

by cabinet order. However, the manner in which it will be applied in practice remains to be seen at this point.

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### 3. Intellectual Property/Trade Secret Protection: Unfair Competition Prevention Act Revised by Law No. 54 of 2015, effective as of January 1, 2016

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#### **Background and Amendment**

Japan has introduced statutory protection of trade secrets in its Unfair Competition Prevention Act (UCPA) since 1991. A trade secret is defined by Article 2(6) of the UCPA as any “technical or business information which is useful for commercial activities such as manufacturing or marketing methods and which is kept secret and not publicly known.” The UCPA further makes wrongful acquisition, disclosure or use of information that has been protected as a trade secret an act of unfair competition that can be subject to civil remedies and – at least in theory – criminal sanctions (pursuant to Article 21 UCPA). That said, like in many other jurisdictions, the protection and enforcement of trade secrets received relatively little attention even after the establishment of statutory protection, partly due to the notion that Japanese courts made it very difficult for information owners to successfully pursue misappropriation claims. The general interest in trade secret protection in Japan increased significantly when two large-scale cases of misappropriation of valuable Japanese technology by Korean competitors became public in the last years. In 2012, Nippon Steel & Sumitomo Metal Corporation filed lawsuits against the Korean company Posco in Japan, the US and in Korea, alleging misappropriation of critical technical information. Shortly thereafter, Toshiba filed lawsuits alleging misappropriation of flash memory

technology by the Korean competitor SK Hynix. Both cases eventually settled against payment of damages of approximately 300 MN USD – amounts that are usually not seen in the Japanese court system. The high value of the misappropriated technology and the prominent nature of the participating parties brought a new wave of attention to the area of trade secret protection. After soliciting input from experts from industry, academia and legal practice, the Japanese Ministry of Economy, Trade and Industry (METI) proposed to amend the UCPA in an effort to facilitate enforcement of trade secret misappropriation claims. Specifically, METI proposed, and the Diet adopted, the following amendments:

A. Lowering the Required Burden of Proof for Technical Information

Before 2016, a trade secret owner had to prove the following three requirements to show misappropriation: 1) defendant's wrongful acquisition of a trade secret; 2) defendant's wrongful use of such trade secret; and 3) an actual damage incurred by the trade secret owner. The amendment removed the second requirement; if a trade secret owner can show a wrongful acquisition of a trade secret by a third party, pursuant to the new Article 5-2 UCPA, the third party now has to rebut a presumption of trade secret misappropriation by showing that it did not use the acquired information e.g. in the manufacturing process of certain products.

B. Extension of Period of Exclusion

Often, wrongful acquisition of trade secrets would occur and only be detected many years later. Prior to 2016, enforcement actions would be time-barred 10 years after the wrongful acquisition, irrespective of when the acquisition became known to the information owner. In some instances, this would effectively bar enforcement of misappropriation claims. To improve the position of information owners, METI proposed to extend the exclusion period from 10 years to 20 years (Article 15 UCPA).

C. Expansion of criminal protection

Already prior to the revision of the UCPA, trade secret misappropriation was a criminal offense that could pursuant to Article 21 UCPA result in imprisonment of up to ten years. However, it was extremely rare that trade

secret misappropriation would actually be prosecuted. The amendment of the UCPA extended the scope of actions that would allow criminal prosecution. Prior to 2016, a 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 a cause of action for criminal sanctions (Article 21 (6) UCPA). Also, effective from 2016, an (ultimately unsuccessful) attempt of trade secret misappropriation can result in criminal sanctions (Article 21(4) UCPA). Further, the distribution of products that were manufactured by using misappropriated trade secrets can now result in criminal sanctions and civil remedies (Articles 2(1) (ix), 21(1) (ix) UCPA).

#### D. Increase deterrents

Besides imprisonment, the UCPA provides for criminal fines that can be levied on persons or companies found guilty of trade secret misappropriation. These fines were revised under the amended Articles 21 (1), 21-3 and 22 (1) UCPA as follows:

Type of Person	Maximum Fine before 2016	Maximum Fine after amendment	Enhanced maximum fine for misappropriation which could negatively affect the Japanese economy
Natural person	10 MN JPY	20 MN JPY	30 MN JPY
Corporation	300 MN JPY	500 MN JPY	1 Billion JPY

Another potentially deterring amendment is of procedural nature: prior to the revision, the prosecutor could only start prosecuting upon receiving a complaint from an injured party. This procedural requirement was removed, granting the prosecutor the authority to initiate prosecution and seek criminal sanctions also without a complaint.

#### **Outlook**

The revision of the UCPA has made it somewhat easier for trade secret owners to combat misappropriation. In this development, Japan is part of an international development seeking to enhance trade secret protection.

In June 2016, the European Union promulgated Directive (EU) 2016/943 as the first European attempts for harmonizing and strengthening trade secret protection in Europe. Only one month earlier, the US had enacted the Defend Trade Secrets Act (Pub. L. 114-153, “DTSA”) as the first ever US federal civil law protecting trade secrets. Both the EU Directive and the US DTSA had been discussed and prepared for many years, and METI had been mindful of these international developments when preparing the amendments to Japanese law. Enhancing trade secret protection was promoted by large parts of US, EU and Japanese industry, as companies continued to feel the need to protect innovation not merely through patents and other registered intellectual property rights, but also through other forms of protection such as secrecy. This development – sometimes referred to in Japan as an “Open-Close-Strategy” – will remain an important challenge for drivers of innovation; providing an appropriate legal framework will be more crucial than ever to maintain an environment that fosters progress in technology.

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#### 4. The 2015 Amendment to the Temporary Agency Work Act: A Fundamental Revision of the Regulatory Scheme

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##### **I Introduction**

In Japan, “labor supply” is prohibited under the Employment Security Act (Art. 44 of the Act). Labor supply is defined under the act as “having workers work under the direction and orders of another person based upon a supply contract” (Art. 4, Para. 6 of the Act). However, in order to better promote the proper matching of job openings with job applications, the Temporary Agency Work Act (in its Japanese short title, *Rodohsa Haken Ho*), hereinafter the Act, was enacted in 1985. It legalized