
CHAMBERS GLOBAL PRACTICE GUIDES

Trade Secrets 2025

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Japan: Law and Practice

Miki Goto, Ryo Murakami and Akihito Ishii
Anderson Mori & Tomotsune



JAPAN

Law and Practice

Contributed by:

Miki Goto, Ryo Murakami and Akihito Ishii
Anderson Mori & Tomotsune



Contents

1. Legal Framework p.5

- 1.1 Sources of Legal Protection for Trade Secrets p.5
- 1.2 What Is Protectable as a Trade Secret p.5
- 1.3 Examples of Trade Secrets p.5
- 1.4 Elements of Trade Secret Protection p.6
- 1.5 Reasonable Measures p.6
- 1.6 Disclosure to Employees p.6
- 1.7 Independent Discovery p.7
- 1.8 Computer Software and Technology p.7
- 1.9 Duration of Protection for Trade Secrets p.7
- 1.10 Licensing p.7
- 1.11 What Differentiates Trade Secrets From Other IP Rights p.7
- 1.12 Overlapping IP Rights p.7
- 1.13 Other Legal Theories p.8
- 1.14 Criminal Liability p.8
- 1.15 Extraterritoriality p.8

2. Misappropriation of Trade Secrets p.8

- 2.1 The Definition of Misappropriation p.8
- 2.2 Employee Relationships p.9
- 2.3 Joint Ventures p.9
- 2.4 Industrial Espionage p.9

3. Preventing Trade Secret Misappropriation p.10

- 3.1 Best Practices for Safeguarding Trade Secrets p.10
- 3.2 Exit Interviews p.10

4. Safeguarding Against Allegations of Trade Secret Misappropriation p.10

- 4.1 Pre-Existing Skills and Expertise p.10
- 4.2 New Employees p.11

5. Trade Secret Litigation p.11

- 5.1 Prerequisites to Filing a Lawsuit p.11
- 5.2 Limitations Period p.11
- 5.3 Initiating a Lawsuit p.12
- 5.4 Jurisdiction of the Courts p.12
- 5.5 Initial Pleading Standards p.12
- 5.6 Seizure Mechanisms p.12
- 5.7 Obtaining Information and Evidence p.12
- 5.8 Maintaining Secrecy While Litigating p.13
- 5.9 Defending Against Allegations of Misappropriation p.14
- 5.10 Dispositive Motions p.14
- 5.11 Cost of Litigation p.14

6. Trial p.14

- 6.1 Bench or Jury Trial p.14
- 6.2 Trial Process p.14
- 6.3 Use of Expert Witnesses p.15

7. Remedies p.15

- 7.1 Preliminary Injunctive Relief p.15
- 7.2 Measures of Damages p.15
- 7.3 Permanent Injunction p.16
- 7.4 Attorneys' Fees p.16
- 7.5 Costs p.16

8. Appeal p.16

- 8.1 Appellate Procedure p.16
- 8.2 Factual or Legal Review p.16

9. Criminal Offences p.17

- 9.1 Prosecution Process, Penalties and Defences p.17

10. Alternative Dispute Resolution p.17

- 10.1 Dispute Resolution Mechanisms p.17

Anderson Mori & Tomotsune is a full-service law firm formed by the winning combination of three leading law firms in Japan: Anderson Mori, one of the largest international firms in Japan which was best known for serving overseas companies doing business in Japan since the early 1950s; Tomotsune & Kimura, particularly well known for its expertise in international finance transactions; and Bingham Sakai Mimura Aizawa, a premier international insolvency/restructuring and crisis-management firm. This

combined firm provides an extraordinarily powerful value proposition. Housing all of these synergistic practices under one roof, and further increasing its resource scale, it has the capability to: (i) serve a multinational client base, (ii) on in-bound, out-bound and domestic projects, (iii) by providing expert, timely and cost-efficient advice, (iv) across a full range of legal issues, and (v) in the largest, most complex, cross-sector transactions.

Authors



Miki Goto is a partner at Anderson Mori & Tomotsune, with an exceptional background as a Japanese lawyer and an academic background in both science and engineering, as well

as professional experience working in the IP department of a major electronics company. His practice covers a wide range of complex IP and technology-related matters, including disputes concerning trade secrets and patents. He also has broad experience in various regulatory matters as well as product liability issues involving chemical substances, pharmaceutical products and other industrial products. Since 2017, he has been serving as the vice chair of the Standing Committee on Trade Secrets of AIPPI.



Ryo Murakami is a partner at Anderson Mori & Tomotsune, advising on IP and technical laws, and has assisted clients in numerous cross-border IP litigation and patent invalidation proceedings.



Akihito Ishii is a special counsel at Anderson Mori & Tomotsune, advising on IP and technical laws, and has assisted clients in numerous cross-border IP litigation and patent invalidation proceedings.

Anderson Mori & Tomotsune

Otemachi Park Building
1-1-1 Otemachi
Chiyoda-ku
Tokyo 100-8136
Japan

Tel: +81 367 751 000
Web: www.amt-law.com

ANDERSON
MORI &
TOMOTSUNE

1. Legal Framework

1.1 Sources of Legal Protection for Trade Secrets

The Unfair Competition Prevention Act (UCPA) specifically provides for the protection of trade secrets in Japan.

Trade secrets may also be protected under the general rule of torts, unjust enrichment, and contracts set forth in the Civil Code.

The UCPA is understood to be a specific and prevailing rule under the general rule of torts, and the general aspects of the exercise of rights under the the UCPA may be governed by the Civil Code.

1.2 What Is Protectable as a Trade Secret

“trade secret” is defined in the UCPA as *“a production method, sales method, or any other technical or operational information useful for business activities that is under management as a secret and is not publicly known”*.

- Controlled under management as a secret (protective measures) – the information must be under management as a secret by appropriate measures that are deemed reasonable

under the specific circumstance, in a manner that the owner’s intention to maintain secrecy can be objectively recognised by those having access to the information, such as the employees. The owner’s subjective intention to keep the information as a secret is not sufficient to meet this requirement.

- Usefulness (commercial value) – the actual use of the information in an ongoing business activity by the owner is not essential; however, the owner must show that the information is at least potentially useful for business activities in the future based on objective standards.
- Not being generally known to public (secrecy) – the information must not be publicly accessible or easily obtainable by a third party.

1.3 Examples of Trade Secrets

Article 2 Clause 6 of the UCPA defines trade secrets as *“production method, sales method, or any other technical or operational information useful for business activities”*. Production method is understood to include information such as the manufacturing methods, blueprints and other technical know-how regarding manufacture. Sales method is understood to include information such as price lists, customer and supplier information, and sales manuals.

In a case involving bidding information obtained unlawfully, the court has found that such information does not deserve protection as a trade secret because the use of such information is adverse to the public interests.

1.4 Elements of Trade Secret Protection

To seek injunctive relief under the UCPA Article 3.1 against misappropriation of trade secrets, it is generally required that:

- the information satisfies the elements of a trade secret (as provided in **1.2 What Is Protectable as a Trade Secret**); and
- there is an act of misappropriation (as provided in **2.1 The Definition of Misappropriation**).

To seek damage compensation under the UCPA Article 4, the following is additionally required:

- that there was intention or negligence of the misappropriating party;
- that its business interests were harmed by the misappropriation; and
- the amount of damage suffered by the owner.

If the owner seeks damages based on the general rule of tort, the elements will be similar to where it seeks damages based on UCPA Article 4, except that the subject information will not be strictly required to fulfil all of the elements of a trade secret, and the harmed interest of the owner shall not be limited to business interests.

If the owner seeks injunctive relief or damages based on breach of contract, the showing that the treatment of the relevant information by the actor violates the contractual obligation it owes to the owner shall be generally required.

If the owner seeks recovery of unjust enrichment by the infringer, the owner must establish that:

- the misappropriating party has gained without legal basis;
- the owner has suffered loss; and
- there is causation between such gain and loss.

1.5 Reasonable Measures

The owner of a trade secret must show that it has taken reasonable measures to keep the information under management a secret in order to enjoy trade secret protection, due to the management requirement explained in **1.2 What Is Protectable as a Trade Secret**. The reasonableness of the measure shall be determined taking into consideration the specific circumstances, including whether taking such measures are commercially reasonable, the scale of the owner, or the nature of business and the information.

In general, courts tend to find that reasonable measures have been taken where the information is clearly marked as confidential, and access to the information was limited to specific employees and required entering of passwords or was physically locked. In contrast, it is often found that reasonable measures were not taken in situations where the information lacked clear markings, free and unrestricted access was allowed to all employees, the protective measures such as passwords or locks were substantially meaningless in practice, or if the information could physically be taken out of its place of storage.

1.6 Disclosure to Employees

Disclosure of a trade secret to an employee will not necessarily disqualify the information from receiving protection as a trade secret, as employees are generally regarded to be under the control of the employer, and thus disclosure will not compromise the secrecy of the information. However, as explained in **1.5 Reasonable Measures**, there must be reasonable protective

measures employed to keep the information under management as secret.

1.7 Independent Discovery

If the relevant information can be revealed through reasonable efforts, such as by conducting analysis on a product in the market by generally available means whose costs are not overly expensive, such information will fail to satisfy the secrecy requirement and not be protected as a trade secret. On the contrary, if the information is only available through extensive reverse engineering by experts requiring significant time and costs, it is understood that it may still satisfy the secrecy requirement.

1.8 Computer Software and Technology

Although by definition it does not fall under trade secret protection, the UCPA offers protection to so-called big data that does not qualify as trade secrets, and provides similar remedies as trade secrets against misappropriation of such data.

1.9 Duration of Protection for Trade Secrets

Trade secret protections shall last perpetually as long as the legal elements required for trade secret protection remain satisfied. Even if the information is disclosed to a third party, the secrecy requirement is satisfied if the information is not deemed to be publicly accessible or easily obtainable by a third party. This includes cases where the information is disclosed under confidentiality obligations.

The effect of accidental or inadvertent disclosure is likely to be determined on a case-by-case basis; however, if there is fault on the owner's side as to the cause of such disclosure, this may be found to demonstrate that the owner did not employ reasonable measures to keep the information under management as secret.

1.10 Licensing

In the context of trade secret protection, licensing is significant in that it involves disclosure to third parties. If the disclosure is not made in a manner that ensures secrecy of the information, such as upon securing of a non-disclosure agreement, the information may be deemed as publicly accessible and lose its protection.

Further, the owner should be mindful that, in order to assert misappropriation falling under the fourth bullet in **2.1 the Definition of Misappropriation**, the misappropriating party must have *"trade secret disclosed by the business operator"*, as opposed to obtaining such information as its own knowledge through transaction with the owner. From this perspective, it is advisable for the owner to identify the information as a trade secret, and demonstrate its intent to provide such information subject to it being treated as confidential.

1.11 What Differentiates Trade Secrets From Other IP Rights

In general, whereas intellectual property rights such as patent rights or copyrights are linked and to a specific invention or creative work and thus considered as a kind of property right, trade secret protection is rather understood as a restriction focusing on the act of exploitation.

Trade secret protection is also unique in that it requires secrecy, whereas intellectual property right regimes tend to encourage the holder of right to share or publish their invention or creation.

1.12 Overlapping IP Rights

Information subject to other intellectual property rights may also enjoy protection as a trade secret as long as such information fulfils the elements of a trade secret. Even if the scopes

of the rights do not exactly overlap, there may be cases where a single act may trigger trade secret infringement and infringement on other intellectual property rights at the same time. For instance, copying a customer list to obtain it unlawfully may constitute both an infringement of the copyright and trade secrets.

In such instance the plaintiff may assert claims based on trade secrets and claims based on copyrights in combination.

1.13 Other Legal Theories

As described in **1.4 Elements of Trade Secret Protection**, owners may also rely on general tort, contractual obligations or unjust enrichment to seek remedies against misappropriation of trade secrets.

As described in **2.2 Employee Relationships**, employees generally owe a contractual obligation to their employer to keep their business secrets confidential.

1.14 Criminal Liability

Criminal penalties are imposed on infringers of trade secrets only where there is wilful infringement, and where additional elements such as purpose of wrongful gain or causing harm to the owner, a violation of the duty of information management, or an act of fraud exists.

Domestic misappropriation subject to criminal penalties is punishable by imprisonment of up to ten years and/or a fine of up to JPY20 million.

Misappropriation with international aspects, such as unlawful acquisition of trade secrets for use outside Japan or unlawful disclosure of trade secrets to a person outside Japan, are punishable by imprisonment of up to ten years and/or a fine of up to JPY30 million.

Further, when such misappropriation was done by an employee in relation to the business of its employer, the employer who is a corporation shall be subject to a fine of up to JPY50 million for domestic misappropriation and JPY100 million for international misappropriation (if the employer is an individual, the employer shall be subject to the same fines as the actor).

1.15 Extraterritoriality

With respect to damages and injunction claims based on trade secret misappropriation, there are several approaches to the applicability of the UCPA on extraterritorial acts. Several court decisions have adopted the approach to determine the applicability of the UCPA to extraterritorial acts pursuant to the general conflict of laws rule regarding torts. According to such rule, the laws of Japan shall apply if the result of the wrongful act occurred in Japan, or, if the occurrence of the result in Japan was ordinarily unforeseeable, if the wrongful act was committed in Japan. Under this approach, the UCPA may apply to extraterritorial acts of misappropriation if the result of the misappropriation occurred in Japan.

With respect to the criminal aspects of trade secret misappropriation, the UCPA specifically sets forth criminal sanctions against certain extraterritorial acts of misappropriation of trade secrets held by an owner doing business in Japan.

2. Misappropriation of Trade Secrets

2.1 The Definition of Misappropriation

Misappropriation of trade secrets is a part of the broader concept of “*unfair competition*” defined in the UCPA. Unfair competition involving trade secrets include the following categories.

- Acquiring a trade secret by theft, fraud, duress or any other wrongful method (collectively, “*wrongful acquisition*”), or using or disclosing a trade secret acquired through wrongful acquisition. The latter includes disclosure to a specific third party in confidence.
- Acquiring a trade secret with the knowledge, or without the knowledge due to gross negligence, that wrongful acquisition was involved with such trade secret, or using or disclosing a trade secret acquired in that way.
- Using or disclosing an acquired trade secret after becoming aware, or failing to become aware due to gross negligence, that wrongful acquisition was involved with such trade secret.
- Using or disclosing a trade secret disclosed by the business operator holding such trade secret for the purpose of acquiring an illicit gain or causing damage to the holder.
- Acquiring a trade secret with the knowledge, or without the knowledge due to gross negligence, that the trade secret is disclosed through improper disclosure or that improper disclosure was involved with such trade secret, or using or disclosing a trade secret acquired in that way. “*Improper disclosure*” is defined as disclosure of a trade secret as described in the fourth bullet point above, or in breach of a legal duty to maintain its secrecy.
- Using or disclosing an acquired trade secret after becoming aware, or failing to become aware due to gross negligence, that improper disclosure was involved with such trade secret.
- Selling, delivering, displaying for the purpose of sale or delivery, exporting, importing or providing through telecommunication a product produced by using a technical trade secret in a way described in the bullet points above. This does not include cases where a

transferee of such product engages in any of the foregoing acts if the transferee is not aware, without gross negligence, that the product was produced through such improper use of a technical trade secret.

2.2 Employee Relationships

An employment relation is generally understood to impose certain inherent obligations upon the employee, whether explicitly provided in the employment contract or not. One of such duties is the fiduciary duty, or duty of good faith, which requires the employee to avoid unjustly harming the interests of the employer. Obligations to keep the employer’s business secrets confidential and non-competition obligations are a part of this fiduciary duty, and the breach of such duty would constitute a breach of the employment contract. Information of the employer may be protected under this regime, even if it did not satisfy all of the elements of the trade secrets described in **1.2 What Is Protectable as a Trade Secret**.

2.3 Joint Ventures

The UCPA does not provide any specific rules focused on joint ventures.

2.4 Industrial Espionage

The UCPA does not provide any specific claims or remedies focused on industrial espionage. However, acts of industrial espionage are broadly captured under the misappropriations described in **2.2 Employee Relationships**.

3. Preventing Trade Secret Misappropriation

3.1 Best Practices for Safeguarding Trade Secrets

The Ministry of Economy, Trade and Industry (METI) has issued a Guideline on the Management of Trade Secrets, which demonstrates the minimal standard required to receive protection under the UCPA.

Although the guideline recognises that the required measure would vary depending on the circumstances, it gives the following as examples of typical protective measures to be employed for the media containing trade secrets:

- in general – distinguishing trade secrets from other information;
- paper documents – confidentiality markings, storage in lockable cabinets or safes;
- electronic files – markings on media, file names and the content of electronic files, locking the storage of media, password protection, access authorisation control;
- trade secrets adhered to items such as manufacturing equipment, prototypes, or moulds – provide “*do not enter/authorised persons only*” signs, control entrance to the facility, prohibit photos; and
- knowledge of employees – enable visibility by creating written lists and descriptions of trade secrets.

In addition to such measures, it is also advisable to:

- implement internal information security policies and regulations;
- track use, transmission and copy of confidential information;

- only granting access to those that are in actual need of access to the information;
- ensure that employees have executed an employment agreement that contains confidentiality clauses, or a separate confidentiality agreement;
- ensure execution of confidentiality agreements with business partners;
- encourage employees not to leave confidential information on desks or other places visible from outside; and
- respond to information leakage swiftly.

3.2 Exit Interviews

Exit interview practices shall vary by the individual employers, but it is common for an employer to request the employee to submit a covenant confirming the confidentiality obligations of the employee upon departure. Such covenant often includes a description of the confidential information, including trade secrets, that the employee had access to during its employment. It may also include non-competition obligations, which typically restrict the employee from engaging in competing business for a term of around six months to 24 months. However, the validity of such non-competition covenant or agreement is strictly reviewed by the court based on its reasonableness.

4. Safeguarding Against Allegations of Trade Secret Misappropriation

4.1 Pre-Existing Skills and Expertise

It is recognised in court decisions that employees shall not be barred from utilising the knowledge and skill obtained through the work performed by the employee during employment if it were of a universal nature, and would have been obtained by the employee if it engaged in

similar work at other employers, in the context of non-competition agreements. This finding suggests that universal knowledge and skill can be distinguished from trade secrets, which are required to be controllable and non-accessible from outside the owner.

The doctrine of inevitable disclosure is not established in the Japanese courts. Rather, the courts tend to find that any non-competition agreement between the employee and employer that exceeds the scope of reasonable restriction shall be invalid because it violates the freedom of an individual to choose its profession, which is a fundamental right recognised in the constitution, and thus against the public order. The reasonableness of the restriction is decided by considering various elements such as the scope of restriction (the term of duration and territorial limitation), the interest of the former employer, the position of the former employee and the provision of compensation. In general, non-competition agreements setting forth a term that endures longer than two years after departure are likely to be found invalid.

4.2 New Employees

It would be prudent for the new employer to confirm with the candidate employee that no trade secrets or other confidential information of the former employer should be brought into or disclosed to the new employer, and that employment by the new employer will not violate any obligation that the candidate employee owes to its former employer, including any non-competition obligations. It is also advisable to obtain a covenant from the new employee to this end. The new employer should be mindful not to knowingly or with gross negligence allow the disclosure of trade secrets of the former employer by its new employees, as this may cause the new employer to fall under the second or third bullet

points described in **2.1 The Definition of Misappropriation** if the trade secrets were unlawfully obtained by the new employee, or the fifth and sixth bullet points in **2.1 The Definition of Misappropriation** if the trade secrets were lawfully obtained but unlawfully disclosed.

5. Trade Secret Litigation

5.1 Prerequisites to Filing a Lawsuit

There is no special procedure required before bringing a litigation based on infringement of trade secrets, and the plaintiff may file its complaint immediately to the court.

5.2 Limitations Period

In general, the right to seek damages arising from general tort extinguishes:

- if the right is not exercised within three years after the claimant becomes aware of the damage and the tortfeasor; or
- upon passing of 20 years from the time of the tortious act.

The right to seek contractual remedies extinguishes:

- five years after the claimant becomes aware that the right is exercisable; or
- ten years after the right becomes exercisable.

For continuous misappropriation, under the rules of general tort, the loss or damage is understood to realise every day. Therefore, even if more than three years passed from the knowing of the damage and the tortfeasor, the damaged party may still bring a claim for its damages incurred during the most recent three years.

However, the UCPA provides that rights under the UCPA to seek an injunction of continuous misappropriation extinguish:

- if the right is not exercised within three years after the claimant becomes aware of the damage and the tortfeasor; or
- upon passing of 20 years from the time of commencement of the tortious act.

5.3 Initiating a Lawsuit

To initiate a trade secret lawsuit, the owner should file a complaint to the court having jurisdiction, as explained in **5.4 Jurisdiction of the Courts**.

5.4 Jurisdiction of the Courts

The Code of Civil Procedure does not provide any exclusive jurisdiction of specialised courts for trade secret claims. Therefore, within the territory of Japan, a plaintiff can file a lawsuit in a court that has jurisdiction over the litigation in general (eg, a court that has jurisdiction over the place of domicile of the defendant, the place of the act of misappropriation or the place of realisation of loss or damage to the plaintiff).

It should be noted that a plaintiff is entitled to bring a trade secret claim based on the UCPA to the Tokyo District Court or the Osaka District Court as an alternative to any court in eastern Japan and western Japan respectively, in its discretion, even if these courts otherwise had no basis of jurisdiction over the case in its discretion. This is to ensure the opportunity of the plaintiff to utilise the special divisions in these two courts that exclusively handle intellectual property-related cases.

5.5 Initial Pleading Standards

Trade secret claims are subject to ordinary standards in relation to the initial pleading. In

general, the plaintiffs are expected to establish a *prima facie* case with their initial pleading. Formally, the plaintiff is also required to assert the amount of damages incurred by the misappropriation. However, in practice, hard evidence for damage amounts is not required by the court upon the filing of the complaint.

5.6 Seizure Mechanisms

Seizure of evidence may be done through the means explained in **5.7 Obtaining Information and Evidence**.

Further, although this does not seize the items for the owner, Article 3.2 of the UCPA provides that the owner of a trade secret may obtain an order obligating the defendant to take measures necessary for the cessation and the prevention of the infringement, including disposal of items constituting the infringing act (including those produced by the infringing act) and the removal of a facility used for the infringing act if its business interest has been, or is threatened to be, infringed by the misappropriation of its trade secret by such party.

5.7 Obtaining Information and Evidence

General discovery of relevant evidence is not available under the Japanese procedure. The UCPA provides the following means for the parties to gather information and evidence.

- A party may move for a court order obliging the other party to produce documents held by the other party that are necessary for proving misappropriation or calculating the amount of damages.
- The owner of the document may provide justifiable reasons and be exempt from such obligation.
- A failure to comply with the order does not lead to any sanctions, but may cause the

judge to suspect that the party is trying to conceal certain facts unfavourable to such party.

- The same set of rules apply to the submission of objects (eg, accused products) for inspection by the court.
- The court may, upon a motion by a party to a lawsuit, order an expert to give their opinion on the calculation of damages. The parties will be obliged to provide explanations necessary for the opinion.

Further, a party may seek the following means provided under the Code of Civil Procedures.

- A party may move for a court to issue a request for voluntarily producing documents. This is used when a third party (non-party to the lawsuit), especially a public agency, corporation or legal entity, holds the relevant documents. Although this is not a legally binding order, such a third party often voluntarily fulfils the request because the request is made in the name of the court.
- A party may move for a court order obliging the other party or a third party to produce documents held by it. A violation may lead to certain sanctions. However, documents containing technical or occupational secrets are exempted from such order, and the usefulness of this order may be limited in trade secret litigation.
- The same set of rules applies to the submission of objects (eg, accused products) for inspection by the court.
- To preserve relevant evidence before a lawsuit is filed, a party may file a petition for an examination of evidence in advance.
- For example, if the misappropriating party is expected to destroy data once a lawsuit is filed, the judge may visit its factory and record the data stored there.

5.8 Maintaining Secrecy While Litigating

Under the Code of Civil Procedure, a party may move for a court decision to prohibit persons other than the parties to the litigation from inspecting or making copies of the case records (which are generally available to the public for inspection) on the ground that the records contain a trade secret.

The UCPA provides that the parties may move for a court to issue a protective order to preserve the secrecy of trade secrets contained in briefs and evidence. The addressees of such order may include the parties and their representatives, officers, employees or attorneys.

The moving party must make a prima facie case showing that the use of such trade secret for purposes other than to carry out the lawsuit, or the disclosure of such trade secret, would harm the party's business activities using such trade secret.

A person who violates a protective order will be subject to criminal sanctions.

When a party to the trade secret litigation is called as a witness to such litigation, and is unable to give sufficient testimony regarding the trade secrets because of the harm to its business activities, and such testimony is essential for an appropriate judicial decision on whether there has been a misappropriation, the court may conduct such testimony in a non-public hearing upon the unanimous decision of all the judges constituting the panel.

The UCPA provides for several measures for protecting trade secrets in criminal proceedings, including an order not to disclose matters that will result in the identification of trade secrets in the public courtroom, limitation of questions in

testimonies, non-public testimonies, and attorney's-eyes-only disclosure of evidence.

5.9 Defending Against Allegations of Misappropriation

Defences that a trade secret defendant may assert in a trade secret litigation include the following:

- existence of publicly available information similar to the trade secret;
- independent discovery – misappropriation is defined as the exploitation of information belonging to another, and the use of independently discovered information shall not be included;
- lawful acquisition – only wrongful acquisition, improper disclosure and exploitation of trade secrets wrongfully acquired or improperly disclosed are defined as misappropriation (use of information acquired through lawful means, including reverse engineering, shall not be included);
- statute of limitations;
- abuse of right or bad faith;
- negligence of the owner – the amount of damages may be reduced depending on the degree of contribution; and
- exception to protection.

It is advisable for potential defendants to secure evidence on the process of independent discovery or lawful acquisition.

5.10 Dispositive Motions

The Japanese litigation process does not have a direct equivalent to what is referred to as dispositive motions in other jurisdictions. However, a case may be resolved before going into the merits if the claim is dismissed on procedural grounds, such as lack of jurisdiction.

5.11 Cost of Litigation

A party to trade secret litigation would incur costs such as the court costs (primarily stamp fees) and attorneys' fees. The court fees are calculated based on the monetary value of the remedies sought by the plaintiff.

Attorneys' fees vary depending on the arrangements with the law firm. Contingency fees are permitted as long as they are reasonable. A combination of fixed fees (payable upon the commencement of the case) and contingent fees (a certain percentage of the amount of award) is common in Japanese practice, aside from time-based fees.

The Code of Civil Procedure provides that payment of court fees can be extended upon a court's decision if a party to a lawsuit is suffering economic difficulties. Also, the Japan Legal Support Centre provides economic support to persons who do not have the ability to pay attorneys' fees.

6. Trial

6.1 Bench or Jury Trial

Jury trial is not conducted on litigation based on trade secret claims in Japan.

6.2 Trial Process

In typical Japanese civil lawsuits, including trade secret cases, oral hearing sessions are held in the open court one to several times at the beginning and ending of the litigation procedure. During the period in between, private preparatory hearings are regularly held at the court, and the parties exchange briefs and submit evidence to the court in a preparatory manner. When an oral hearing is held after the preparatory procedure, parties state that they restate the results of the

preparatory procedure, and the arguments in their former briefs will be deemed to have been presented in the court.

If a live witness testimony is given, it must be given in one of the formal oral hearings.

Typically, it takes approximately six to 12 months from filing a complaint to obtain a final decision at the first instance.

6.3 Use of Expert Witnesses

Written witness statements by experts are not given separate treatment to other evidentiary documents, and may generally be submitted by the parties in a civil action so long as they are relevant to the case. Live witness testimony by expert witnesses is also admissible as long as it is relevant and the court considers it necessary; however, in practice, expert evidence is not often offered by parties in Japanese trade secret lawsuits. Admission of expert evidence in a particular lawsuit and (even if admitted) the evidentiary evaluation thereof is up to the court's discretion.

7. Remedies

7.1 Preliminary Injunctive Relief

Preliminary injunctions are available under the Civil Provisional Remedies Act. To obtain a preliminary injunction, an owner must make a *prima facie* showing of:

- the owner having the right to seek a permanent injunction (which corresponds to the requirements for a permanent injunction); and
- the necessity of a preliminary injunction, which would be substantial detriment or imminent danger that would occur to the owner if a preliminary injunction were not awarded.

Further, in most cases, courts require the owner to post a bond to compensate for the potential damages suffered by the counterparty if the permanent injunctions were not obtained in the end.

7.2 Measures of Damages

The UCPA provides three ways to calculate damages.

- If a certain product misappropriates a trade secret of the owner, the profit per unit of the owner's product that could have been sold by the owner (if the misappropriation had not occurred), multiplied by the number of the misappropriating party's products that have been actually sold, can be used as the amount of damages:
 - (a) if the misappropriating party proves that the owner could not have sold a certain number of products for any reason (eg, actual sales of the misappropriating party are because of its own marketing efforts, or there are competitive alternatives in the market), the amount of profit corresponding to such number shall be excluded from the aforementioned amount of damages; and
 - (b) the owner is, however, still entitled to recover damages equivalent to what it would have received as royalties for the amount that the owner could not have sold itself.
- If the misappropriating party has made a profit through an act of misappropriation of a trade secret, such profit can be presumed to be the amount of damages incurred by the owner:
 - (a) the misappropriating party may rebut the presumption by proving that its profit has been brought by something other than the trade secret, such as the misappropriating party's marketing efforts, brand image

and the quality of the products or services irrelevant to the misappropriated trade secrets; and

- (b) the owner can also seek damages equal to the amount of reasonable royalties for the use of the relevant trade secrets.

In addition, if the owner has proved that it suffered certain loss or damage, but it is extremely difficult to prove the amount, the court may determine the reasonable amount of damages.

There is no award of punitive damages in Japan.

7.3 Permanent Injunction

Article 3.1 of the UCPA provides that the owner of a trade secret may obtain a permanent injunction against a party if its business interest has been, or is threatened to be, infringed by the misappropriation of its trade secret by such party. Unlike damage claims, the intent or negligence of the infringing party is not required. Such injunction may order the infringing party to cease infringing acts, and/or to refrain from engaging in infringing acts in the future. The injunction order may have a defined effective term, and in such case, the duration of the injunction shall be limited to such term.

In addition, if the misappropriation constitutes a breach of contract, the owner of the trade secret may seek permanent injunction on this basis as well. Specifically, if an owner of a trade secret proves that the misappropriating party owes a contractual duty of confidentiality with regard to the trade secret and has breached such duty, the owner may obtain a permanent injunction ordering compliance with the duty based on the Civil Code.

7.4 Attorneys' Fees

It is generally considered that compensation for reasonable attorney fees can be included in the damages claim based on tort. In practice, the amount of such attorneys' fees granted by the courts are usually around 10% of the proved amount of damages, as described in **7.2 Measures of Damages**, incurred by the owner.

7.5 Costs

The court may award successful litigants the court costs (eg, stamp fees for filing a complaint and witness fees) it incurred in whole or in part, at its discretion. The awarded party may recoup this by initiating a separate proceeding to calculate the amounts thereof.

8. Appeal

8.1 Appellate Procedure

A trade secret case is generally decided in the district court for the first instance. A district court decision can be appealed to a high court that has jurisdiction over the place where the district court sits. The high court decision can be appealed to the Supreme Court as of right if there is a fundamental defect in the decision or in the procedure. The party may also file a petition for the acceptance of the appeal by the Supreme Court if the high court decision conflicts with a preceding Supreme Court decision (or with another high court decision in the absence of such Supreme Court decision), or if there is an important legal issue in the case.

8.2 Factual or Legal Review

When the high court reviews the case at the second instance, it reviews both the finding of facts and the application of law. Parties are allowed to provide additional evidence and arguments, although this may be dismissed by the court if

such addition is found as untimely, due to fault of the submitting party, or causing undue delay in procedure.

The Supreme Court only reviews legal issues, and the parties may not file additional evidence.

9. Criminal Offences

9.1 Prosecution Process, Penalties and Defences

The owner whose trade secret has been misappropriated may file an offence report or a formal criminal complaint with the police or prosecutor's office, but this does not warrant that an investigation or prosecution will be initiated. The potential criminal penalties are as described in **1.14 Criminal Liability**.

10. Alternative Dispute Resolution

10.1 Dispute Resolution Mechanisms

It is common that a Japanese court handling the case would separately conduct a settlement process within the court proceedings. It is typical for this to take place after several hearings and exchange of briefings, and the presiding judge discloses to the parties the court's tentative findings and thoughts on the merits of the case and encourages both parties to agree to an amicable resolution. Terms of settlement reached in this process will be recorded in the court files.

The parties may also utilise mediation by the court. The mediation panel is composed of three mediators, one of which is a judge and the other two may be lawyers or other knowledgeable persons. Private mediation may also be an option for the parties. Confidentiality may be agreed as a part of the settlement terms.

The parties may agree to resolve the case by arbitration, and the arbitral award will become enforceable with the involvement of a court. It should be noted that it would depend on the arbitration rules whether the parties are under confidentiality obligations in relation to the process.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Rob.Thomson@chambers.com