

Trade Secret Protection in Japan

- Recent Amendment of UCPA -

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Intellectual Property Policy Office
Ministry of Economy, Trade and Industry

1 Unfair Competition Prevention Act

- Japan has a special law, the Unfair Competition Prevention Act (“UCPA”), which regulates trade secret infringement.

UCPA Article 1

The purpose of this Act is to ensure fair competition among business operators and the proper implementation of related international agreements, **to provide measures for the prevention of unfair competition** and compensation for damages caused by unfair competition and **thereby contribute to the sound development of the national economy**.



2 Acts of Unfair Competition

- Infringement of trade secrets is one of the acts of unfair competition which UCPA regulates.

Acts of Unfair Competition

1. Causing confusion by using another famous person's likeness
2. Imitation of shape/form of goods
3. **Infringement of trade secrets**
4. Avoidance of technological restriction measures
5. Illicit acquisition of domain name
6. Act of misrepresenting information related to origin or quality
7. Act of injury to business reputation
8. Illicit use of foreign national flags or crests, etc.
9. Bribery of foreign officials

Remedies

Civil Recourse

- ✓ Right to seek an injunction
- ✓ Claim for damages, presumption of amount of damages, etc.

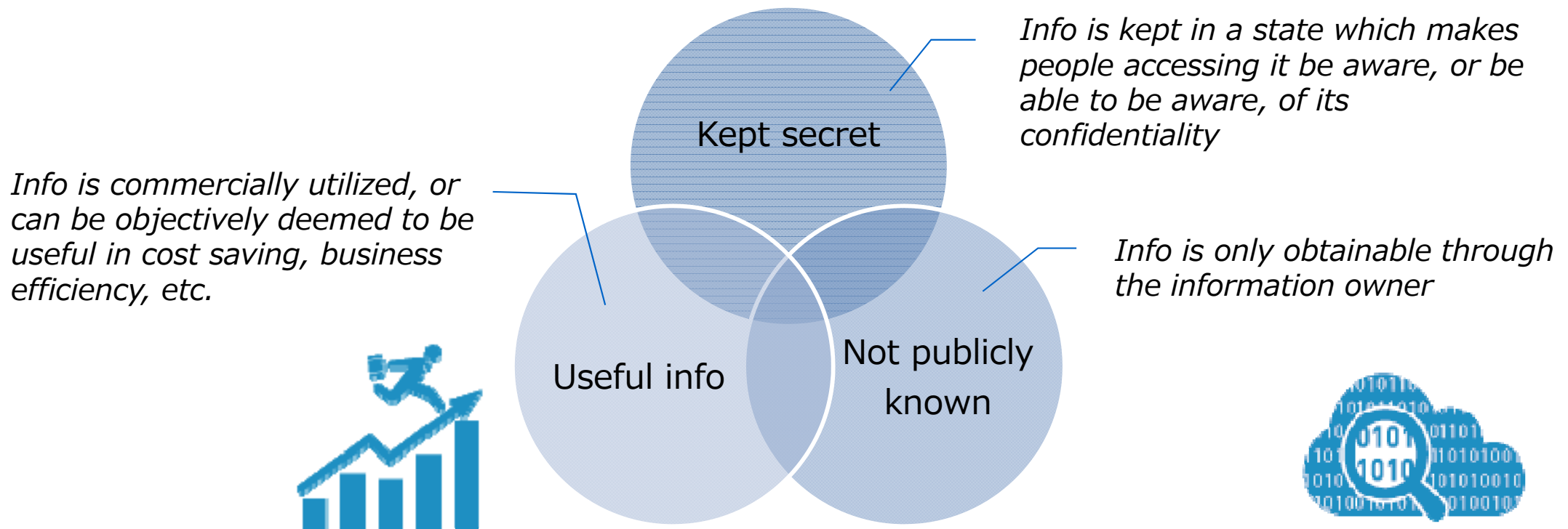
Criminal Recourse

- ✓ Penalty (Imprisonment, fine)
- ✓ Criminal penalties applicable to legal entities
- ✓ Penal provisions for acts in foreign countries

3 What Constitutes a “Trade Secret”?

- Three key factors of trade secrets;

1) **Kept secret** , 2) **Useful info**, 3) **Not publicly known**



* UCPA Article 2(6) defines a **trade secret** as:

- technical or business **information useful for commercial activities** such as manufacturing or marketing methods,
- that is **kept secret**; and
- that is **not publicly known**.

4 Past Revision of UCPA

- Japan has strengthened the protection of trade secrets through several revisions of UCPA.

1990	Partial revision of UCPA introducing trade secret protection
2003	Introducing criminal recourse
2005	Strengthening of punishment; etc.
2006	
2009	
2011	Maintenance of criminal procedures for appropriate protection of trade secrets in the courts



5 Amendment of UCPA in 2015 - Background

- Japan amended both civil and criminal articles of UCPA in 2015 for the purpose of increasing deterrents against infringement of trade secrets.

A) Background;

- i. Recognition of importance and value of trade secrets.
 - ✓ Many companies' acceptance of "Open-Close strategy"
- ii. Several trade secret infringement cases which drew the attention of many people.
 - ✓ NIPPON STEEL & SUMITOMO METAL CORPORATION (2012)
 - ✓ TOSHIBA CORPORATION (2014)
 - ✓ Benesse Holdings, Inc. (2015) ... etc.

B) Outline of amendment;

- i. Expansion of criminal protection coverage
- ii. Increase deterrents
- iii. More effective civil remedies



**Stronger Protection
of
Trade Secrets**

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i. Expansion of criminal protection coverage

a) Punishment of subsequent dishonest acquirer

Before

- Punishment was limited to the 2nd dishonest acquirer



After

- **No limitations** (3rd, 4th, 5th ...)

b) Punishment for attempted infringement

Before

- NO Punishment



After

- **Punishment is applicable** to attempted trade secrets infringement

c) Regulation of distribution of trade secret infringing products

Before

- NO regulation



After

- **Civil & criminal recourses are available** against trade secret infringing products

d) Punishment of trade secret crimes outside Japan

Before

- Wrongful use / Disclosure
: Crimes outside Japan
- Wrongful acquisition : NO



After

- **Wrongful acquisition** is also a **crime outside Japan**

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ii. Increase deterrents

e) Maximum fine

Before

- Natural person: 10 million Yen
- Judicial person : 300 million Yen



After

- Natural person : **20 million** Yen
- Judicial person : **500 million** Yen
- ✓ Heavier fine against specific crimes which negatively affect the Japanese economy
 - Natural person : **30 million** Yen
 - Judicial person : **1 billion** Yen

f) Prosecution

Before

- Any prosecution requires complaint by the injured party



After

- **Prosecution despite absence of complaint is possible**

g) Discretionary confiscation

Before

- NO procedures for confiscation in UCPA



After

- UCPA introduces procedures for **discretionary confiscation**

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iii. More effective civil remedies

h) Reduction of Burden of Proof

Before

- Plaintiff needs to prove all of the following facts:
 - ✓ Defendant's wrongful acquisition of trade secrets
 - ✓ Defendant's wrongful use of trade secrets
 - ✓ Actual damage of plaintiff



After

- Plaintiff **doesn't need to prove the following fact** if he or she can meet certain requirements
 - ✓ **Defendant's wrongful use of trade secrets***
- Defendant needs to produce counter-evidence

*Amended UCPA says only technical secret regarding manufacturing methods can enjoy the reduction of burden of proof.

i) Extension of Statute of Limitations

Before

- 10 years after the start of wrongful use



After

- **20 years** after the start of wrongful use

9 Schedule

- Revised UCPA will become effective on Jan 1, 2016.
- Introduction of **new customs procedures** for trade secret infringing products is now being considered among relevant ministries.

2015/7/3 Amendment of UCPA was approved by the Diet

2015/7/10 Promulgation

2016/1/1 Revised Law will become effective*

* Article 1 of Supplementary Provisions

This Act shall come into effect on a day specified by Cabinet Order within a period not exceeding six months from the day of promulgation; provided, that the provisions of **Article 15 of this Act** shall come into effect **as of the day on which this Act comes into effect.**



Statutes of Limitations