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# Trade Secrets

Japan

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## Law and Practice

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## 1. Legal Framework

### 1.1 Sources of Legal Protection for Trade Secrets

The Unfair Competition Prevention Act (UCPA) defines the term “trade secret”. In Japan, trade secrets were protected by general tort law until 1990, but have since been covered by the UCPA. The protection of trade secrets by the UCPA is characterised so as to ratify the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS, which Japan joined in 1995, based on negotiations that were conducted beginning in 1987), which establishes the minimum standards for the protection of trade secrets by its members. The protection of trade secrets has been further strengthened by many amendments of the UCPA.

### 1.2 What Is Protectable as a Trade Secret

“Trade secret” means technical or business information that is:

- kept secret (secrecy management);
- useful for business activities – eg, methods of manufacturing or marketing (usefulness); and
- not publicly known (non-public domain).

Trade secrets can be protected by civil and criminal measures under the UCPA.

If a trade secret is infringed (Articles 2 (1) 4 to 10 of the UCPA), a claim for an injunction, a claim for damages, and a request to take necessary measures to restore a business reputation can be made, collectively.

Persons who commit an infringement of trade secrets (Articles 21 (1) of the UCPA) will be punished by imprisonment with required labour for not more than ten years or a fine of not more than JPY20 million or both.

### 1.3 Examples of Trade Secrets

Trade secrets are divided into two types of information: technical information and business information.

Typical examples of technical information are manufacturing technology, manufacturing device design drawing, experimental data, research reports, inspection methods, CAD (computer-aided design) data, and so on.

Typical examples of business information are customer lists, “vendor and supplier lists”, material purchase prices, costs, sales amounts, suppliers, personal information, and so on.

The infringement of trade secrets outside Japan is also protected by the UCPA if the trade secrets are owned by a company outside Japan that is also doing business in Japan.

### 1.4 Elements of Trade Secret Protection

Trade secrets are defined as technical or business information that is:

- kept secret (secrecy management);
- useful for business activities – eg, methods of manufacturing or marketing (usefulness); and
- not publicly known (non-public domain).

For the requirement of “secrecy management” to be satisfied, it is necessary for the corporation or entity that owns the trade secret to indicate to employees their intention to manage their secrets by means of rational and economically feasible secrecy management measures according to the specific circumstances of the given case, thereby allowing the employees to easily discern the company’s intention to manage the secrets. However, it is not appropriate to require a specific corporation to implement high degrees of security measures regarding a piece of information in order to receive legal protection for its trade secrets under the UCPA.

The requirement of “usefulness” aims mainly to protect information that is recognised as “commercially valuable” in a broad sense, and to exclude information regarding violations of public welfare and morality (eg, information about tax evasion, careless release of harmful substances, and other antisocial conduct). Therefore, almost all types of information meet the requirement of “usefulness”.

The requirement of “non-public domain” refers to a state where the relevant trade secret is not generally known, or a state where the secret is not easily discovered. The non-public domain requirement for trade secrets is not interpreted in the same manner as “inventions that were publicly known” (Article 29 of the Patent Act). In the interpretation of the Patent Act, any information can be in the public domain if the relevant person has no obligation to keep it confidential, even if only specific persons know the relevant information. In terms of trade secrets that are not publicly known, the secrets may be considered to be not in the public domain if the information is only known by specific persons who keep it confidential.

### 1.5 Reasonable Measures

There is no requirement for a trade secret owner to show that it took reasonable measures to protect its trade secrets.

However, the owner has to show that the information was treated in a manner that fulfils the requirement of “secrecy management”. Therefore, the owner has to show that the information was kept confidential by adequate secrecy management measures. The required levels of specific security measures vary with the size and business style of specific corporations, the respon-

sibilities of the employees, the nature of the information, and other circumstances.

### 1.6 Disclosure to Employees

Generally, the disclosure of a trade secret to employees has no effect on the availability of protection for the trade secret, because employees have a duty of confidentiality under their employment contracts.

Note that, if information that was accessible only to a specific employee is disclosed to other employees without limitations, this treatment of the information may result in a ruling that the company failed to comply with the requirement for secrecy management.

### 1.7 Independent Discovery

Independent discovery or reverse engineering do not have an effect on the existence of trade secret protection, as long as the trade secret is kept secret and is not publicly known. Note that if the information is easily discovered through reverse engineering, it may seem that the information was not (kept) secret.

### 1.8 Computer Software and Technology

There are no special protections for trade secrets that are unique to computers and/or technology. Computer software and/or technology are treated the same as other forms of trade secrets.

### 1.9 Duration of Protection for Trade Secrets

There is no limitation on the duration of protection for trade secrets. Therefore, information is protected as a trade secret for as long as the information qualifies under the definition of “trade secret”. Disclosure (including controlled disclosure) of trade secrets does not have any effect on the existence of trade secret protections, as long as the trade secret is kept secret and is not publicly known. When disclosing trade secrets, owners of those trade secrets should impose a duty of confidentiality on those who receive the trade secrets; otherwise, disclosure of the information may result in a failure to comply with the requirement of secrecy management.

### 1.10 Licensing

A trade secret owner has the right to license the trade secret. Licensing does not have any effect on the existence of trade secrecy, as long as the trade secret is kept secret and is not publicly known. There is no statutory requirement for a trade secret owner to maintain the trade secret where the owner has granted a licence to use the trade secret. In practice, the licensor imposes a duty of confidentiality on the licensee, requiring that the information must be kept secret and not become publicly known.

### 1.11 What Differentiates Trade Secrets from Other IP Rights

There is no registration system for trade secrets. However, patents, utility model rights, design rights, trade marks, layout-design exploitation rights, and plant breeder’s rights are protected through registration under the Patent Act, the Utility Model Act, the Design Right Act, the Trademark Act, the Act on the Circuit Layout of Semiconductor Integrated Circuits and the Plant Variety Protection and Seed Act. A registration process is available for copyrights but only on limited grounds, and no registration is necessary under the Copyright Act.

In Japan, “data for limited provision” has also been protected as intellectual property since July 2019. Data for limited provision means technical or business information accumulated or managed in significant volume by electronic or magnetic means as information provided to certain persons (such as a business) on a regular basis. It does not cover data that constitutes a trade secret or is provided to non-specified persons free of charge (Article 2 (7) of the UCPA). There is no registration system for data for limited provision.

Trade secrets and data for limited provision are protected from acts of wrongful acquisition, disclosure and use, and a subsequent acquirer can also be penalised for those acts (Article 2 (1) 4 to 16 of the UCPA). Note that a subsequent acquirer who, due to a serious mistake, was not aware that wrongful acquisition or similar actions were involved in the subsequent acquisition can be penalised for wrongful acquisition or similar actions with regard to trade secrets, but not with regard to data for limited provision.

Trade secrets and data for limited provision are not disclosed to the public.

However, patents, utility model rights, design rights, trade marks, layout-design exploitation rights and plant breeder’s rights are disclosed through the registration process.

Copyright has no compulsory disclosure system.

There is no definition of or limitation on the duration of protection for trade secrets and data for limited provision. Therefore, information is protected as a trade secret or as data for limited provision as long as it qualifies under the definition of “trade secret” or “data for limited provision”.

A patent right is effective upon registration, and expires 20 years after the application filing date.

A utility model right is effective upon registration, and expires ten years after the application filing date.

A design right expires 20 years after the date of its registration.

Registered trade mark protection expires ten years after the date of registration, and the registration can be renewed for additional periods of ten years, repeatedly.

In principle, copyright protection commences automatically upon creation of the work, and continues for 70 years after the death of the author.

A layout-design exploitation right expires ten years after the date of its registration.

A plant breeder's right expires 25 years after the date of its registration (30 years for a perennial plant).

## 1.12 Overlapping IP Rights

A plaintiff may assert trade secret rights in combination with other intellectual property rights, such as copyrights, as long as the elements for the protection of trade secrets are still met. However, there are very few cases in which trade secrets overlap with other intellectual property rights.

## 1.13 Other Legal Theories

It is possible to bring claims relating to trade secrets that do not turn on misappropriation. For example, it is possible to bring claims that someone incited the perpetrator's misappropriation or that someone acted as an accessory to the perpetrator (Article 719(2) Civil Code). In addition, it is possible to bring a claim for tortious interference (Article 709 Civil Code), if, for example, a defendant has induced an employee to breach a contractual confidentiality obligation to the owner of the trade secrets.

## 2. Misappropriation of Trade Secrets

### 2.1 The Definition of Misappropriation

Trade secrets are protected against acts of wrongful acquisition, disclosure and use (Article 2 (1) 4-10 of the UCPA). If the owner of a trade secret asserts wrongful use, they must be able to show that the trade secret was actually used by the defendant.

There are two types of misappropriation. One involves the unauthorised acquisition set forth in Article 2 (1) 4, and the other involves significant violations of the principle of good faith set forth in Article 2 (1) 7. If the owner claims misappropriation based on Article 2 (1) 4, they have to prove that the acquisition was unauthorised, such as by theft, fraud, duress or other wrongful means. Note that if a plaintiff verified the defendant's wrongful acquisition (prescribed in Article 2 (1) 4, 5, 8) of a certain technical trade secret and the defendant's production, et al, of the object or other thing produced by using the technical

trade secret, then the defendant is presumed to have conducted production, et al, as a wrongful use (prescribed in Article 2 (1) 4, 5, 8) of the technical trade secret (Article 5-2).

### 2.2 Employee Relationships

The elements of a trade secret misappropriation claim do not differ depending on whether or not the misappropriation involves an employee of the owner. There is no specific statutory obligation for an employee to protect the trade secrets of his/her employer; however, generally speaking, an employee has a duty of confidentiality included in his or her employment contract or in the employer's Work Rules, which are the contractual rules that employees must observe.

### 2.3 Joint Ventures

In Japan, there is no special obligation between joint venturers with respect to trade secrets. In practice, a licensor generally imposes a duty of confidentiality on licensees with regard to the information being kept secret and not becoming publicly known.

### 2.4 Industrial Espionage

In Japan, there are no special laws or claims that are unique to industrial espionage, unlike other jurisdictions such as the USA or Korea. However, a heavier statutory penalty is imposed on certain offences, including intentional misappropriation of trade secrets overseas, as described in article 21 (3) of the UCPA.

## 3. Preventing Trade Secret Misappropriation

### 3.1 Best Practices for Safeguarding Trade Secrets

In 2015, the Ministry of Economy, Trade and Industry (METI) published the Handbook for Protecting Confidential Information (the "Handbook"), which described "best practices" for safeguarding trade secrets. The Handbook provides guidance with regard to defining "Confidential Information" or trade secrets, how to prevent leakage of trade secrets, and how to deal with a possible misappropriation of trade secrets. For example, according to the Handbook, when considering measures to prevent leakage of trade secrets, it is important to note how to restrict access to the information, how to make it difficult to remove or reveal the information, how to create a visible environment, how to improve employees' understanding of confidential information, etc. The Handbook further describes the recommended measures to be taken to prevent being accused of infringement of other's trade secrets, in particular when you accept new employees from another company (see 4.2 **New Employees**) and when you develop new technologies independently from other's trade secrets.

The best practices described in this Handbook do not explicitly differ across industries or depending on the nature of the trade secrets, although the Handbook identifies ways that technical information (eg, chemical formulas, mechanical designs, technical manuals) and non-technical information (eg, customer lists, price lists, sales know-how) could be treated differently.

### 3.2 Exit Interviews

In exit interviews, departing employees are often asked to provide written assurances with respect to maintaining the confidentiality of information they obtained during their work, in addition to the Work Rules that are applicable to existing employees, which often include confidentiality clauses. Departing employees are also requested to return or delete any documents or media containing the company's confidential information. It is not very common for employers to ask departing employees about the nature of the new position that they will take, and there is no obligation for departing employees to disclose their new jobs or positions. In addition, in some cases, non-competition agreements may be considered, although the effectiveness of non-competition obligations are strictly examined if argued before a Japanese Court (see **4.1 Pre-Existing Skills and Expertise**).

## 4. Safeguarding Against Allegations of Trade Secret Misappropriation

### 4.1 Pre-Existing Skills and Expertise

In Japan, protectable trade secrets are information that meets three conditions:

- the information is kept confidential;
- the information is useful for business activities; and
- the information is not publicly known.

If these conditions are met, an employee's personal knowledge and skills – if not recorded in writing or shared with others – can be protected as trade secrets. Thus, theoretically speaking, there is no particular distinction between an employee's general knowledge and skills and protectable trade secrets. In practice, protectable trade secrets should be stored on physical media, such as hard copy documents and data, since it is easier to prove infringement if an employee wrongfully acquires trade secrets stored on such media.

The doctrine of "inevitable disclosure" is not explicitly recognised in Japan. It is difficult for a court to issue an injunction against an employee transferring to another company in order to prevent an inevitable disclosure of trade secrets because the employee is entitled to freedom of choice in his or her employment. In many cases, non-competition clauses in written assur-

ances entered into with departing employees are controversial, and Japanese courts generally take a strict stance against restricting employees' freedom of choice in employment. In many cases, non-competition clauses with an effective period of more than one year and/or without any remedy are deemed to be null and void.

### 4.2 New Employees

The best practices that employers use in Japan when hiring employees from competitors are as follows:

- before the individuals are hired, confirming the contractual restrictions imposed on the individuals by their previous employers
- during the on-boarding process, obtaining written assurances from the employees to ensure that they have not brought with them any confidential information that belongs to previous employers or third parties, and that the employees will not use any confidential information belonging to previous employers in their work for their new employers; and
- after the new employees start work at their new places of employment, the employers check the employees' work periodically to ensure that they are not using confidential information belonging to previous employers.

These approaches are useful in proving that the new employers did not exercise gross negligence in their hiring process if they become subject to trade secret misappropriation claims.

## 5. Trade Secret Litigation

### 5.1 Prerequisites to Filing a Lawsuit

In Japan, filing a written complaint with the relevant court is sufficient; no prerequisites or preliminary steps are required before filing a trade secret civil lawsuit. No mediation or ADR procedure is necessary in Japan.

### 5.2 Limitations Period

Under Article 15(1) of the UCPA, there are two applicable statutes of limitations. First, an owner must exercise its right to seek an injunction/damages within three years from the time they become aware of the infringement. In addition, the owner must exercise its right to seek an injunction/damages within 20 years of the commencement of the infringement. In principle, the owner needs to take formal legal action (such as filing a lawsuit) within these periods.

### 5.3 Initiating a Lawsuit

An owner must submit a written complaint to one of the courts that has jurisdiction. A written complaint should include relevant facts to support the owner's claim. The owner needs to

identify the trade secret in dispute, though precise identification at the initial stage is sometimes very difficult.

## 5.4 Jurisdiction of the Courts

Unlike patent litigation, there is no exclusive jurisdiction clause in the Code of Civil Procedure for trade secret litigation; the owner can choose from wherever the Code of Civil Procedure stipulates. The relevant jurisdictions include the place of the defendant's residence, the place of the infringement and the place of performance of the obligation. The Code also provides additional special jurisdictions in case of trade secret litigation either in the Tokyo District Court or the Osaka District Court, depending on the location of the original jurisdiction. The Tokyo District Court and the Osaka District Court have special divisions that focus on intellectual property rights, including trade secret rights.

## 5.5 Initial Pleading Standards

In Japan, there is no notion of "initial pleading standards". However, the owner bears the burden of proof under the high probability doctrine and needs to collect and present evidence by itself, as there is no US-type discovery system in Japan. Although the owner can collect and supplement evidence through evidence collection systems such as document production orders, the owner needs to allege facts with evidence to convince the judges to proceed with the litigation and to allow some evidence collection systems. No particularity standard is applicable to trade secret claims.

## 5.6 Obtaining Information and Evidence

In Japan, there is no US-type discovery system and the owner needs to collect evidence by itself to support its allegation. In principle, the owner needs to provide sufficient facts and evidence during the court proceedings, but not necessarily at the time of the filing completely. At the initial stage, the owner normally needs to gather circumstantial evidence through collaborators. The owner can also use the "preservation of evidence" system under the Code of Civil Procedure to gather evidence, even before filing a civil lawsuit. Also, if there is a relevant criminal case, it is possible for the owner to gather criminal records to support its allegation through the so-called "commission to send document system" during the lawsuit. Furthermore, a court can issue a document production order to the defendant to have it submit internal documents to support trade secret misappropriation (Article 7 of the UCPA), though Japanese document production orders are a much more specific and narrow request compared to US-type discovery.

## 5.7 Maintaining Secrecy while Litigating

Civil litigation hearings should be open to the public, but because of sensitivity in trade secret cases, courts frequently use preparatory hearings, which are private proceedings, so

that third parties cannot access the trade secrets in dispute. The litigation record should also be open to the public in principle, but the owner can file a motion to seal to prevent third parties from accessing the trade secrets at issue. The seal is valid even after the case ends. The owner can also file a motion to seal in judicial fact-gathering or evidence-gathering cases. In relation to the opposing party, the owner can request a protective order when they need to disclose their trade secrets to the other party in the course of litigation so that the opposing party cannot use those trade secrets for any purpose other than the litigation. A protective order can also limit the scope of recipients who can receive the trade secrets. However, as a protective order is not so flexible, it is also practical to execute a confidentiality agreement between the parties.

## 5.8 Defending against Allegations of Misappropriation

Defences depend on the case and the identity of the defendant, but it is very common to attack the basic requirements of a trade secret – ie, that it is kept secret, that it is non-public and that it is useful. Also, it is common to argue that the plaintiff has not specified what the trade secret is. In addition, if the defendant is an indirect recipient of a trade secret, it is also possible to argue that the defendant did not have any knowledge of and was not grossly negligent in failing to know of the illegal disclosure. As the Code of Civil Procedure does not have a US-type discovery system, it is also common to point out that the plaintiff has not sufficiently proven its allegation, given that the plaintiff owes the burden of proof, though the plaintiff can supplement its evidence through the evidence collection systems.

## 5.9 Dispositive Motions

There is no US-type dispositive motion system in Japan (such as motions to dismiss with prejudice or motions for summary judgment). However, a court can end a case earlier and issue a judgment if appropriate, when the court considers that it has no jurisdiction over the case, for example.

## 5.10 Cost of Litigation

Litigation costs largely depend on various circumstances, so it is very difficult to provide a general estimate. In general, however, because there is no US-type discovery in Japan, litigation costs are much cheaper than in the USA. Court costs such as filing fees and travel expenses of witnesses should be paid by the losing party in principle. Attorneys' fees should be paid by each party, but it is possible to include some attorneys' fees in the damages to be compensated. Contingency litigation is a recognised concept in Japan, though it is not popular in practice. Litigation financing is not prohibited in Japan, but it is still very uncommon, partly because of the lack of clear rules and lower litigation costs in Japan.

## 6. Trial

### 6.1 Bench or Jury Trial

There is no civil jury system in Japan. All cases are decided by professional judges, including trade secret cases.

### 6.2 Trial Process

As there is no civil jury system in Japan, there are no clear distinctions between trial processes. During the entire litigation, judges examine facts and evidence, and intensive examination of witnesses and parties is conducted after the issues are identified. There is no hearsay rule in Japanese civil litigation, so theoretically the judges can decide based on documents/evidence. Judges scrutinise what each side argues on paper and what the written evidence stipulates. If there is a disagreement over facts, each party calls its live witnesses and the judges hear testimony. In practice, each party's argument is presented by written briefs, not by oral arguments. The length of a trial or the intensive examination period largely depends on each case, but trade secret cases tend to take longer than normal commercial disputes because of the complex issues involved. In Japan, most cases are settled before judgment.

### 6.3 Use of Expert Witnesses

Expert witnesses are used in Japan, but the parties provide the expert opinions in written form first and later call the experts as witnesses. Expert witnesses will be examined through direct and cross-examination. No specific rules or guidelines exist in relation to expert testimony. The cost largely depends on each case, but generally tends to be lower than in the USA.

## 7. Remedies

### 7.1 Preliminary Injunctive Relief

Preliminary injunctive relief is available in Japan, based on the Civil Provisional Remedies Act. In addition to the requirements in the main proceedings, the owner must prove substantial detriment or imminent danger relating to trade secret infringement. The preliminary injunctive relief lasts until the judgment in the main proceedings. The owner normally needs to place a bond in advance of the court's order. The amount of the bond is decided based on various factors, including the scale of the business and the impact of the preliminary injunction.

### 7.2 Measures of Damages

There is no restriction on damages, as long as the owner proves legally sufficient cause between the infringer's intentional act or negligence and the damage suffered by the owner (Article 4 of the UCPA). As it is very difficult to prove the exact amount of damages in trade secret cases, Article 5 of the UCPA basically

stipulates the following three presumptions for damages and the owner can choose the presumption:

- the amount obtained by multiplying the infringer's assigned quantity by the amount of the owner's profit per unit;
- the profits obtained by the infringer; and
- the amount of the licensing fee.

The owner can seek additional damages beyond the amount of the aforementioned presumption, such as some attorneys' fees and research fees. Punitive damages are not available in Japan.

### 7.3 Permanent Injunction

Permanent injunctive relief is available in Japan. The claimant can obtain an order to destroy the accused products, but the order is only enforceable to the extent the claimant still has ownership. The claimant cannot request an order requiring a recall. Also, normally it is not possible to obtain an order that limits an employee's subsequent employment, unless the employee agrees to a duty not to compete in advance. There are no limitations on the duration of a permanent injunction, as long as the claimant files within the statutory limitation period mentioned in 5.2 **Limitations Period**.

### 7.4 Seizure

Ex parte civil seizure is not available in Japan. Seizure is available through preliminary injunctions or permanent injunctions, which are not ex parte proceedings. The seizure order can be issued together with injunctive orders. The owner needs to prove the necessity of the seizure order together with the requirements of injunctive relief. The bar for a seizure order at the time of a preliminary injunction is said to be very high, as the judges regard preliminary injunctive relief on sales as being sufficient at that stage.

### 7.5 Attorneys' Fees

In trade secret cases, plaintiffs can recover some attorneys' fees as part of the owner's damages, as long as they have legally sufficient cause with the infringement. The judges decide the amount of attorneys' fees that should be recovered in the judgment on the litigation. No separate process for recovering attorneys' fees is needed.

### 7.6 Costs

In principle, court costs such as filing fees and witnesses' fees and their travel expenses should be paid by the losing party, but judges can decide who should bear the court costs in their final judgment on the main case and the amount to be owed. Attorneys' fees are not included in court costs, but the claimant can seek them as a part of the damages. No separate process is needed.



## 8. Appeal

### 8.1 Appellate Procedure

With regard to the process of appealing a judgment, the losing party must submit a written petition of appeal to the original court where the original judgment was issued within two weeks from the date when service of the judgment is received. Both claimants and respondents can appeal, as long as at least part of their claims are denied in the judgment. The length of the appeal process depends on each case, but it tends to be shorter than the first instance process as the appeals courts need only one hearing in most cases.

Only a final judgment is eligible for appeal, but in the appeal process the appellant can contend the original court's intermediate judgment or decisions that do not allow independent appeals.

As Japan adopts a nationwide, uniform judicial system, there is no significant difference between each high court with regard to the appeal process.

### 8.2 Factual or Legal Review

The appeals courts review both factual and legal issues. As the appeals courts are still regarded as consecutive fact-finding proceedings, they review cases from de novo, though the scope of review is limited to what the appellant disputes in the petition of appeal. Also, the appeals courts have discretion to reject new evidence/arguments if the parties have failed to submit them in a timely manner. The parties can agree not to appeal prior to obtaining a judgment, as long as both parties agree in writing. The parties can agree not to appeal while retaining a "leap appeal" right to the Supreme Court for legal issues prior to judgment. Unless the parties agree as stated above, they can reserve their right to appeal any matter, but need to include the issues in the petition of appeal. The parties must submit an appeal within two weeks of the date when service of the original judgment is received. The appeals courts can conduct two or more hearings, including a new examination of witnesses, but in most cases they conduct only one hearing before judgment and decide based on the papers, including the litigation records from the original court.

## 9. Criminal Offences

### 9.1 Criminal Penalties for Trade Secret Misappropriation

Criminal penalties for trade secret misappropriation in Japan were introduced by the 2003 amendment of the UCPA.

Under the UCPA, trade secret misappropriation is a criminal offence that could result in imprisonment with labour as well as criminal fines that can be levied on individuals found guilty of trade secret misappropriation. Under the UCPA, criminal penalties will be imposed on individuals as well as the corporations to which the individuals belong.

Article 21 of the UCPA provides that a person who acquires, uses or discloses trade secrets through an act of fraud, etc, or through the usurpation of management for the purpose of obtaining a wrongful gain or causing damage to the owner of the trade secrets, or a person who obtains trade secrets in breach of the legal duties regarding management of the trade secrets, will be punished by imprisonment with labour for not more than ten years or a fine of not more than JPY20 million, or both. Also, a person who – for the purpose of obtaining a wrongful gain or causing damage to the owner of trade secrets – assigns, delivers, displays for the purpose of transfer or delivery, exports, imports or provides through a telecommunications line things created through trade secret infringement (excluding a person who has received the things by transfer without knowing that the things were created by an act of illegal use) will also be punished by imprisonment with labour for not more than ten years or a fine of not more than JPY20 million, or both.

The corporation to which the person who conducted such trade secret misappropriation belongs will be punished by a fine of not more than JPY500 million. Such fine will be levied in addition to the fine imposed on the individual (Article 22 of the UCPA).

If those actions are conducted for the purpose of using trade secrets outside Japan, the criminal fines will be higher:

- for an individual, a criminal fine of not more than JPY30 million;
- for a corporation, a criminal fine of not more than JPY1 billion.

An (ultimately unsuccessful) attempt of trade secret misappropriation can result in criminal sanctions. In addition, the distribution of products that were manufactured by using misappropriated trade secrets can result in criminal sanctions and civil remedies.

Prior to 2016, wrongful acquisition of a trade secret outside Japan would not have resulted in criminal liability in Japan; only wrongful use or disclosure outside Japan would have potentially triggered criminal sanctions in Japan. This limitation was removed from the law, and wrongful acquisition of a trade secret outside Japan was added as grounds for criminal sanctions.

Initiating the criminal process prior to 2016 required an accusation by the victim, because the decision of whether trade secret infringement should be tried in court should be left to the victim. Now, no accusation by the victim is required and the prosecutor's office can issue an indictment at its own discretion. In practice, however, the victim should first consult with the police regarding possible infringement of its trade secrets. Once the case is initiated, the police may conduct a dawn raid to investigate, and a prosecutor will issue an indictment. The case will then be sent to court. There are special rules for protecting the confidentiality of trade secrets at issue during criminal proceedings in court.

In order to be criminally liable, the violator must have "the purpose of obtaining a wrongful gain or causing damage to the owner of the trade secrets" in conducting misappropriation. Therefore, for a criminal charge for theft of trade secrets, possible defences include lack of the purpose of obtaining a wrongful gain or causing damage to the owner of the trade secrets. Also, if the violator does not have the intent to acquire, disclose or use trade secrets, he/she cannot be criminally liable. Such defences could differ from the defences available in a civil case because, in a civil case, there is no need to prove "the purpose of obtaining a wrongful gain or causing damage to the owner of the trade secrets," and the violator can be civilly liable even if he/she does not have the intent to acquire, disclose or use trade secrets, if he/she is grossly negligent in doing so.

In Japan, criminal sanctions for trade secret misappropriation were not actively used in the past. As the standard of proof required to make a criminal case is higher than that for a civil case (it needs to be "beyond a reasonable doubt"), there was a tendency for prosecutors to be reluctant to actually indict cases. Due to multiple amendments of the UCPA to increase the number of criminal cases, including expansion of the coverage

of criminal offences and the introduction of measures to protect confidentiality of trade secrets in criminal courts, criminal investigations are now being used more frequently than before. Many of the recent civil cases involve criminal cases being investigated concurrently or previously. It is a typical approach for a victim to consult with the police to start a criminal investigation and obtain necessary evidence from the files of the criminal case, which will be used as the plaintiff's evidence in a civil case.

## 10. Alternative Dispute Resolution

### 10.1 Resolving Trade Secret Disputes

In Japan, there is no specific alternative dispute resolution mechanism designed for trade secret disputes. For general intellectual property disputes, the "Intellectual Property ADR" system is available but it is still in a preliminary stage, and it is not clear whether trade secrets disputes have been resolved through Intellectual Property ADR.

In Japan, more generally, the Japan Commercial Arbitration Association offers an arbitration mechanism, which is often used in international/domestic commercial disputes. As far as is known, however, it is not very common to use such arbitration forum to resolve trade secret disputes in Japan. This may be because, as a forum to resolve trade secret disputes, the intellectual property division of the Tokyo/Osaka District Court and the Intellectual Property High Court in Tokyo have ample experience in trade secrets disputes as well as other forms of intellectual property cases. It is also possible to use various measures to protect the confidentiality of trade secrets in court proceedings, such as protective orders and orders to keep litigation files confidential from any third parties; thus, there is no particular need for alternative dispute resolution mechanisms to protect the confidentiality of trade secrets at issue.

**Nishimura & Asahi** is Japan's largest law firm, covering all aspects of domestic and international business and corporate activity. The firm has more than 600 Japanese and foreign lawyers, and employs over 700 support staff, including licensed tax counsels and patent attorneys. Since 2010, it has opened offices in various Asian countries, the USA, the Middle East and Europe. As experts in international law, Nishimura & Asahi has also created a network covering many countries in Europe, the USA and beyond. The firm represents companies in major

civil and criminal cross-border trade secret litigation in Japan, including several leading trade secret misappropriation cases, such as the Nippon Steel-POSCO and Toshiba-SK Hynix cases. Through the enhancement of professional and organisational synergies resulting from the firm's expansion, an unprecedented level of client service is made possible in highly specialised and complex areas of commercial and corporate law, including intellectual property practice.

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