confidential information through the use of a legal manager, U.S. or Japanese licensed in-house lawyers, in-house lawyers acting as agents, and the *Upjohn* memorandum. The Japanese government may also be able to support Japanese corporations by signing the Hague Evidence Convention with declarations and reservations, amending the CCP's provision regarding the privilege, and most importantly, by raising bar passage rate for graduates of Japanese law schools. These measures would more likely protect confidential corporate information, regardless of whether U.S. courts recognize the attorney-client privilege for Japanese non-*bengoshi* in-house lawyers.

*Masamichi Yamamoto**

---

292. *See supra* Part IV.C (explaining the *Eisai* decision's holding and reasoning).

293. *See supra* text accompanying notes 125–27 (explaining the difference between expected and actual bar pass rate).

294. *See supra* notes 38–40 and accompanying text (discussing the application of the privilege to U.S. law school graduates).

* LL.B., Keio University (Japan); J.D. Candidate, May 2007, Vanderbilt University Law School. The author is a native speaker of Japanese and was employed as a non-*bengoshi* in-house lawyer by a Japanese corporation for years. The editors of the Vanderbilt Journal of Transnational Law rely on his expertise regarding cites to untranslated Japanese-language publications.

***