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TRADE SECRET PROTECTION IN JAPAN AND THE UNITED STATES: COMPARISON AND RECOMMENDATIONS

INTRODUCTION

In 2014, two multinational corporations, SanDisk, headquartered in the United States, and Toshiba, headquartered in Japan, found themselves entwined in a case of international trade secret misappropriation.¹ More than a decade earlier, the companies had consolidated their joint-venture manufacturing facilities for NAND flash memories in Yokkaichi, Japan.² NAND flash memories are a key component for electronic devices, such as USB flash drives and digital cameras.³ A Japanese SanDisk engineer who worked at the consolidated joint-venture facility allegedly accessed and stole ten gigabytes of data relating to NAND flash memory technology, and after leaving the company in 2008, turned this information over to his new employer, SK Hynix, a South Korean-owned competitor, in exchange for the promise of “director-level compensation and benefits.”⁴ Upon learning of this theft from an informant in 2014, SanDisk and Toshiba both filed criminal complaints with the Tokyo Police Department and initiated civil suits against SK Hynix in their respective home countries.⁵ Toshiba originally sought \$1.08 billion

1. Kyodo, *Man Arrested Over Toshiba Tech Leak to SK Hynix*, JAPAN TIMES (Mar. 13, 2014), <https://www.japantimes.co.jp/news/2014/03/13/national/crime-legal/man-held-in-toshiba-tech-leak-to-hynix/#.XPK38FNKhE4>.

2. See *Flash Venture Between Toshiba, SanDisk to Consolidate Production in Japan*, EE TIMES (Dec. 18, 2001), https://www.eetimes.com/document.asp?doc_id=1182734.

3. Russell Kay, *Flash Memory*, COMPUTER WORLD (June 7, 2010), <https://www.computerworld.com/article/2550624/data-center/flash-memory.html>.

4. *SanDisk Corp. v. SK Hynix Inc.*, 84 F. Supp. 3d 1021, 1024–26 (N.D. Cal. 2015).

5. *Id.* at 1025–26; Peter Clarke, *Engineer Arrested as Hynix Sued Over NAND Secrets*, ELECTRONICS 360 (Mar. 14, 2014), <http://electronics360.global-spec.com/article/4097/engineer-arrested-as-hynix-sued-over-nand-secrets>.

USD in damages, but ultimately settled with SK Hynix in December 2014 for \$278 million USD.⁶ In July 2015, SanDisk also reached a settlement in which Hynix agreed to pay licensing and royalty fees of an undisclosed amount to SanDisk and to supply SanDisk with certain products through 2023.⁷ The former employee who had allegedly stolen the trade secrets was convicted under Japan's Unfair Competition Prevention Act (UCPA), and his conviction and sentence of a five-year prison term and a three million yen fine were affirmed on appeal by the Tokyo High Court.⁸

The Japanese media characterized this trade secret theft as being just the "tip of the iceberg,"⁹ implying an underlying suspicion that trade secret theft is rampant and often undetected in Japan. Because of the high value of damages involved, this case attracted much attention in Japan and is often cited as a prominent example that helped alert Japan to the need for stronger trade secret laws.¹⁰ This case also marked the first time that a Japanese court imposed (without staying execution of) the criminal penalty of penal servitude for trade secret misappropriation.¹¹

The United States has also experienced numerous high-profile cases of trade secret misappropriation resulting in large damage

6. *SK Hynix Reaches Settlement with Toshiba over Lawsuit*, KOREA TIMES (Dec. 20, 2014), http://www.koreatimes.co.kr/www/tech/2017/10/133_170265.html.

7. *SanDisk and SK Hynix Announce Expanded IP and Commercial Relationship; Settle Outstanding Trade Secret Litigation*, BUS. WIRE (Aug. 4, 2015), <https://www.businesswire.com/news/home/20150804005672/en/SanDisk-SK-Hynix-Announce-Expanded-IP-Commercial>.

8. *Kyodo, Deeta Rōei, Nishin mo Jikkeihanketsu Tōshiba Teikeisaki no Moto Gijutsusha [Prison Sentence Affirmed by Court of Second Instance for Data Leak by Engineer Formerly at Toshiba Business Partner]*, NIHON KEIZAI SHINBUN (Sept. 5, 2015), https://www.nikkei.com/article/DGXLASDG04H5P_U5A900C1000000/.

9. *E.g., Tōshiba, Ikari no Sosyō, Kankoku Kigyō ni Dankotaru Sochi 1000 Okuen Ijyō no Rieki Sōshitsu [Toshiba's Lawsuit Sparked by Anger, Decisive Action Against South Korean Company, Lost Profits Exceed 100 Billion Yen]*, ZAKZAK (Mar. 14, 2014), <http://www.zakzak.co.jp/society/domestic/news/20140314/dms1403141533005-n1.htm>.

10. *E.g., Yasuhiro Sato & Hajime Watanabe, Trade Secret Law Guidelines Revised*, IAM (Oct. 23, 2015), <https://www.iam-media.com/trade-secret-law-guidelines-revised>.

11. *Id.*

awards.¹² The net result is a heightened awareness in industry and in government that robust trade secret protection is needed.¹³ Indeed, at the signing of the new Defend Trade Secrets Act of 2016 (DTSA),¹⁴ the U.S. Department of Commerce acknowledged that:

Failure to protect trade secrets stifles innovation and impedes economic growth . . . trade secret theft costs U.S. innovators more than an estimated \$300 billion annually. Increasingly the result of cyber espionage, this theft may be the largest wealth transfer in history. Plain and simple, American innovators need strong tools to protect their 'secret sauce' from getting into the wrong hands.¹⁵

With regard to trade secret policy, Japan and the United States share many similar objectives, but due to cultural and legal differences, they employ somewhat different means to achieve the common goal of robust protection of trade secrets. As

12. Trade secret verdicts by U.S. courts have ranged up to \$947 million USD. *See, e.g.*, Rob Shwarts & Cam Phan, *Update: Money, Money, Money: Top 10 Trade Secret Verdicts (With Our Runner-Up Overturned)*, ORRICK (Apr. 7, 2014), <https://blogs.orrick.com/trade-secrets-watch/2014/04/07/update-money-money-money-top-10-trade-secret-verdicts-with-our-runner-up-overturned/>; Abhirup Roy, *U.S. Jury Cuts Damages in TCS-Epic Trade Secrets Lawsuit*, REUTERS (Oct. 2, 2017), <https://www.reuters.com/article/legal-uk-tcs-epic-lawsuit/u-s-jury-cuts-damages-in-tcs-epic-trade-secrets-lawsuit-idUSKCN1C71D6>.

13. *See generally* Dan Kim, Katherine Linton & Mitchell Semanik, *U.S. International Trade Commission's Trade Secrets Roundtable: Discussion Summary*, J. INT'L COM. & ECON. (Nov. 2016), available at https://www.usitc.gov/publications/332/journals/linton_semanik_trade_secrets_summary_0.pdf.

14. Defend Trade Secrets Act of 2016 [DTSA], Pub. L. No. 114–153, 130 Stat. 376 (2016) (codified as amended in scattered sections of 18 U.S.C.); *see also* Dennis Crouch's useful marked-up version of the full text of the Economic Espionage Act with Defend Trade Secret Act of 2016 amendments. Dennis Crouch, *The Economic Espionage Act as Amended by the Defend Trade Secrets Act of 2016: Markup and Commentary*, PATENTLY-O (2016), <https://patentlyo.com/media/2016/05/DTSA-Mark-UP-CROUCH-2.0.pdf>.

15. *Protecting America's Secret Sauce: Trade Secret Protection for American Innovators*, U.S. DEPT. COM. (May 13, 2016), <https://web.archive.org/web/20170704110644/https://www.commerce.gov/news/blog/2016/05/protecting-americas-secret-sauce-trade-secret-protection-american-innovators>.

global economic powers,¹⁶ both Japan and the United States realize that effective trade secret protection is vital for their domestic economies, and both nations have enacted laws to protect their trade secrets.¹⁷ As its intellectual property (IP) assets have become more valuable, Japan seems to have overcome its earlier hesitations for stronger trade secret protections,¹⁸ and has embarked on a series of amendments to its UCPA.¹⁹ Meanwhile, the United States has strengthened its Uniform Trade Secrets Act (UTSA)²⁰ and has recently enacted a federal law, the DTSA.²¹ Both nations are leaders in IP-intensive fields, such as pharmaceuticals, electronics, and automobiles, which are founded upon ideas and knowledge that are costly and time-consuming to accrue, and both seek to reap the rewards of this knowledge

16. The World Bank's 2017 ranking of national Gross Domestic Products lists the United States and Japan as the first and third largest, respectively. (Note that this ranking system does not include the multinational European Union, which if included, would be ranked second.). *GDP (Current US\$)*, WORLD BANK GROUP, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true (last visited Mar. 31, 2019).

17. Japan has enacted, and continues to amend, its UCPA while the United States has the Uniform Trade Secrets Act (UTSA), which is adopted by most states, and the DTSA, which is a federal law. *See infra* notes 19–21.

18. Mitsuo Matsushita, *Panel Three: A Japanese Perspective on Intellectual Property Rights and the GATT*, COLUM. BUS. L. REV. 81, 87 (1992) (explaining how earlier Japanese policy for protecting IP rights, including trade secrets, was reluctant to pursue strong enforcement measures out of concern for protecting Japan's domestic manufacturing industries, especially against the threat of antidumping accusations and sanctions from the United States).

19. Fusei Kyōsō Bōshi Hō [Japan's Unfair Competition Prevention Act], Act No. 47 of 1993, as amended up to Act No. 54 of 2015 (Ministry of Economy, Trade and Industry), http://www.meti.go.jp/policy/economy/chizai/chiteki/pdf/joubunkaiseitokekomashi_201608unfaircompetition.pdf, *translated in Unfair Competition Prevention Act (Act No. 47 of 1993)*, WORLD TRADE ORG., https://members.wto.org/crnattachments/2016/IP/JPN/16_0307_00_e.pdf (last visited May 22, 2019) [hereinafter UCPA].

20. UNIF. TRADE SECRETS ACT [UTSA] §§ 1–12, 14 U.L.A. 529–659 (2005), available at <https://www.uniformlaws.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=e19b2528-e0b1-0054-23c4-8069701a4b62&forceDialog=0>. The UTSA has been adopted by forty-eight of the fifty states. *See infra* note 91 and accompanying text.

21. DTSA, Pub. L. No. 114–153, 130 Stat. 376 (2016).

through licensing their technology and in doing so depend on effective protection mechanisms.²²

Dissimilarities among Japanese and U.S. trade secret policy arise largely from cultural and systemic differences between the two nations. In broad generalizations, Japan can be viewed as having a highly homogeneous society that values group loyalty and reputation, while the United States consists of a diverse citizenry that embraces individualism.²³ Japanese society, however, is changing and the effects of corporate restructuring, a worker shortage, and an increasing percentage of part-time workers have upended the traditional Japanese system of lifetime employment, resulting in a workforce that is more mobile and that considers changing employers over the course of one's career as an inevitability.²⁴ Other differences between the two countries are attributable to their different legal systems: Japan

22. See generally *Top 10: Car Producing Countries, Worldwide and EU*, EUR. AUTO. MFRS. ASSOC. (Apr. 13, 2018), <https://www.acea.be/statistics/article/top-10-car-producing-countries-worldwide-and-eu>; DEPT. OF COM., INT'L TRADE ADMIN., 2016 TOP MARKETS REPORT: SEMICONDUCTORS AND SEMICONDUCTOR MANUFACTURING EQUIPMENT (2016), available at https://www.trade.gov/topmarkets/pdf/Semiconductors_Executive_Summary.pdf; Eamonn Fingleton, *It Is Japan, Not The U.S., That Leads In Serious Technology, Says Top Reagan Technology Advisor*, FORBES (Nov. 22, 2015), <https://www.forbes.com/sites/eamonnfingleton/2015/11/22/it-is-japan-not-the-u-s-that-leads-in-serious-technology-says-top-reagan-technology-advisor/#4d3177844023>.

23. See, e.g., Chris Burgess, *Maintaining Identities, Discourses in Homogeneity in a Rapidly Globalizing Japan*, ELECTRONIC J. CONTEMP. JAPANESE STUD. (May 29, 2012), https://www.japanesestudies.org.uk/articles/Burgess.html#_edn1; Gary R. Weaver, *American Cultural Values*, KOKUSAI BUNKA KENSHU [INTERCULTURAL TRAINING] SPECIAL EDITION 9, 9–15 (1999), available at <http://trends.gmfus.org/doc/mmf/American%20Cultural%20Values.pdf>; Jay Dratler Jr., *Trade Secrets in the United States and Japan: A Comparison and Prognosis*, 14 YALE J. INT'L L. 67, 110–12 (1989), available at <http://digitalcommons.law.yale.edu/yjil/vol14/iss1/3> (attributing the sociocultural factors for Japan's seemingly sluggish attention to the need for trade secret protection to "extreme individual loyalty to the group," a general "disapprov[al] of employee mobility" (and preference for company loyalty), and "the notion of 'face,' or personal reputation").

24. See, e.g., *Job-Changing Reaches a Seven-Year High as Japan, Inc. Scrambles to Cope with Labor Shortages*, JAPAN TIMES (July 5, 2017), https://www.japantimes.co.jp/news/2017/07/05/business/job-changing-reaches-seven-year-high-japan-inc-scrambles-cope-labor-shortages/#.W1z_k7bMyqB.

is a civil law country, while the United States follows the common law tradition.²⁵ Typically, a civil law country will update its laws with frequent, detailed amendments, while a common law country would require fewer, less detailed statutory amendments since its courts can create new law under the doctrine of stare decisis.²⁶ Specific provisions in the written constitutions of the two countries also ensure that different approaches are taken so as not to impinge on the respective rights and liberties of their citizens.²⁷

Another subtle difference is that the United States considers trade secrets to be a form of IP,²⁸ while civil law countries, such as Japan, consider trade secret protection as a form of unfair competition law.²⁹ The different approaches reflect a long-standing debate over whether trade secrets are a form of property that inheres a right to exclude others from their use or whether trade

25. See Piyali Syam, *Major Differences Between the Japanese and United States Legal Systems*, WASH. U. SCH. L. (Nov. 20, 2013), <https://online-law.wustl.edu/blog/major-differences-between-the-japanese-and-american-legal-systems/> (noting that while the civil-law/common-law distinction exists between Japan and the U.S., this distinction is not absolute because courts in the U.S. do consider codified (legislated) law and courts in Japan do consider non-binding case law precedents).

26. Stare decisis is a doctrine of precedent that generally binds courts to follow previous judicial decisions on issues that have been previously litigated. See, e.g., *Stare Decisis*, BLACK'S LAW DICTIONARY (11th ed. 2019).

27. The Constitution of Japan specifies that “[e]very person shall have freedom to . . . choose his occupation to the extent that it does not interfere with the public welfare” (art. 22, para. 1) (guaranteeing employee mobility) and that “[t]rials shall be conducted and judgment declared publicly” (art. 82, para. 1) (guaranteeing judicial transparency). NIHONKOKU KENPŌ [KENPŌ] [CONSTITUTION], art. 22, para. 1, art. 82, para. 1 (Japan), *translated in The Constitution of Japan*, PRIME MINISTER OF JAPAN & HIS CABINET, http://japan.kantei.go.jp/constitution_and_government_of_japan/constitution_e.html (last visited May 22, 2019).

Within trade secret law, there is constant tension between an employer’s need for preventing former employees from using or disseminating trade secrets in the course of subsequent employment and a worker’s need for employment mobility. Moreover, the requirement of judicial transparency conflicts with the need for secrecy during trade secret-related litigation to prevent unintended disclosure.

28. In the United States, trade secrets are frequently grouped together with patents, copyrights and trademarks as the four types of IP. See *Trade Secret Policy*, USPTO, <https://www.uspto.gov/patents-getting-started/international-protection/trade-secrets-policy.html> (last visited Mar. 31, 2019).

29. Japan does not have an explicit trade secret law, but rather includes trade secret protection within its UCPA. See UCPA, *supra* note 19.

secret misappropriation is to be prohibited as a wrongful act of unfair competition.³⁰

Although both Japan and the United States already have strong laws in place to protect their trade secrets,³¹ global trends of the digital age will likely drive both nations to strengthen their laws further as the risks of industrial espionage and misappropriation of trade secrets increase.³² Other trends that will inevitably increase the risk of trade secret misappropriation include greater employee mobility, increasingly interconnected and networked business environments, frequent contact with overseas clients, greater outsourcing of work, and increasingly severe global competition among businesses.³³

It must be mentioned that the European Union (EU) is also an active participant in this arena and has recently adopted a Trade Secrets Directive that aims to harmonize trade secret law throughout the EU member states.³⁴ Numerous English-language studies and reports comparing U.S. trade secret law with this EU Trade Secrets Directive already exist, but few compare that U.S. law with Japan's latest amended trade secret law. It is the author's hope that this Note provides further insight into the workings of Japanese trade secret law and further supplements this body of knowledge.

From the above perspectives, this Note explores Japan and the United States' approach toward their common goal of providing

30. See generally Dratler, *supra* note 23, at 104–07.

31. The OECD, in its 2010 Trade Secrets Protection Index, ranked the U.S. first worldwide with Japan being a close runner-up. See OECD, *Enquires Into Intellectual Property's Economic Impact: Chapter 3. Approaches to the Protection of Trade Secrets*, 25–26, OECD Doc. DSTI/ICCP(2014)17/CHAP3/FINAL (July 29, 2015), [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP\(2014\)17/CHAP3/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP(2014)17/CHAP3/FINAL&docLanguage=En) [hereinafter 2010 Trade Secrets Protection Index].

32. *E.g.*, EXEC. OFF. OF THE PRESIDENT OF THE U.S., ADMINISTRATION STRATEGY ON MITIGATING THE THEFT OF U.S. TRADE SECRETS (2013), available at <https://www.justice.gov/criminal-ccips/file/938321/download>.

33. *FAQ: Protection Against the Unlawful Acquisition of Undisclosed Know-How and Business Information (Trade Secrets): Why is There a Need to Harmonise National Laws in This Area?*, EUR. COMM'N, https://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/faq_en (last visited Mar. 31, 2019).

34. Directive 2016/943, of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure, 2016 O.J. (L 157/1) [hereinafter EU Trade Secrets Directive].

effective trade secret protection, highlighting their similarities and differences, and also suggesting areas in which each country could further strengthen and harmonize their trade secret laws. Below, Part I discusses the characteristics of trade secrets and the requirements mandated by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),³⁵ which sets the minimum standards of trade secret protection for Japan, the United States and all other member nations of the World Trade Organization (WTO).³⁶ Part II examines the history of trade secret laws in Japan, focusing on the evolution of the UCPA,³⁷ and in the United States, namely the UTSA³⁸ and the DTSA.³⁹ Then, Part III compares how Japanese and U.S. trade secret laws conform with the TRIPS Agreement requirements of protectable subject matter, the specific types of acts of trade secret misappropriation that are prohibited by each country's laws, and the types of relief available. Next, Part IV discusses policy concerns regarding the need for multilateral trade secret agreements in this interconnected digital age and the risk of overreaching trade secret laws that could unreasonably restrain personal freedoms. Finally, Part V offers recommendations on how each country's laws could be improved and harmonized further. For Japan, the recommendations are to expand applicability of their new burden-shifting provision, which is a measure to partially compensate for the lack of pre-trial discovery by compelling, in certain situations, an alleged infringer to demonstrate an absence of trade secret misappropriation, to improve secrecy during litigation, to improve robustness of relief provisions by expediting the

35. The TRIPS Agreement is a comprehensive international agreement on the protection of IP and covers, inter alia, copyright, trademarks, patents and undisclosed information (trade secrets). See *Overview: The TRIPS Agreement*, WORLD TRADE ORG., https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm (last visited Mar. 31, 2019).

36. The WTO is an international organization that regulates trading between nations with the aim of facilitating the smooth flow of free trade. See *What is the WTO?*, WORLD TRADE ORG., https://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm (last visited Mar. 31, 2019).

37. See UCPA, *supra* note 19.

38. See UTSA §§ 1–12, 14 U.L.A. 529–659 (2005). The UTSA aims to codify “the basic principles of common law trade secret protection.” *Id.* Prefatory Note, 14 U.L.A. 530–31.

39. The DTSA amends the earlier Economic Espionage Act of 1996, Pub. L. No. 104–294, 110 Stat. 3488 (codified at 18 U.S.C. §§ 1831–1839 (2012)) to create a federal civil cause of action for trade secret misappropriation. See DTSA, Pub. L. No. 114–153, 130 Stat. 376 (2016).

processing of requests for injunctions and allowing ex parte injunctions, and to allow awards for punitive damages and attorney's fees. For the United States, the recommendations are to continue to pursue multilateral trade secret agreements to expand the scope of trade secret protection and to be more proactive in providing guidance for keeping trade secrets safe. Although Japan and the United States have well-developed trade secret laws, these recommendations will further a mutually beneficial system of robust global trade secret protection.

I. CHARACTERISTICS OF TRADE SECRETS AND THE TRIPS REQUIREMENTS

Contrary to what might be casually presumed about trade secret law, the existence of trade secret law—in keeping valuable knowledge secret and thereby allowing its owners to reap the rewards of such knowledge—actually fosters innovation, investment and the dissemination of knowledge.⁴⁰ Indeed, the notion that trade secret protection fosters innovation was affirmed by the United States Supreme Court in its landmark ruling in *Kewanee v. Bicon*.⁴¹

Unlike a patent, which is a government grant of a term-limited monopoly in exchange for the disclosure of knowledge for the benefit of the public, a trade secret can be secretly maintained in perpetuity.⁴² A trade secret, however, is fragile and its value

40. Affirming this concept, James Pooley, former general director of the World Intellectual Property Organization, writes that “[a]lthough it may seem paradoxical, trade secret laws can enable and encourage technology transfer, because they provide a commercially reasonable way to disseminate information.” James Pooley, *Trade Secrets: The Other IP Right*, WIPO MAG. (June 2013), http://www.wipo.int/wipo_magazine/en/2013/03/article_0001.html.

41. In holding that federal patent law did not preempt Ohio's state trade secret law, the Supreme Court opined that “[t]rade secret law will encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention.” The preclusion of trade secret protection would result in “hoard[ing] rather than [the] disseminat[ion of] knowledge . . . and a “detrimental misallocation of resources and economic waste.” *Kewanee Oil Co. v. Bicon Corp.*, 416 U.S. 470, 485–87 (1974).

42. In both Japan and the United States, patents are granted for a term of twenty years. See *FAQs: Patent, 6-15 Can I Have Information on Duration of Right and Time Limit for Payment of Patent/Registration Fee?*, JAPAN PAT. OFF. (JPO), <https://www.jpo.go.jp/e/faq/yokuaru/patent.html#anchor6-15> (last visited Mar. 31, 2019); 35 U.S.C. § 154 (2013) (Contents and Term of Patent; Provisional Rights).

as a competitive advantage will be lost if publicly disclosed. Trade secret protection is also non-exclusive, which means that independent creation and reverse engineering are allowed.⁴³ Another difference between a trade secret and other forms of IP is that trade secret infringement necessarily involves morality—that is, the commission of a wrongful act.⁴⁴

Despite the comparatively weaker protection afforded trade secrets, companies often seek to maintain their knowledge as trade secrets.⁴⁵ Advantages of trade secrets include unlimited duration, lower cost than other forms of IP protection (although the cost of reasonable measures to maintain secrecy must be considered), and applicability to a broad range of subject matter.⁴⁶ Disadvantages of trade secret protection include the absence of guaranteed exclusivity, a need for constant vigilance to ensure secrecy, and the market risk (including a possible drop in company stock price) that may result in acknowledging trade secret misappropriation.⁴⁷

As the nations of the world become more interconnected and as IP accounts for increasingly higher percentages of national

43. Off. of Pol’y & External Aff., *Trade Secret Protection in the U.S.*, USPTO 16, <https://www.nist.gov/sites/default/files/documents/mep/marinaslides.pdf> (last visited May 22, 2019).

44. Trade secret laws impose liability in cases where the infringing party knows, or should have known, that the trade secret was obtained through improper means. This is in contrast to patent law, which does not grant an exception for unintentional infringement. *See, e.g.*, Agreement on Trade-Related Aspects of Intellectual Property Rights [TRIPS Agreement] art. 39, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994); UTSA § 1(2)(i), 14 U.L.A. 537 (2005) (generally defining trade secret misappropriation as the acquisition of a trade secret by a person who “knows or has reason to know” the acquisition is improper or who “used improper means” to acquire the trade secret); UCPA, *supra* note 19, art. 2(1) (defining unfair competition as “acquiring [a trade secret] with the knowledge, or gross negligence in not knowing” of the improper act or disclosure).

45. Katherine Linton, *The Importance of Trade Secrets: New Directions in International Trade Policy Making and Empirical Research*, J. INT’L COM. & ECON. 1, 6–8 (2016), available at <https://ssrn.com/abstract=2893319> (reporting that more U.S. firms identify trade secrets as being “very important” to their operations than other types of IP”).

46. *See, e.g.*, Pooley, *supra* note 40; Kim et al., *supra* note 13, at 1, 3–4.

47. *See, e.g.*, Chris Carr & Larry Gorman, *The Revictimization of Companies by the Stock Market Who Report Trade Secret Theft Under the Economic Espionage Act*, 57 BUS. LAW. 25, 52 (2001); Kim et al., *supra* note 13, at 1, 5.

economies,⁴⁸ the protection of IP becomes increasingly important. The annual cost of trade secret theft to the United States and other advanced industrial nations is estimated to range from 1 percent to 3 percent of each country's gross domestic product (GDP).⁴⁹

In light of such concerns, and to standardize the protection of IP throughout the world, the member nations of the WTO have negotiated the TRIPS Agreement.⁵⁰ During those negotiations, the U.S. delegation lobbied vigorously for the inclusion of trade secrets among the intellectual property rights (IPRs) to be covered by the TRIPS Agreement and ultimately prevailed over opposition from developing countries who feared that such IPRs might hamper free trade.⁵¹ This marked the first time that trade secret protection was expressly embraced by "a major and widespread international treaty."⁵² The TRIPS Agreement sets a baseline of minimum standards for the protection of IP by WTO member nations, including Japan and the United States, but

48. See, e.g., JUSTIN ANTONIPILLAI ET AL., INTELLECTUAL PROPERTY AND THE U.S. ECONOMY: 2016 UPDATE 22 (2016), available at <https://www.uspto.gov/sites/default/files/documents/IPandtheUSEconomySept2016.pdf> (reporting that between 2010 and 2014, IP-intensive industries' contribution to the U.S. economy increased from \$5.06 trillion USD to \$6.6 trillion USD, corresponding to a percentage increase in the share of total U.S. Gross Domestic Product from 34.8 to 38.2 percent); Connor Cislo, *Brain Power Pays Off With Japan's Intellectual Property Exports*, BLOOMBERG (Jan. 15, 2018), <https://www.bloomberg.com/news/articles/2018-01-15/brain-power-pays-off-with-japan-s-intellectual-property-exports>.

49. PAMELA PASSMAN ET AL., ECONOMIC IMPACT OF TRADE SECRET THEFT: A FRAMEWORK FOR COMPANIES TO SAFEGUARD TRADE SECRETS AND MITIGATE POTENTIAL THREATS 3 (2014), available at https://create.org/wp-content/uploads/2014/07/CREATE.org-PwC-Trade-Secret-Theft-FINAL-Feb-2014_01.pdf. The Encyclopaedia Britannica defines GDP as the "total market value of the goods and services produced by a country's economy during a specified period of time." Peter Bondarenko, *Gross Domestic Product*, ENCYCLOPAEDIA BRITANNICA (Apr. 26, 2017), <https://www.britannica.com/topic/gross-domestic-product>.

50. The TRIPS Agreement came into effect in on January 1, 1995 after final negotiations during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). See *Overview: The TRIPS Agreement*, *supra* note 35.

51. ELIZABETH A. ROWE & SHARON K. SANDEEN, TRADE SECRECY AND INTERNATIONAL TRANSACTIONS 26 (2015) [hereinafter ROWE & SANDEEN, TRADE SECRECY AND INTERNATIONAL TRANSACTIONS]; ELIZABETH A. ROWE & SHARON K. SANDEEN, TRADE SECRET LAW CASES AND MATERIALS 532 (2d ed. 2017) [hereinafter ROWE & SANDEEN, TRADE SECRET LAW CASES AND MATERIALS].

52. *Id.*

each member nation is free to establish broader levels of protection.⁵³

Article 39(2) of the TRIPS Agreement concerns trade secrets, and expressly protects information that (1) “is secret;” (2) “has commercial value because it is secret;” and (3) “has been subject to reasonable steps under the circumstances . . . to keep it secret.”⁵⁴ The TRIPS Agreement requires member states to give persons lawfully in control of such information the ability to prevent the unauthorized disclosure, acquisition or use by others “in a manner contrary to honest commercial practices.”⁵⁵

53. *Overview: The TRIPS Agreement*, *supra* note 35.

54. Article 39(2) of the TRIPS Agreement provides that:

Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices (n.10) so long as such information:

(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

TRIPS Agreement, *supra* note 44, art. 39(2).

Footnote 10 of Article 39(2) provides that:

For the purpose of this provision, ‘a manner contrary to honest commercial practices’ shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.

Id. art. 39(2) n.10.

55. *Id.* art. 39(2); *also see Id.* art. 39(2) n.10. (further indicating that “in a manner contrary to honest commercial practices” includes breach of contract, breach of confidence and inducement to breach, as well as the acquisition of undisclosed information by “third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition”).

Another notable aspect of the TRIPS Agreement is its enforcement of fair and equitable procedures.⁵⁶ Article 42 provides that member nations must provide “civil judicial procedures” for enforcing IPRs covered by the Agreement, and that confidential information be protected from disclosure during litigation unless doing so would be contrary to the country’s constitutional requirements.⁵⁷

II. HISTORY OF TRADE SECRET LAWS IN JAPAN AND THE UNITED STATES

This Part will discuss the evolution of trade secret laws in Japan and the United States. In contrast to the United States’ consistent leadership in trade secret protection, Japan has been somewhat of a latecomer to enacting strong trade secret protections. Nevertheless, both countries today have strong trade secret protections in place.⁵⁸

A. History of Trade Secret Protection in Japan (the UCPA)

Japanese trade secrets were traditionally protected by civil codes based on tort law, contract law, commercial codes that provided for injunctions or damages against contract violations, and penal codes in cases of theft or embezzlement.⁵⁹ Contract law is applicable when privity exists between the party who misappropriated the trade secret and the trade secret owner. In trade secret misappropriation cases, however, contract law is often inapplicable because there is frequently no privity between the party from whom the trade secret originated and the party who is using the trade secret illicitly. On the other hand, Japanese tort law, specifically Article 709 of the Japanese Civil Code, provides for the remedy of damages against improper acts by third parties, but lacks any express provision for injunctions.⁶⁰

56. TRIPS Agreement, *supra* note 44, pt. III (Enforcement of Intellectual Property Rights).

57. TRIPS Agreement, *supra* note 44, art. 42 (Fair and Equitable Procedures).

58. 2010 Trade Secrets Protection Index, *supra* note 31.

59. KAZUO UBUKATA ET AL., QUESTION Q215: PROTECTION OF TRADE SECRETS THROUGH IPR AND UNFAIR COMPETITION LAW, AIPPI 1–2 (2010), available at <https://aippi.org/download/committees/215/GR215japan.pdf>.

60. MINPŌ [MINPŌ] [CIV. C.] art. 709 (Japan), available at <http://www.moj.go.jp/content/000056024.pdf>. Article 709 of the Japanese Civil Code stipulates that “A person who has intentionally or negligently infringed

In 1934, Japan enacted its UCPA to demonstrate its readiness to be recognized as a developed county and also to comply with provisions relating to unfair competition contained in the Paris Convention for the Protection of Industrial Property.⁶¹ The Japanese government rushed to enact this law out of an eagerness to be recognized as a developed country.⁶² Consequently, the original version had many gaps.⁶³ For example, although the law dealt with unfair competition, there was no specific provision concerning the protection of trade secrets.⁶⁴ The incomplete form of this act may explain the sparseness of trade secret litigation in Japan over the first fifty years of the UCPA's existence.⁶⁵

In the following years, Japan amended the UCPA several times, with the next major amendment coming in 1950. The 1950 amendment to the UCPA added a provision prohibiting misleading representations of goods.⁶⁶ Then, in 1990, the UCPA was amended to include the express protection of trade secrets. That amendment was driven by pressure from GATT⁶⁷ member countries for Japan to harmonize its laws with those of other

any right of others, or legally protected interest of others, shall be liable to compensate any damages resulting in consequence." *Id.*

61. See Paris Convention of the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 307; Junichi Eguchi, *History of Amendments to the Unfair Competition Prevention Act of Japan: From a Developing Country to a Developed Country*, 41 OSAKA U. L. REV. 1, 1 (1994).

62. Eguchi, *supra* note 61.

63. *Id.*

64. Tatsubumi Sato, Intellectual Property High Court Judge, Protection of Trade Secret in Japan, Presentation at the International Conference on Comparative Judicial Protection of Intellectual Property Rights in Chongqing, China 1 (Sept. 28–29, 2006), in *Judge of IP High Court Participates in International Conference in PRC*, INTELL. PROP. HIGH CT., http://www.ip.courts.go.jp/eng/vcms_lf/060928_01.pdf (last visited May 22, 2019).

65. Eguchi, *supra* note 61. *But see* Katsuya Tamai, *Sangyō Supai Dai-sakusen~Bujinesu no Saizennsen de no Hōritsu no Ohanashi~ [Industrial Espionage Strategy: Legal Topics at the Frontlines of Business]*, 67 SEISAN KENKYU 405, 412 (2015), available at <http://doi.org/10.11188/seisankenkyu.67.405> (arguing that the paucity of serious trade secret cases in Japan, as compared to the United States, is the result of trade secret misappropriation having been undetected by a poorly functioning legal system).

66. Eguchi, *supra* note 61, at 2.

67. General Agreement on Tariffs and Trade [GATT], Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194.

countries,⁶⁸ as well as by societal demands arising from an increasingly mobile workforce and from the business sector.⁶⁹ The 1990 UCPA contained provisions for the protection of trade secrets under Japanese civil law,⁷⁰ but did not include any provisions for criminal remedies.⁷¹ Another notable feature of the 1990 amendment was that, for the first time, it provided a mechanism for injunctive relief against third parties who lacked privity with the trade secret owner.⁷² To avoid being overly protective of trade secrets and to avoid creating a system that could easily be abused, however, the new amendment imposed a strict statute of limitations after which the right to injunctive relief, if not exercised, would extinguish.⁷³ Later, in the early 2000s, further amendments were made to the UCPA, notably adding criminal remedies for the infringement and misappropriation of trade secrets and providing mechanisms for closed civil trials to maintain the confidentiality of trade secrets.⁷⁴

In July 2015, Japanese lawmakers passed the latest series of amendments to the UCPA. This new law went into effect on January 1, 2016 and has three main aims: (1) to expand the scope of protection subject to criminal penalties; (2) to strengthen deterrents to trade secret infringement; and (3) to increase the effectiveness of civil remedies.⁷⁵ New features of the UCPA include: penalties for attempted infringement⁷⁶ and not only completed acts of infringement; a lower burden of proof for technical trade secret information used in manufacturing;⁷⁷ an extended statute

68. Eguchi, *supra* note 61.

69. Sato, *supra* note 64.

70. Sato, *supra* note 64.

71. UBUKATA, *supra* note 59, at 2.

72. Kazuko Matsuo, *Recent Amendment to the Unfair Competition Prevention Law for the Protection of Trade Secrets*, 9 UCLA PAC. BASIN L.J. 78 (1991).

73. *Id.* at 92 (describing that the right to injunctive relief provided in Article 3 *bis* of the 1990 UCPA would extinguish if not exercised within three years of the trade secret owner becoming aware of the trade secret misappropriation, or after ten years if the use of the trade secret had been undetected).

74. Sato, *supra* note 64.

75. Zensho Imari, Ministry of Economy, Trade and Industry, Presentation on Trade Secret Protection in Japan 5 (Oct. 6, 2015), available at <http://www.eu-japan.eu/sites/default/files/presentations/docs/mr.-imari.pdf>.

76. UCPA, *supra* note 19, art. 21(4).

77. *Id.* art. 5(2) (The statute imposes a rebuttable presumption that the defendant has used the plaintiff's technical trade secret related to a manufacturing method. This rebuttable presumption is a burden-shifting provision that requires the defendant to demonstrate that its manufacturing method does not

of limitations;⁷⁸ expanded criminal sanctions;⁷⁹ and stronger deterrents in the form of larger criminal fines.⁸⁰

B. History of Trade Secret Protection in the United States

The two main trade secret laws in the United States are the UTSA, which has been adopted and ratified by the majority of states, and the DTSA, which is a new federal law designed to provide a federal civil remedy for trade secret misappropriation without preempting existing state trade secret law.⁸¹ This section will discuss the evolution of these laws.

Prior to the accumulation of a significant body of case law or the enactment of statutes specifically targeting trade secret misappropriation, early trade secret cases in the United States were adjudicated on the basis of tort law, contract law, principles of equity, and the like.⁸² The first recorded trade secret case in the United States was the 1837 decision in *Vickery v. Welch*.⁸³ In this early case, the Supreme Judicial Court of Massachusetts looked to English case law based on principles of equity and ruled that the defendant, after promising to sell his chocolate mills and secret art for making chocolate exclusively to the plaintiff, could

use the plaintiff's trade secret.); see MICHIRU TAKAHASHI ET. AL, JAPAN STRENGTHENS DETERRENCE MEASURES AGAINST TRADE SECRET INFRINGEMENT 3 (2016), available at http://www.jonesday.com/files/Publication/2b509a75-1a2e-4a7d-8b32-6c82a6edeb8d/Presentation/PublicationAttachment/b7bb32d1-b712-4021-b090-7c98ecccc9b4/Japan_Strengthens_Deterrence_Measures.pdf.

78. UCPA, *supra* note 19, art. 15 (lengthening the statute of limitations to three years from the time when the person learns of the infringement and the identity of the infringer, and to twenty years from the time when the infringement began).

79. *Id.* art. 21 (expanding the extraterritorial reach by specifying that the wrongful *acquisition* of a trade secret—not only the wrongful *use* or *disclosure* as previously proscribed—outside Japan can lead to criminal sanctions pursuant to Article 21(6)). See Christoph Rademacher, *Recent Legislation in Japan No.4 “Intellectual Property / Trade Secret Protection: Unfair Competition Prevention Act”*, WASEDA U. INST. COMP. L. (Feb. 17, 2017), <https://www.waseda.jp/foiaw/icl/news-en/2017/02/21/5680/>.

80. See UCPA, *supra* note 19, art. 21(1).

81. See UTSA §§ 1–12, 14 U.L.A. 529–659 (2005); DTSA, Pub. L. No. 114–153, 130 Stat. 376 (2016).

82. SHARON K. SANDEEN & ELIZABETH A. ROWE, *TRADE SECRET LAW IN A NUTSHELL* 1–2 (2d ed. 2018) [hereinafter SANDEEN & ROWE, *TRADE SECRET LAW IN A NUTSHELL*].

83. DONALD S. CHISUM ET. AL, *UNDERSTANDING INTELLECTUAL PROPERTY LAW* 204 (2d ed. 2011) (citing *Vickery v. Welch*, 36 Mass. 523 (1837)).

not retain the right to tell the secret to others.⁸⁴ Throughout the nineteenth century and into the twentieth century, a growing body of common law became the primary authority for United States trade secret law.⁸⁵ As part of an initiative to make state laws more uniform, in 1939, the American Law Institute published the Restatement (First) of Torts, which included three sections that concerned trade secrecy.⁸⁶ With the goal of providing a uniform framework for trade secret jurisprudence, the National Conference of Commissioners of Uniform State Laws published the UTSA in 1979.⁸⁷ In contrast to a Restatement, the UTSA, once adopted by a state, becomes a primary authority, while a Restatement will remain a secondary authority.⁸⁸ This distinction is significant because a state's adopted version of the UTSA will be binding on its courts, whereas a secondary authority will only have persuasive effect.

The prefatory note to the UTSA declares that its intended contribution is to standardize definitions of "trade secret" and "trade secret misappropriation," and to prescribe a single statute of limitations.⁸⁹ This prefatory note also hints at another reason for the need to have strong trade secret laws by pointing out a disadvantage of the patent law system:

A valid patent provides a legal monopoly for seventeen years in exchange for public disclosure of an invention. If, however, the courts ultimately decide that the Patent Office improperly issued a patent, an invention will have been disclosed to competitors with no corresponding benefit.⁹⁰

In other words, by maintaining an invention as a trade secret, and not disclosing it to the public, the trade secret owner may enjoy greater certainty over the benefit derived from the trade secret.

84. *Vickery*, 36 Mass. at 527.

85. CHISUM, *supra* note 83, at 206.

86. RESTATEMENT (FIRST) OF TORTS §§ 757, 758, 759 (AM. LAW INST. 1939); SANDEEN & ROWE, TRADE SECRET LAW IN A NUTSHELL, *supra* note 82, at 3.

87. CHISUM, *supra* note 83, at 207–08.

88. SANDEEN & ROWE, TRADE SECRET LAW IN A NUTSHELL, *supra* note 82, at 30.

89. UTSA, Prefatory Note, 14 U.L.A. 530–31 (2005).

90. *Id.*

The UTSA, to date, has been adopted by forty-eight of the fifty states⁹¹ and has become the “primary source of trade secret law in the United States.”⁹² Although New York and North Carolina have yet to adopt the UTSA, through common law and state statutes, those states have substantially harmonized their trade secret law with the general principles espoused in the UTSA.⁹³

Complementing UTSA state law, which may be limited by jurisdictional issues in cross-border disputes among states, the recently enacted DTSA aims to strengthen trade secret protection by providing a federal civil remedy for the misappropriation of trade secrets.⁹⁴ The DTSA amends the Economic Espionage Act of 1996 (EEA),⁹⁵ a federal criminal statute, to include a private civil cause of action and contains provisions for injunctions, damage awards, and in extraordinary circumstances requiring expedited relief, the ex parte seizure of property.⁹⁶

III. COMPARISON OF TRADE SECRET STATUTES IN JAPAN AND THE UNITED STATES

Below, this Note compares Japanese and U.S. trade secret law in several ways. First, it compares the subject matter definitions of protectable trade secrets in Japan’s UCPA and the United States’ UTSA/DTSA to the requirements of the TRIPS Agreement. Second, it compares the specific acts of trade secret misappropriation that are prohibited. Third, it surveys the types of relief available.

91. As of Spring 2019, the only states to have not formally adopted some version of the UTSA are New York and North Carolina. The latest addition is Massachusetts, which adopted the UTSA in 2018. *See Trade Secrets Act*, UNIF. L. COMM’N, <https://www.uniformlaws.org/committees/community-home?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792> (last visited Mar. 30, 2019).

92. ROWE & SANDEEN, *TRADE SECRET LAW CASES AND MATERIALS*, *supra* note 51, at 31.

93. ROWE & SANDEEN, *TRADE SECRECY AND INTERNATIONAL TRANSACTIONS*, *supra* note 51, at 35.

94. S. REP. NO. 114-220, at 3 (2016), *available at* <https://www.gpo.gov/fdsys/pkg/CRPT-114srpt220/pdf/CRPT-114srpt220.pdf>.

95. EEA, Pub. L. No. 104-294, 110 Stat. 3488 (codified at 18 U.S.C. §§ 1831-1839 (2012)).

96. S. REP. NO. 114-220, *supra* note 94.

A. Comparison of Protectable Trade Secret Subject Matter

Below, various definitions of trade secret subject matter as expressed in Japan's UCPA and the United States' UTSA/DTSA are compared through the lens of requirements prescribed in Article 39(2) of the TRIPS Agreement.⁹⁷ The TRIPS Agreement sets a minimum standard that each WTO member nation is obligated to satisfy.

Article 2(6) of Japan's UCPA defines a trade secret as "technical or business information useful for business activities, such as manufacturing or marketing methods, that is kept secret and that is not publicly known."⁹⁸ Based on this definition, a trade secret must be "technical or business information" and must satisfy three requirements: that it is (1) "useful," (2) "kept secret," and (3) "not publicly known."⁹⁹

The UCPA subject matter requirement of "technical or business information" is regarded as a broad category, and most types of technical or business information will satisfy this requirement.¹⁰⁰ Examples of qualifying technical or business information include product design and manufacturing methods, customer and supplier lists, and sales manuals.¹⁰¹

By contrast, in the United States, under the UTSA, a trade secret is defined as information, including a formula, pattern, compilation, program, device, method, technique, or process, that (1) is not generally known or readily ascertainable; (2) has independent economic value; and (3) is the subject of reasonable efforts to maintain its secrecy.¹⁰²

97. TRIPS Agreement, *supra* note 44, art. 39(2).

98. Quoting the unofficial English translation of article 2(6) of Japan's UCPA. UCPA, *supra* note 19, art. 2(6).

99. *Id.*

100. Kazuko Matsuo, *Japan, in* TRADE SECRETS THROUGHOUT THE WORLD § 23:2 (Melvin Jager ed., 2016).

101. UBUKATA, *supra* note 59, at 4; *Gijutsu Ryūshutsu Bōshi, Eigyo Himitsu Hogo Kyōka ni Tsuite* [Regarding the Prevention of Technology Outflows and Strengthening of Trade Secret Protection], MINISTRY ECON., INDUS. & TRADE 13 (2014), http://www.meti.go.jp/committee/sankoushin/chitekizaisan/eigyohimitsu/pdf/001_05_00.pdf.

102. Section 1(4) of the UTSA provides the following definition of a trade secret:

"Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

The DTSA, which was modeled in part after the UTSA, defines a trade secret in a substantially similar manner.¹⁰³ The main differences in subject matter definitions are that the DTSA provides a slightly more detailed list of the applicable forms and types of information,¹⁰⁴ and as a federal statute enacted under the Commerce Clause of the United States Constitution, the DTSA is only applicable to trade secrets relating to “a product or service used in or intended for use in interstate or foreign commerce.”¹⁰⁵ Because the USTA and DTSA protect similar types of trade secret subject matter, they will be considered jointly in the TRIPS subject matter analysis below.

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

UTSA § 1(4), 14 U.L.A. 538 (2005).

103. ROWE & SANDEEN, *TRADE SECRET LAW CASES AND MATERIALS*, *supra* note 51, at 46–48.

104. The DTSA defines a trade secret as

all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information[.]

18 U.S.C. §1839(3) (2012).

105. 18 U.S.C. § 1832(a) (2012); *see also* U.S. CONST. art. I, § 8, cl. 3.

1. TRIPS Subject Matter Requirement 1: The Information “is secret”¹⁰⁶

The TRIPS Agreement requires secrecy “in the sense that [the information] is not . . . generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question.”¹⁰⁷ The analysis below shows that both Japanese and U.S. trade secret laws are similar in this regard and satisfy the TRIPS secrecy prong.

a. Japan: UCPA’s “not publicly known” Requirement

The “not publicly known” requirement of Article 2(6) the UCPA is satisfied if the information is “normally not available outside the control of its holder,” such as if it has not been published.¹⁰⁸ Even if the information is known by others, as long as those parties maintain the information in a confidential manner, it will still be considered to be “not publicly known.”¹⁰⁹ In published guidelines for trade secret management, the Japanese Ministry of Economy, Trade and Industry (METI) defines “not publicly known” as the condition where the trade secret information is not generally known and not readily knowable.¹¹⁰ Often, the issue of reverse engineering arises when public knowledge of a product is in dispute. In such cases, a significant factor is the ease at which the information was acquired, whether it was obtained through a complex and arduous reverse engineering process or a quick and simple analysis.¹¹¹

106. TRIPS Agreement, *supra* note 44, art. 39(2)(a).

107. *Id.*

108. UBUKATA, *supra* note 59, at 4.

109. UBUKATA, *supra* note 59, at 4.; *Eigyō Himitsu Kanri Shishin [Trade Secret Management Guidelines]*, MINISTRY ECON., INDUS. & TRADE 16 (2015), <http://www.meti.go.jp/policy/economy/chizai/chiteki/pdf/20150128hontai.pdf> [hereinafter *Trade Secret Management Guidelines*] (noting that the “not publicly known” requirement of the UCPA is satisfied as long as the confidentiality of the information is actually maintained and that this differs from the novelty requirement of article 29 of Japanese Patent Law).

110. *Trade Secret Management Guidelines*, *supra* note 109, at 16 (noting that this definition is similar to the requirement of Article 39, Paragraph 2(a) of the TRIPS Agreement). This language is also in agreement with the UTSA/DTSA requirement of “[being] not generally known . . . and not being readily ascertainable.” See *infra* note 119.

111. Masataka Kawakami, *Himitsukanrisei Handan ni okeru Hōunyō Keis-eikatei no Kentō Oyobi Mondaiteiki [A Study and Opinion about the Formation Process of Application of Law in a Judgment of Management of Secrecy]*, 2

One such example is *New Create K.K. v. K.K. GT Japan*.¹¹² In *New Create*, the plaintiff accused two former employees of copying electronic design data for a ceramic capacitor laminating machine and printer as they were leaving the company to work elsewhere.¹¹³ The defendants asserted that the alleged trade secret was publicly known because the data could be obtained through reverse-engineering machines that the plaintiff had been selling publicly without an NDA.¹¹⁴ The electronic data in question related to a total of approximately six thousand design drawings.¹¹⁵ The design drawings were very detailed, listing the shapes, dimensions, and other information ranging from several hundred to one thousand-plus components per machine model, and they disclosed a high-level of manufacturing know-how for laminating machines.¹¹⁶ The court ultimately rejected the defendant's assertion and found the information to have been "not publicly known."¹¹⁷ In reaching this decision, the court reasoned that in consideration of the quantity, content, and circumstances of the electronic data, it would be difficult to reverse-engineer the same data as the plaintiff's electronic data, and reverse-engineering, if undertaken, would have required time-consuming and expensive analysis by a highly-skilled expert.¹¹⁸

b. United States: UTSA/DTSA's "not generally known . . . and not being readily ascertainable" Requirement

Comments to Section 1 of the UTSA emphasize that the condition of "not being generally known . . . and not being readily ascertainable" refers not to the awareness of the public, but to

AOYAMA BUS. L. REV. 37, 43 (2012), available at <http://www.als.aoyama.ac.jp/pdf/AoyamaBusinessLawReview2-1.pdf>.

112. Osaka Chihō Saibansho [Osaka Dist. Ct.] Feb. 27, 2003, Hei 13 (wa) no. 10308, Hei 14 (wa) no. 2833, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, <http://www.courts.go.jp> (Japan).

113. *Id.* at 4–5.

114. *Id.* at 13.

115. *Id.* at 4–5.

116. *Id.* at 13.

117. *Id.*

118. *Id.*; Kaoru Suzuki, et. al, *Fukyōhō 2 Jō 1 Kō 1–9 Gō no Saibanrei ni Miru Shōko Syūsyū & Kakuhono Jitsumu [Practice of Evidence Collection and Preservation Seen in Court Decisions under UCPA art. 2., para. 1, 1–9]*, JAPAN PAT. ATT'YS ASSOC. (JPAA) J.: PAT. 63, 74 (2016), https://system.jpaa.or.jp/patents_files_old/201611/jpaapatent201611_063-076.pdf.

those persons who could benefit economically from the trade secret.¹¹⁹ For example, a specialized production technique that was unknown to the general public, but known widely within its related industry, would not qualify for trade secret protection.¹²⁰ Similarly, information that is available in publications would not qualify for trade secret protection.¹²¹ Although information that can be easily copied from a product would not be eligible for trade secret protection, information that is revealed through a “lengthy and expensive” reverse engineering process could qualify as a protectable trade secret.¹²²

2. TRIPS Subject Matter Requirement 2: The Information “has commercial value because it is secret”¹²³

With regard to the “commercial value” requirement, Japan’s UCPA statutory language differs slightly from that of the TRIPS Agreement and defines this element in terms of its “usefulness.” Because something can be useful even without having commercial value, this is an example of Japan providing broader trade secret protection than is required under the TRIPS Agreement.

The “independent economic value” language of the UTSA/DTSA also appears to be somewhat broader in scope than the “commercial value” requirement of the TRIPS Agreement since a trade secret may arguably have economic, but not commercial, value. On the other hand, the UTSA/DTSA’s qualifying language of “independent” seems to rein in the broadness of that definition.

a. Japan: UCPA’s “Usefulness” Requirement

Regarding the UCPA requirement that qualifying information be useful for commercial applications, Japanese courts have interpreted this provision liberally and have not required detailed proof of the economic value of the information.¹²⁴ Rather, the

119. UTSA § 1 cmt., 14 U.L.A. 538 (2005); *see also* 1 ROGER M. MILGRIM & ERIC E. BENSON, MILGRIM ON TRADE SECRETS § 1.01 (2017) (noting that because the term “readily ascertainable” is not defined within the UTSA, its ordinary meaning should be used as a guide for the trier of fact).

120. *See* UTSA § 1 cmt.

121. *Id.*

122. *Id.*

123. TRIPS Agreement, *supra* note 44, art. 39(2)(b).

124. Sato, *supra* note 64, at 3; *see also* Chris Neumeyer, *Trade Secrets and Employee Mobility in the U.S. and Asia*, IP WATCHDOG (Oct. 9, 2013),

“usefulness” requirement serves to exclude those trade secrets that are insufficiently beneficial to society, such as information about scandals or illegal activities.¹²⁵ For example, in *Kōkyō Doboku Sekisan Laboratory Co. v. Sayū System*, the Tokyo District Court held that information about acceptable prices for bidding on public works projects in Saitama Prefecture was not useful in commercial activity because such information impeded the public bidding process and was contrary to the public interest.¹²⁶ As such, that pricing information did not satisfy the “usefulness” requirement and was not protectable as a trade secret.¹²⁷

b. United States: UTSA/DTSA’s “independent economic value” Requirement

The language of the “independent economic value” requirement indicates that the information must derive its value from both being secret and from its value to third parties.¹²⁸ Information that provides its owner a competitive advantage is also characterized as having independent economic value.¹²⁹ Comments to Section 1 of the UTSA explain that the definition of a trade secret therein is broader than as defined in the Restatement (First) of Torts, and includes information having the *potential* to become valuable, as well as so-called “negative information.”¹³⁰ Negative information relates to processes or materials that may have been investigated, but did not lead to fruition. For example, in the research and development stage of product

<http://www.ipwatchdog.com/2013/10/09/trade-secrets-and-employee-mobility-in-the-u-s-and-asia/id=45666/> (explaining that despite the added “usefulness” requirement of the UCPA, the definitions of trade secrets under the United States’ UTSA and Japan’s UCPA are substantially similar).

125. Sato, *supra* note 64, at 3 (describing that information regarding illegal activity, despite possible usefulness in a commercial sense, could not be protected as trade secrets; examples of such exclusions include tax evasion methods or methods to circumvent environmental protection laws).

126. Tōkyō Chihō Saibansho [Tokyo Dist. Ct.] Feb. 14, 2002, Hei 12 (wa) no. 9499, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, 4–5, <http://www.courts.go.jp> (Japan).

127. *Id.*

128. ROWE & SANDEEN, TRADE SECRECY AND INTERNATIONAL TRANSACTIONS, *supra* note 51, at 42–43.

129. MILGRIM, *supra* note 119.

130. The UTSA “depart[s] from the Restatement of Torts (First) definition which required that a trade secret be ‘continuously used in one’s business.’” UTSA § 1 cmt., 14 U.L.A. 538 (2005).

development, great time and expense may be expended only to prove that a certain process does not achieve its intended result, but this information about what does not work may provide a competitive advantage to its owner.¹³¹

3. TRIPS Subject Matter Requirement 3: The Information “has been subject to reasonable steps under the circumstances . . . to keep it secret”¹³²

Both Japanese and the U.S. trade secret provisions comply with the TRIPS Agreement requirement for “reasonable steps under the circumstances” to maintain secrecy. The statutory language in Japan’s UCPA provision does not imply that only “reasonable” secrecy measures are needed, but Japanese courts will consider the circumstances when determining the particular level of required secrecy. On the other hand, the corresponding provisions in the UTSA and DTSA both closely mirror the language of the TRIPS Agreement.

a. Japan: UCPA’s “kept as a secret” Requirement

In determining whether a trade secret is “kept secret,” Japanese courts generally weigh two factors: the extent to which access of the information is restricted and whether an individual unauthorized to use the information is able to recognize that it is secret.¹³³ Moreover, the information must be maintained in a manner that *objectively* provides notice to employees or third parties that the information is secret. Also, the extent to which secrecy measures are implemented can vary according to such

131. Negative information may be the result of “lengthy and expensive research which proves that a certain process will not work . . . [and] could be of great value to a competitor.” *Id.*

132. TRIPS Agreement, *supra* note 54, art. 39(2)(c).

133. Sato, *supra* note 64, at 3; *Trade Secret Management Guidelines*, *supra* note 109, at 5 n.5 (2015) (These two factors—restriction of access and indication as a secret—while important, are not independent. Restricting access is considered to be one way of ensuring that the information will be recognizable as secret information. As long as the person accessing information is able to recognize that the information is secret, the “kept in secret” prong cannot be denied based on insufficient access control. That is not to say, however, that a company would not need to implement secrecy measures if their employees were able to actually recognize certain information as secret information. Article 2(6) of the UCPA is thought to require the implementation of some sort of secrecy control measures.).

factors as the size of the company, the type of work, the employees' jobs, and the nature of the information.¹³⁴ The "kept secret" prong is frequently challenged, and Japanese courts decide this issue on a case-by-case basis, weighing all relevant facts.¹³⁵

One interesting case that turned on the "kept secret" prong of Japan's UCPA involved a men's toupee business that maintained a customer list on the interior side of a store counter.¹³⁶ The customer list was positioned in such a manner that employees could see the list but others could not and was marked as "highly confidential."¹³⁷ The defendant, a former employee of the business, had subsequently opened his own shop selling and manufacturing toupees, and had been contacting customers on the list and attempting to enter into agreements with them.¹³⁸ The Osaka District Court recognized that customer lists in the men's toupee industry are difficult to acquire and that the plaintiff had continued to spend large sums on advertising over many years to acquire its customer list.¹³⁹ The court held that under the particular circumstances of this case, because the list was marked as "highly confidential" and maintained on the interior side of the store counter such that customers could not see it, the customer list was "kept as a secret" and thus did qualify as a trade secret.¹⁴⁰

b. United States: UTSA "efforts that are reasonable under the circumstances" and the DTSA's "reasonable measures" to Maintain Secrecy Requirement

UTSA Section 1 comments list examples of secrecy efforts that U.S. courts have found to be reasonable, including "advising employees of the existence of a trade secret," "limiting access to a trade secret on a 'need to know basis,'" and "controlling plant access."¹⁴¹ Similar to the Japanese court's consideration of the facts and circumstances in the aforementioned toupee case, the

134. *Trade Secret Management Guidelines*, *supra* note 109, at 3–5.

135. Sato, *supra* note 64, at 2.

136. Osaka Chihō Saibansho [Osaka Dist. Ct.] Apr. 16, 1996, Hei 6 (wa) no. 4404, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, 4, <http://www.courts.go.jp> (Japan).

137. *Id.*

138. *Id.* at 4, 6.

139. *Id.* at 4.

140. *Id.*

141. UTSA § 1 cmt., 14 U.L.A. 538 (2005).

UTSA comments further explain that the “reasonable efforts to maintain secrecy” requirement only mandates that efforts be “reasonable under the circumstances.”¹⁴² The statute does not require “extreme and unduly expensive procedures” to protect against industrial espionage, and the Section 1 comments cite *E. I. du Pont de Nemours & Co. v. Christopher* as an illustrative example.¹⁴³ In this case, the court found that the hiring of photographers to take aerial photographs of new construction at a competitor’s plant was an improper means of obtaining a trade secret and that the plaintiff was not expected to have protected against such an extreme form of industrial espionage.¹⁴⁴

B. Comparison of Prohibited Acts of Trade Secret Misappropriation

Referring back to the obligations of the TRIPS Agreement, the relevant requirement set forth in TRIPS Article 39(2) is that “natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices.”¹⁴⁵ Footnote 10 to Article 39(2) provides further clarification in the form of specific examples of practices that are “contrary to honest commercial practices.”¹⁴⁶ The analysis below shows that both Japanese and U.S. laws comport with the TRIPS Agreement definition of misappropriation. Japan’s UCPA is notably more explicit than the corresponding language in the UTSA/DTSA statutes, and such detailed language is characteristic of a civil law statute, where the application of law is not expected to develop through case law precedents.

142. *Id.*

143. *Id.*; *E. I. du Pont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970).

144. *E. I. du Pont de Nemours*, 431 F.2d at 1016 (the court stating that “[p]erhaps ordinary fences and roofs must be built to shut out incursive eyes, but we need not require the discoverer of a trade secret to guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available”).

145. TRIPS Agreement *supra* note 44, art. 39(2).

146. *Id.*

1. Misappropriation under Japan's UCPA

Japanese law protects trade secrets not as property, but against infringement by unfair acts.¹⁴⁷ To better understand the nuances of the UCPA, it is instructive to examine closely the types of unfair acts that would be considered misappropriation. Article 2, Section 1 of the UCPA of 2016 proscribes sixteen different types of unfair acts, seven of which expressly relate to

147. UBUKATA, *supra* note 59, at 6. *See also* Matsuo, *supra* note 72, at 78.

trade secrets.¹⁴⁸ Japan's METI provides a detailed, article-by-article explanation of the UCPA,¹⁴⁹ and is the primary reference on which the following analysis of the statute language is based.

148. Article 2, section 1 of the UCPA of 2016 provides that

(iv) the act of acquiring a Trade Secret by theft, fraud, duress, or other wrongful means (hereinafter referred to as the "Act of Wrongful Acquisition"), or the act of using or disclosing (including the disclosure in confidence to a specific person or persons; the same applies hereinafter) a Trade Secret through an Act of Wrongful Acquisition;

(v) the act of acquiring a Trade Secret with the knowledge, or with gross negligence in not knowing, that there has been an intervening Act of Wrongful Acquisition, or the act of using or disclosing a Trade Secret so acquired;

(vi) the act of using or disclosing an acquired Trade Secret after having learned, or with gross negligence in not having learned, subsequent to its acquisition, that there had been an intervening Act of Wrongful Acquisition;

(vii) the act of using or disclosing a Trade Secret that has been disclosed by the business operator that owns said Trade Secret (hereinafter referred to as the "Owner") for the purpose of acquiring a wrongful gain, or causing damage to said Owner;

(viii) the act of acquiring a Trade Secret with the knowledge, or with gross negligence in not knowing, that said Trade Secret's disclosure is an Act of Improper Disclosure (meaning, in the case prescribed in the preceding item, the act of disclosing a Trade Secret for the purpose prescribed in said item, or the act of disclosing a Trade Secret in breach of a legal duty to maintain secrecy; the same applies hereinafter) or that there has been an intervening Act of Improper Disclosure with regard to said Trade Secret, or the act of using or disclosing a Trade Secret so acquired;

(ix) the act of using or disclosing an acquired Trade Secret after having learned, or with gross negligence in not having learned, subsequent to its acquisition, that said Trade Secret's disclosure was an Act of Improper Disclosure or that there had been an intervening Act of Improper Disclosure with regard to said Trade Secret;

(x) the act of assigning, delivering, displaying for the purpose of assignment or delivery, exporting, importing, or providing

METI explains that in UCPA Article 2(1)(iv), the “act of acquiring by theft, fraud, duress or other wrongful means,” or of “using or disclosing” a trade secret acquired through wrongful means, are acts of blatant illegality and thus are considered “unfair competition.”¹⁵⁰ The term “other wrongful means” applies not only to overtly criminal acts, such as theft and fraud that fall under penal statutes, but is also understood to apply to the use of means that contravenes public policy and social norms.¹⁵¹ The act of “acquiring” includes acts in which a defendant or a third party physically obtains a trade secret via recording media or the like, as well as acts such as memorizing a trade secret, where a defendant or a third party obtains the trade secret without any transfer of the medium on which the trade secret has been recorded.¹⁵² The act of “using” a trade secret includes such acts as the direct use of trade secrets containing technical information about another company’s product or manufacturing method, or the act of referencing another company’s market research data

through a telecommunications line Things created by the acts listed in item (iv) to the preceding item (limited to an act of using a Technical Secret (meaning a Trade Secret which is technical information; the same applies hereinafter); hereinafter referred to as an “Act of Unauthorized Use” in this item) (excluding an act of assigning, delivering, displaying for the purpose of assignment or delivery, exporting, importing, or providing through a telecommunications line said Things by a person who has received said Things by assignment (limited to a person who, at the time of receiving said Things by assignment, had no knowledge that the Things were created by an Act of Unauthorized Use, and such lack of knowledge was not based on gross negligence)).

UCPA, *supra* note 19, art. 2(1)(iv)–(x).

149. *Chikujō Kaisetsu Fusei Kyōsō Bōshi Hō, Heisei 27 Kaiseiban* [FY2015 Revised Article-by-Article Explanations of the UCPA], MINISTRY ECON., TRADE & INDUS. (Jan. 2017), <http://www.meti.go.jp/policy/economy/chizai/chiteki/unfair-competition.html#chikujō> [hereinafter *FY2015 Revised Article-by-Article Explanations of the UCPA*]; see also *METI Compiled the FY2015 Revised Article-by-Article Explanations of the Unfair Competition Prevention Act*, MINISTRY ECON., TRADE & INDUS., http://www.meti.go.jp/english/press/2016/0513_02.html (last visited May 22, 2019).

150. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 77.

151. *Id.*

152. *Id.*

that is a trade secret.¹⁵³ The act of “disclosing” a trade secret means informing a third party of a trade secret, and also includes the act of informing a specific person without losing the “not publicly known” nature of the trade secret,¹⁵⁴ as well as the act of transferring possession of a tangible object that embodies a trade secret.¹⁵⁵

As an example of the evolving strictness of Japanese trade secret law, Japanese attorneys Sato and Watanabe cite the August 2014 conviction under the UCPA of a defendant who had stolen his former employer’s trade secrets, but had not actually disseminated them.¹⁵⁶ This case is noteworthy in that it marks the first time a former employee was prosecuted in Japan for having illegally acquired, but not yet used or disclosed, a trade secret.¹⁵⁷

UCPA Article 2(1)(v) applies to the situation in which a third party acquires or uses a trade secret that the third party knows, or is grossly negligent in not knowing, to have been misappropriated by an intervening party.¹⁵⁸ The “knowledge” that the trade secret has been acquired with an intervening wrongful acquisition is considered to be “bad faith,” and “gross negligence in not knowing” is considered an extreme breach of the duty of care and is treated similarly to bad faith.¹⁵⁹ This express mention of “gross negligence” is thought to comport with the definition of “a manner contrary to honest commercial practices” in TRIPS Article 39(2) footnote 10.¹⁶⁰

UCPA Article 2(1)(vi) describes acts where a third party acquires a trade secret in good faith or without gross negligence, but then later learns (such as from extensive reporting of an industrial spy incident), or is grossly negligent in not learning,

153. *Id.*

154. *Id.*

155. *Id.* See also Tōkyō Chihō Saibansho [Tokyo Dist. Ct.] Apr. 28, 2010, Hei 18 (wa) no. 29160, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, 3, 47–48, <http://www.courts.go.jp> (Japan) (holding that coenzyme Q10-producing bacteria was itself a trade secret).

156. Sato & Watanabe, *supra* note 10.

157. *Id.*

158. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 78.

159. *Id.* at 79.

160. TRIPS Agreement, *supra* note 44, art. 39(2), n.10; UBUKATA, *supra* note 59, at 8.

that there had been an intervening act of wrongful acquisition, and subsequently uses or discloses the trade secret.¹⁶¹

UCPA Article 2(1)(vii) describes the act of using or disclosing a trade secret, which the trade secret owner has disclosed to a person such as an employee, subcontractor, or licensee, for the purpose of acquiring a wrongful gain or of causing damage to the owner.¹⁶² The trade secret “owner” is defined as the “business owner that owns the trade secret,¹⁶³ and therefore, licensees can also be considered “owners.” The term, “disclosed by the business operator that owns said trade secret,” means that the trade secret was not acquired in a wrongful manner.¹⁶⁴ This could pertain, for example, to situations in which the owner disclosed the trade secret orally or by handing it over, or provided the right to access the trade secret, or in situations when the trade secret is used in one’s work duties.¹⁶⁵ “For the purpose of acquiring a wrongful gain” refers not only to the purpose of running a competing business, but also broadly to the purpose of achieving a wrongful gain in a manner that contravenes public policy and is a breach of fair and equitable principles.¹⁶⁶ Moreover, “the purpose of acquiring a wrongful gain” is not limited to the trade secret-acquiring party, and may also apply to the purpose of causing a third party to gain wrongfully.¹⁶⁷ The purpose of “causing damage to said owner” refers to the damage of assets, loss of trust, and other tangible or intangible wrongful losses, but it is not necessary for the damage to have materialized.¹⁶⁸

The case of *Emotion Corp. v. T.H. Co, Ltd.* provides a clear example of how a trade secret could be used for the purpose of acquiring a wrongful gain.¹⁶⁹ In this case, the CEO of a mail order company that sold *samue*, a type of traditional Japanese clothing, asked the employee in charge of the company’s computer system to copy customer information onto a floppy disk, which

161. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 79.

162. *Id.* at 80.

163. *Id.*

164. *Id.*

165. *Id.*

166. *Id.*

167. *Id.* at 81.

168. *Id.*

169. Tōkyō Chihō Saibansho [Tokyo Dist. Ct.] May 14, 2004, Hei 15 (wa) no. 5711, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, <http://www.courts.go.jp> (Japan).

the CEO then brought home.¹⁷⁰ After retiring from the company, the ex-CEO used that customer information to conduct sales activities at a new company.¹⁷¹ Finding the ex-CEO to be using that information for the purpose of acquiring a wrongful gain, the Tokyo District Court issued an injunction to prohibit his new company from entering into any contracts with the customers listed in that floppy disk file and also ordered the destruction of the floppy disk itself.¹⁷²

UCPA Article 2(1)(viii) describes the act of acquiring a trade secret with the knowledge, or gross negligence in not knowing, that the trade secret was disclosed improperly, or the act of using or disclosing a trade secret so acquired.¹⁷³ An improper disclosure is either the disclosure of a trade secret obtained from its owner for the purpose of wrongful gain or of inflicting harm upon the owner as set forth in Article 2(1)(vii), or the disclosure of a trade secret in breach of a legal duty to maintain secrecy.¹⁷⁴

An illustrative case is *Nihon Jinzai Sabisu v. Hand Hands* in which two employees of a staffing agency improperly disclosed a staffing name list owned by the agency to a third party, and the third-party proceeded to use the name list to solicit business.¹⁷⁵ In this case, the Tokyo District Court found the staffing name list to be a trade secret, ruled that the two defendants were in violation of UCPA Article 2(vii) for their use and disclosure of the information to the third-party company, and that the third-party company was in violation of UCPA Article 2(viii) for its acquisition and use of the information despite having known that the information had been disclosed improperly by the two defendants.¹⁷⁶

UCPA Article 2(1)(ix) describes acts where a third party uses or discloses an acquired trade secret after learning, such as by being warned by the trade secret owner, or failing to learn due

170. *Id.* at 7.

171. *Id.* at 8.

172. *Id.*

173. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 82.

174. *Id.*

175. Tōkyō Chihō Saibansho [Tokyo Dist. Ct.] Dec. 26, 2002, Hei 12 (wa) no. 22457, SAIBANSHO SAIBANREI JŌHŌ [SAIBANSHO WEB] 1, 14 <http://www.courts.go.jp> (Japan).

176. *Id.* at 13–15.

to gross negligence, that the trade secret was wrongfully disclosed or that there had been a wrongful intervening disclosure.¹⁷⁷ The UCPA contains a specific carve-out, however, for instances of trade secret use or disclosure by a third-party that, at the time of acquiring the trade secret, did not know, or was not grossly negligent in not knowing, that the disclosure was improper or that there had been an intervening act of wrongful acquisition.¹⁷⁸

UCPA Article 2(1)(x) describes the acts of “assigning, delivering, displaying for the purpose of assigning or delivering, exporting, importing, or providing through a telecommunications line” *things* created by unauthorized use of the trade secret.¹⁷⁹ Unauthorized use is considered to be any of the acts listed in Article 2(1)(iv) to (ix), and is limited to acts that use technical trade secrets.¹⁸⁰ The recipient of the *thing* is exempt from this provision as long as he or she exhibited good faith and no gross negligence at the time of the assignment.¹⁸¹ Because a trade secret-infringing product can be distributed widely, this provision was newly added to the UCPA of 2016 to strengthen deterrence of trade secret infringement by restricting the transfer of trade secret-infringing products.¹⁸²

2. Misappropriation under the United States’ UTSA/DTSA

The DTSA closely mirrors the UTSA’s language for a defining “misappropriation.” As in the case of Japan’s UCPA, neither the UTSA nor the DTSA requires actual use. Improper acquisition is sufficient to find misappropriation.

Under the UTSA/DTSA, trade secret misappropriation is the (i) acquisition of a trade secret by a person who knows or has reason to know that the acquisition was by “improper means,” or (ii) disclosure or use of a trade secret without consent by a

177. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 83.

178. UCPA, *supra* note 19, art. 19(1)(vi).

179. *Id.*

180. *Id.*

181. *Id.* at 84; METI, INTELLECTUAL PROPERTY POLICY OFFICE, 2017 UNFAIR COMPETITION PREVENTION ACT 1, 23 (2017), *available at* <http://www.meti.go.jp/policy/economy/chizai/chiteki/pdf/2017unfaircompetitiontextbook.pdf>.

182. *FY2015 Revised Article-by-Article Explanations of the UCPA*, *supra* note 149, at 84.

person who (A) acquired the trade secret through “improper means” or, (B) at the time of disclosure or use, knew that the trade secret had been acquired improperly, or (C) prior to a material change in his/her position knew or had reason to know that it was a trade secret acquired through accident or mistake.¹⁸³

“Improper means” is defined to include “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means[.]”¹⁸⁴ Comments to Section 1 of the UTSA explain that “proper means” includes: “discovery by independent invention,” “discovery by reverse engineering,” “discovery under a license from the owner of the trade secret,” “observation of the item in public use or on public display,” and “obtaining the trade secret

183. Section 1(2) of the UTSA defines the act of trade secret misappropriation as follows.

“Misappropriation” means:

(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(ii) disclosure or use of a trade secret of another without express or implied consent by a person who (A) used improper means to acquire knowledge of the trade secret; or (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

(I) derived from or through a person who had utilized improper means to acquire it;

(II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

UTSA § 1(2), 14 U.L.A. 537 (2005).

184. UTSA § 1(1).

from published literature.”¹⁸⁵ The previously cited aerial reconnaissance in *E. I. du Pont de Nemours & Co. v. Christopher*—where a competitor of DuPont hired photographers to take aerial photographs of DuPont’s new chemical production facility that was under construction—is considered an example of the use of improper means to acquire a trade secret.¹⁸⁶

C. Comparison of Remedies and Damage Awards for Trade Secret Misappropriation in Japan (UCPA) and the United States (UTSA/DTSA)

Japan’s UCPA¹⁸⁷ and the United States’ UTSA/DTSA¹⁸⁸ both provide for equitable remedies, i.e., injunctions, and damages for trade secret misappropriation. Both also include provisions for maintaining secrecy during the litigation process; however, the Japanese constitutional guarantee of open trials¹⁸⁹ presents a procedural obstacle for confidentiality in Japanese trade secret litigation. Japan asserts that despite this constitutional issue, it is in compliance with the TRIPS Agreement requirement of Article 42 for protecting confidential information, unless contrary

185. UTSA § 1 cmt. Similarly, the DTSA clarifies that “improper means . . . does not include reverse engineering, independent derivation, or any other lawful means of acquisition.” 18 U.S.C. § 1839(6)(B).

186. *E. I. du Pont de Nemours & Co. v. Christopher*, 431 F.2d 1012, 1017 (5th Cir. 1970) (concluding that “aerial photography, from whatever altitude, is an improper method of discovering the trade secrets exposed during construction of the DuPont plant”).

187. UCPA Remedies and Damages: UCPA art. 3 injunctions (against actual or “likely” infringement), art. 4 damages (damages resulting from the infringement, i.e. actual loss), art. 14 restoration of business reputation, and art. 21 criminal penalties and fines. UCPA, *supra* note 19, arts 3, 4, 14, and 21.

188. UTSA Remedies and Damages: UTSA § 2 injunctions (against actual or threatened misappropriation), § 3 damages (allowing for recovery of actual loss, unjust enrichment, reasonable royalties, and, in cases of willful and malicious misappropriation, exemplary damages), and § 4 attorney’s fees in cases of bad faith or willful and malicious misappropriation). UTSA §§ 2–4.

DTSA Remedies and Damages: § 1836(b)(2)(A) *ex parte* seizures, § 1836(b)(3)(A) injunctions against actual or threatened misappropriation, § 1836(b)(3)(B) damages for actual loss, unjust enrichment, and reasonable royalties, § 1836(b)(3)(C) exemplary damages in cases of willful and malicious misappropriation, § 1836(b)(3)(D) attorney’s fees in cases of bad faith or willful and malicious misappropriation, and § 1832 criminal penalties and fines. 18 U.S.C. § 1836 (2012); 18 U.S.C. § 1832 (2012).

189. KENPŌ, *supra* note 27, art. 82, para. 1.

to constitutional requirements.¹⁹⁰ Meanwhile, the United States has further strengthened its measures for confidential trade secret litigation with a new confidentiality provision in the DTSA that prohibits the court from disclosing a trade secret without first providing the trade secret owner the opportunity to file under seal his or her reasons for desiring to keep the trade secret confidential.¹⁹¹

As mentioned previously, Japan's UCPA of 2016 aims to accomplish the following: (1) strengthen criminal penalties; (2) strengthen deterrents to trade secret infringement; and (3) increase the effectiveness of civil remedies.¹⁹² The UCPA has strengthened criminal penalties through removing limitations to the number of persons liable in a chain of successive trade secret misappropriation.¹⁹³ The prior statute had limited liability to the second unauthorized misappropriating party in such a chain.¹⁹⁴ Another change is the criminalization of *attempted* unauthorized use or disclosure of a trade secret.¹⁹⁵ The prior statute had only criminalized *completed* acts of misappropriation.¹⁹⁶ Additionally, the new UCPA expands the scope of criminal liability for extraterritorial acts. In consideration of the trend toward cloud computing, where electronic data may be stored in

190. TRIPS Agreement, *supra* note 44, art. 42 (Fair and Equitable Procedures). See also KEITH E. MASKUS, INTELLECTUAL PROPERTY ISSUES FOR THE UNITED STATES AND JAPAN: DISPUTES AND COMMON INTERESTS 8 (2000), available at <http://fordschool.umich.edu/rsie/Conferences/CGP/Oct2000Papers/Maskus-2.pdf>.

191. 18 U.S.C. § 1835(b) (2012) (Orders to Preserve Confidentiality: Rights of Trade Secret Owners).

192. Imari, *supra* note 75.

193. This provision was added in response to a massive data-breach incident in Japan in which a contract employee of Benesse, a major children's educational company, misappropriated customer information of approximately twenty-nine million children and their families. The information was sold and resold successively. See Kyodo, *Benesse Data Thief Gets 3½ Years in Prison, ¥3 Million Fine*, JAPAN TIMES (Mar. 29, 2016), <https://www.japan-times.co.jp/news/2016/03/29/national/crime-legal/benesse-data-thief-gets-3%C2%BD-years-prison-¥3-million-fine/>.

194. METI, INTELLECTUAL PROPERTY POLICY OFFICE, TRADE SECRET PROTECTION IN JAPAN: RECENT AMENDMENT OF UCPA 6 (Dec. 5, 2015), available at http://warp.da.ndl.go.jp/info:ndljp/pid/11092484/www.jpo.go.jp/torikumi/ibento/ibento2/jck_symposium/files/1205_02.pdf [hereinafter TRADE SECRET PROTECTION IN JAPAN: RECENT AMENDMENT OF UCPA].

195. UCPA, *supra* note 19, art. 21(4).

196. TRADE SECRET PROTECTION IN JAPAN: RECENT AMENDMENT OF UCPA, *supra* note 194.

data centers overseas, the new UCPA explicitly criminalizes the unauthorized *acquisition* of trade secrets outside of Japan in cases where the owner of the trade secret conducts business within Japan.¹⁹⁷ The prior statute had only punished the wrongful use and disclosure of trade secrets outside of Japan.¹⁹⁸

Stronger deterrents include higher maximum fines against individuals and companies, and also a provision to confiscate improperly obtained profits.¹⁹⁹ These measures were added to make damages large enough to discourage companies from so-called economic infringement in situations where the resulting profit would be significantly larger than the corresponding fine.²⁰⁰

More effective civil remedies include a reduction of the burden of proof for plaintiffs, and an extension of the statute of limitations. As a civil law country, Japan lacks a pre-trial discovery process, and this poses a dilemma for trade secret cases. Often, the evidence needed to prove a plaintiff's case of trade secret misappropriation is in the possession of the defendant. In recognition of this problem, the new UCPA adopts a rebuttable presumption of misappropriation in cases involving manufacturing methods alleged to utilize misappropriated technical trade secrets.²⁰¹ Although this burden-shifting provision, which requires an alleged infringer to demonstrate an absence of trade secret misappropriation, is limited to manufacturing methods that use

197. UCPA, *supra* note 19, arts. 21(6)–(7).

198. TRADE SECRET PROTECTION IN JAPAN: RECENT AMENDMENT OF UCPA, *supra* note 194.

199. UCPA, *supra* note 19, arts. 21(1), 22(1)(ii) (raising the maximum fine against an individual from the prior 10 million yen to 20 million yen, while leaving unchanged the maximum prison sentence of ten years, and also increasing the maximum fine against a company from 300 million yen to 500 million yen); *Id.* art. 21(10).

200. See Toshirō Kaba, *Eigyō Himitsu Rōei Genbatsuka, Tyūkan nado e no Gijutsu Ryūshyutsu ha Samategeru?* [Stronger Penalties for Trade Secret Misappropriation, Can This Stop the Outflow of Technology to China and South Korea?], YOMIURI ONLINE (Apr. 4, 2016), <https://www.shiroyama-tower.com/books/yomiuri/20160427.html> (stating that Japan's UCPA of 2016 not only increased the amount of fines against infringing persons and companies, but also added a provision for seizing profits obtained from acts of trade secret misappropriation out of concern that in recent cases it had been profitable for the infringing party to pay the penalty if they could keep the profits).

201. "Presumption of Act of Using Technical Secret by Person Who Acquired said Technical Secret." UCPA, *supra* note 19, art. 5(2).

technical trade secrets,²⁰² it is an important first step in addressing a systemic limitation that has often been criticized by the United States.²⁰³ Another change in the new UCPA is an increase in the statute of limitations from ten to twenty years from the start of misappropriation; however, as in the United States, the right to request an injunction must be exercised within three years from the time when knowledge of the misappropriation is learned.²⁰⁴

Japan's UCPA also includes a unique provision for restoring the reputation of a business harmed by trade secret misappropriation.²⁰⁵ This provision may be carried out in the form of an apology to the harmed party,²⁰⁶ and is an example of how the societal importance of reputation can be reflected in trade secret law.

Meanwhile, as an amendment to the EEA, the United States' DTSA notably adds a private civil action of *ex parte* seizure to existing trade secret law, allowing the court discretion to issue, upon *ex parte* application, but only in extraordinary circumstances, an order "providing for the seizure of property necessary

202. TRADE SECRET PROTECTION IN JAPAN: RECENT AMENDMENT OF UCPA, *supra* note 194, at 8. Previously, proving trade secret misappropriation required that the plaintiff prove: (1) wrongful acquisition and (2) wrongful use by the defendant, and (3) actual damage to the plaintiff. Article 5(2) of the new UCPA suspends the requirement of proving wrongful use, and shifts the burden to the defendant to produce counterevidence. *Id.*

203. See, e.g., York M. Faulkner et. al, *Japan's Trade Secret Law Reform Should Focus on Discovery*, LAW360 (Oct. 22, 2014), <https://www.law360.com/articles/589482/japan-s-trade-secret-law-reform-should-focus-on-discovery>.

204. UCPA, *supra* note 19, art. 15.

205. Japan's UCPA provides the following remedy for reputational damage due to trade secret misappropriation or other forms of unfair competition:

Upon the request of a person whose business reputation has been injured, the court may order the person who has intentionally or negligently engaged in Unfair Competition and thereby injured the business reputation of that person to take the necessary measures for restoring the business reputation of that person, in lieu of or in addition to compensation of damages.

UCPA, *supra* note 19, art. 14.

206. Junichi Eguchi, *The Publication of Apology ("Shazai-Kokoku") as a Remedy For Unfair Competition in Japan*, 18 OSAKA U. L. REV. 19 (1971), available at <http://ir.library.osaka-u.ac.jp/dspace/handle/11094/10834>.

to prevent the propagation or dissemination of the trade secret that is the subject of the action.”²⁰⁷ This provision was quite controversial at the time it was first proposed, and there were fears that it could be abused or used improperly to threaten competitors.²⁰⁸ Nevertheless, in the first year since enactment of the DTSA, the record shows that courts have been quite restrained in processing requests for ex parte seizure.²⁰⁹

The DTSA also includes language that expressly limits court ordered injunctions so as not to interfere with an employee’s right to earn a living.²¹⁰ Additionally, the DTSA contains a provision for whistleblower immunity, allowing for the confidential disclosure of a trade secret to a government official or attorney for the purpose of reporting or investigating a suspected violation of law, and further stipulates that this immunity preempts state trade secret law, i.e., the UTSA.²¹¹ The DTSA also leaves intact an EEA provision that applies to conduct outside the United States.²¹² Specifically, this provision applies to conduct occurring outside the United States in cases where the offender is a U.S. citizen or company, or if “an act in furtherance of the offense was committed in the United States.”²¹³ Thus, both Japan and the United States have enlarged the scope of their trade secret protection to include extraterritorial conduct.

1. Injunctions

Because criminal sanctions often are unable to compensate a party harmed by trade secret infringement and damages fail to compensate for “unquantifiable advantages lost in a case of mis-

207. 18 U.S.C. § 1836(b)(2)(A)(i) (2012).

208. See, e.g., Eric Goldman et. al, Professors’ Letter in Opposition to the Defend Trade Secrets Act of 2015 (S. 1890, H.R. 3326) 1, 3–4 (Nov. 17, 2015), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2699760.

209. Jay D. Hermele & Abigail Brown, *Ex Parte Seizures Under DTSA: A 1-Year Update*, LAW360 (Apr. 14, 2017), <https://www.law360.com/articles/912444/ex-parte-seizures-under-dtsa-a-1-year-update> (reporting that in the year since the DTSA was enacted, the “extraordinary circumstances” limitation has restrained courts from routinely granting requests for ex parte seizure).

210. See 18 U.S.C. § 1836(b)(3)(A)(i)(I) (2012). See *infra* note 226.

211. 18 U.S.C. § 1833(b) (2012); 18 U.S.C. § 1838 (2012).

212. See 18 U.S.C. § 1837 (2012).

213. *Id.*

appropriation,” injunctions have been cited as the preferred remedy for trade secret misappropriation.²¹⁴ Both Japan’s UCPA and the United States’ UTSA/DTSA provide for injunctive relief, yet each country’s implementation of injunctive relief differs significantly. When responding to an allegation of trade secret misappropriation, time is often of the essence, and immediate action is needed to stop the alleged harm. The process of applying for injunctive relief in Japan is often too slow to allow for a swift response. Indeed, Japan’s lack of speed in responding to trade secret infringement allegations has been criticized as being “incompatible with the dynamics of trade secret protection.”²¹⁵ Preliminary injunctions, and especially an ex parte temporary restraining order, can be effective when relief is needed to stop harm quickly. Japan’s legal system does allow for preliminary injunctions, but unlike the United States, it does not have a mechanism for ex parte preliminary injunctions. Meanwhile, as aforementioned, the United States’ DTSA takes the extra step of establishing a provision for the ex parte seizure of property necessary to prevent the dissemination of the trade secret.²¹⁶

2. Damages

Japanese and U.S. trade secret laws both allow for the recovery of damages. Under Japan’s UCPA, relief is limited to the actual damages.²¹⁷ There is no possibility of exemplary damages or attorney’s fees. The United States, however, allows for not only actual damages, but also punitive damages and attorney’s fees.²¹⁸ These additional damages may be imposed under certain circumstances, and are intended to discourage economic infringement, which may otherwise arise if the penalties are sufficiently less than the potential gain.

214. Dratler, *supra* note 23, at 67, 89, 99, and 110.

215. See, e.g., Mark Schultz, Remarks at the Developments in Trade Secret Protection Public Symposium (May 8, 2017), in *Developments in Trade Secret Protection, Part I, Topic 3: Differences in Trade Secret Protection in Foreign Jurisdictions*, at 3:10:11, U.S. PAT. & TRADEMARK OFF. (May 8, 2017), <https://rev-vbrick.uspto.gov/#/videos/a712d07b-8c14-418f-be6c-536d6580b876>.

216. 18 U.S.C. § 1836(b)(2)(A)(i).

217. See UCPA, *supra* note 19, art. 4.

218. See UTSA §§ 3–4, 14 U.L.A. 633–42 (2005); 18 U.S.C. § 1836(b)(3)(B) (allowing for recovery of not only actual loss, but under certain circumstances, also exemplary damages and attorney’s fees).

IV. POLICY CONSIDERATIONS

In addition to the statutory provisions embodied in existing trade secret law, several policy concerns deserve attention. The digital era is fundamentally changing ways in which trade is conducted. The rise of the Internet, cloud computing, and globalization increase trade opportunities, while at the same time, aggravate the risks of trade secret misappropriation.²¹⁹ On the other hand, there is also a concern that trade secret law can overreach and impinge on the basic rights of citizens, especially the right to earn a living. A balance must be found between the need for trade secret protection and workers' right to earn a living.

A. Need for Multilateral Agreements to Protect Trade Secrets Globally

As national economies become increasingly interconnected and interdependent upon one another and the importance of international trade rises, the imperative to protect one's trade secrets on a global scale also intensifies. A prominent example is the Trade Secrets Directive recently passed by the EU, which aims to strengthen and harmonize trade secret protection throughout Europe.²²⁰ In contrast, the United States has recently withdrawn from the Trans-Pacific Partnership (TPP), a treaty that had aimed to facilitate trade among trans-Pacific trading partner nations through, in part, mandating strict trade secret protection.²²¹ Despite the abrupt withdrawal by the

219. Kim et al., *supra* note 13, at 5.

220. The EU Trade Secrets Directive, which required compliance by EU member countries by June 9, 2018, aims to harmonize and set minimum standards for the protection of trade secrets among EU member countries. See EU Trade Secrets Directive, *supra* note 34.

221. The trade secret provisions of the TPP would have required member nations to prevent the misappropriation of trade secrets by both private and state-owned entities. Moreover, although certain exceptions would be permitted, the TPP also would have required member nations to establish criminal procedures and penalties for trade secret and cyber-theft. Specifically, the TPP would have surpassed even current U.S. trade secret protection under the DTSA by criminalizing not only misappropriation and disclosure, but also access by requiring each party to "provide for criminal procedures and penalties for . . . the unauthorized and willful *access* to a trade secret held in a computer system" TPP art. 18.78, para. 2(a), whereas DTSA §§ 1831, 1832 criminalize misappropriation (taking) and unauthorized disclosure but not authorized access. See Trans-Pacific Partnership [TPP] art. 18.78, para. 2(a), Oct. 5, 2015,

United States, the language of the TPP's trade secret provisions attests that the United States does, in fact, seek more robust trade secret protection, especially against trade secret misappropriation by foreign state-owned entities. Unfortunately, now the United States will not be a direct beneficiary of those strong trade secret protection provisions it had fought to be included in the TPP.

Meanwhile, absent U.S. leadership, the remaining TPP member countries forged ahead to reach an agreement known as the TPP-11, or more formally, as the Comprehensive and Progressive Trans-Pacific Partnership.²²² Talks are also underway for an even more expansive multilateral trade agreement called the Regional Comprehensive Economic Partnership,²²³ which includes Japan, China, and India, but not the United States, and that would also likely contain provisions for trade secret protection. Japan's leadership in the negotiations of both these treaties demonstrates their strong interest in robust trade secret protection. Current U.S. policy may be out of step with its business community, however, as major U.S. industry trade groups have

<https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text>; 18 U.S.C. § 1831 (2012); 18 U.S.C. §1832 (2012); *FACT SHEET: Trans-Pacific Partnership's High-Standard Rules Promote U.S. Interests and Values*, OFF. U.S. TRADE REP. (May 2016), <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2016/may/fact-sheet-trans-pacific-partnership's>. Another objective of the TPP was to forge stronger ties among the signatory nations to counter the increasing dependence on trade with China. See, e.g., Jane Perlez, *U.S. Allies See Trans-Pacific Partnership as a Check on China*, N.Y. TIMES (Oct. 6, 2015), <https://www.nytimes.com/2015/10/07/world/asia/trans-pacific-partnership-china-australia.html>.

222. The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which came into force on December 30, 2018, retains the majority of the original TPP provisions, including criminal penalties for the unauthorized, willful access of trade secrets (see *supra* note 221 and accompanying text), but did suspend some other IP-related provisions. See, e.g., Asian Trade Centre, *CPTPP: Unpacking the Suspended Provisions*, Policy Brief No. 17-11a (March 2018), [available at https://static1.squarespace.com/static/5393d501e4b0643446abd228/t/5aa0eb3c9140b75cb2070691/1520495424652/Policy+Brief+17-11a+TPP11+Suspensions+%28with+amendments%29.pdf](https://static1.squarespace.com/static/5393d501e4b0643446abd228/t/5aa0eb3c9140b75cb2070691/1520495424652/Policy+Brief+17-11a+TPP11+Suspensions+%28with+amendments%29.pdf).

223. Eric Johnson, *Japan Breathes New Life into Regional, Non-U.S. Trade Pact, Asian 16-Nation Deal Draws Tokyo's Attention in Wake of TPP's Demise*, JAPAN TIMES (Jan. 30, 2017), <https://www.japan-times.co.jp/news/2017/01/30/reference/japan-breathes-new-life-regional-non-u-s-trade-pact/#.Wd5ASkzMyu4>.

recently advised the United States Trade Representative “to make global trade secrets protection a priority in trade negotiations and bilateral trade dialogues.”²²⁴ Whether the United States will heed the advice of its own industry trade groups remains to be seen.

B. Need for a Balanced Approach

On the other hand, there are countervailing concerns that trade secret law is becoming too strict and inhibitory of the rights and liberties of citizens, especially in regard to employee mobility and the ability to accept a new job.²²⁵ To allay concerns about possible restraints on employee mobility, the DTSA includes language to proscribe injunctions that would “prevent a person from entering into an employment relationship,” and it requires that any conditions placed on employment be “based on evidence of threatened misappropriation and not merely on the information the person knows.”²²⁶ The rising prevalence of non-disclosure agreements and covenants not to compete are manifestations of employers’ attempts to prevent the unauthorized disclosure and use of their trade secrets when an employee leaves to work elsewhere. Mindful that there must be a balance between workers’ rights to earn a living and the need to protect trade secrets, the courts generally permit such agreements only when the restrictions are reasonable, the territorial scope and time duration of the restrictions are limited, and the employee’s ability to pursue a career is not unnecessarily restricted.²²⁷

224. Letter from U.S. Industry Trade Groups to Robert Lighthizer, U.S. Trade Representative (Nov. 7, 2017), *available at* <http://www.ipo.org/wp-content/uploads/2017/11/2017-11-7-international-trade-secrets-association-letter-final.pdf> (writing that positive trade secret developments and efforts by the EU, Japan, Taiwan, and other Asia-Pacific Economic Cooperation partners “suggest the timing is right for a focused government-to-government initiative on global trade secret protection”).

225. *See, e.g.*, James Bessen, *How Companies Kill Their Employees’ Job Searches*, ATLANTIC (Oct. 17, 2014), <https://www.theatlantic.com/business/archive/2014/10/how-companies-kill-their-employees-job-searches/381437/>.

226. *See* 18 U.S.C. § 1836(b)(3)(A)(i)(I) (implicitly rebutting a presumption of “inevitable disclosure,” the so-called doctrine under which a new employee’s disclosure of their former employer’s trade secrets is considered to be inevitable).

227. *See, e.g.*, MILGRAM, *supra* note 119, § 4.02; *see also* Kaba, *supra* note 200.

Especially in Japan, where the constitution guarantees citizens the freedom to choose their occupation,²²⁸ post-employment non-compete agreements may be deemed invalid unless carefully limited.²²⁹ Japan's UCPA does not mention employee mobility, however, and only mentions employment in the context of describing the criminal penalty for the post-employment use or disclosure of a trade secret by a former employee who, while employed, breached his or her duty to manage the trade secret confidentially.²³⁰ Perhaps the constitutional guarantee of the freedom to choose one's occupation obviates a need to protect employee mobility expressly in the UCPA.

V. RECOMMENDATIONS FOR FURTHER STRENGTHENING TRADE SECRET PROTECTION

In light of the above, the following recommendations are proposed for Japan and the United States to strengthen their trade secret protections. First, Japan should institute a mechanism for pre-trial discovery or some similar process whereby an aggrieved party can access evidence, such as electronic data files or web browsing history, which is often in the possession of the alleged infringer and that will be necessary to prove a case of trade secret misappropriation. An expensive and elaborate system of pre-trial discovery identical to the one in the United States is unnecessary, however, and the burden shifting provision of Article 5(2) of Japan's UCPA is a step in the right direction. Although the burden-shifting provision is currently limited to manufacturing methods that use technical trade secrets, the limitation on subject matter could be relaxed to expand the applicability of the provision.

Second, Japanese trade secret law could also improve secrecy during the litigation process. Litigation to prevent the loss of trade secrets is futile unless secrecy during litigation can be ensured. The Japanese constitutional requirement of open court

228. KENPŌ, *supra* note 27, art. 22, para. 1.

229. *Id.*; Emi Uchida, *Japan: A. Overview*, in MAYER BROWN, A GLOBAL GUIDE TO 'RESTRICTIVE COVENANTS' 20 (2014), available at https://www.mayerbrown.com/files/uploads/Documents/Guide%20to%20Restrictive%20Covenants/MB_rest_cov_asia.pdf (stating that a post-termination restrictive covenant in Japan may be deemed invalid if it conflicts with an employee's constitutional right to choose his or her employment).

230. UCPA, *supra* note 19, art. 21(1)(vi).

proceedings²³¹ is an impediment to maintaining confidentiality during litigation. The UCPA of 2016, however, includes provisions for protective orders²³² and in-camera review²³³ in civil proceedings, as well as a special mechanism for protective orders in a criminal proceeding.²³⁴ Yet, it has been reported that protective orders are rarely sought due to the severe penalties associated with violating one.²³⁵ On the other hand, a severe penalty is not necessarily detrimental, and may ensure greater compliance with the protective order. Without a constitutional amendment, however, this issue may not improve. As things stand now, Japan's litigation process does meet the minimal requirements of TRIPS Article 42, which only require "a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements."²³⁶

Third, the protection of trade secrets often requires swift action to stop an infringing use or to prevent the further disclosure of a trade secret. For this reason, Japan should adopt a mechanism for ex parte injunctive relief, and should streamline the application procedure so that temporary restraining orders can be issued more quickly.

Finally, Japan should consider allowing awards of punitive damage and attorney's fees. Such fees not only deter malicious, bad-faith conduct, but also serve to discourage economic infringement. Without such penalties and fee-shifting measures in place, a party may be incentivized to misappropriate trade secrets whenever the perceived gain outweighs the potential liability.

In many ways, the United States has set the global standard for trade secret protection. Yet, in order to continue to be a leader in this area and to protect its trade secrets overseas, the United States should heed the advice of its industry trade groups and make the global protection of trade secrets a priority in international trade treaties. Given the international nature of business in the Internet age, the United States would benefit from such a

231. KENPŌ, *supra* note 27, art. 82, para. 1.

232. UCPA, *supra* note 19, art. 10(1)

233. *See id.* art. 13(1).

234. *Id.* art. 23.

235. *Id.* art. 21(2)(vi); Faulkner et. al, *supra* note 203.

236. TRIPS Agreement, *supra* note 44, art. 42 (Fair and Equitable Procedures).

global system, and therefore, should work with other countries to establish the broad international protection of trade secrets.

Additionally, following the example of the “Trade Secret Management Guidelines” issued by Japan’s METI, the United States should take on a more proactive role in providing guidance for best practices for trade secret protection. In contrast to METI’s dedicated web-based resource for UPCA-related information,²³⁷ the U.S. government only provides scant information about the DTSA, and the little that is available is scattered among various websites, such as those belonging to the United States Patent and Trademark Office, the Department of Justice, and the Office of the United States Trade Representative. Another example of the Japanese government’s proactive role in protecting trade secrets is its recently announced plans to enact new rules limiting foreign ownership in telecoms and technology companies.²³⁸ Although the United States has recently sought to impose severe company-specific restrictions against the Chinese technology company, Huawei,²³⁹ Japan’s broad-based approach is something that the United States might also want to consider adopting.

CONCLUSION

The above analysis has shown that Japan and the United States define trade secret subject matter and acts of misappropriation in substantially similar ways, and both conform with the provisions of the TRIPS Agreement. The implementation of trade secret law in each country differs slightly according to societal customs and constitutional differences. Adopting additional measures to further strengthen trade secret laws, while

237. *Fusei Kyōsō Bōshi Hō* [Unfair Competition Prevention Act], MINISTRY ECON., TRADE & INDUS., <https://www.meti.go.jp/policy/economy/chizai/chiteki/> (last updated Mar. 4, 2019).

238. James Cook, *Japan to Limit Foreign Investment in its Technology Companies as Fears Over Chinese Ownership Escalate*, TELEGRAPH (May 28, 2019), <https://www.telegraph.co.uk/technology/2019/05/28/japan-limit-foreign-investment-technology-companies-fears-chinese/>.

239. Roberta Rampton, *White House Seeks Delay on Huawei Ban for Contractors*, REUTERS (June 9, 2019), <https://www.reuters.com/article/us-usa-trade-huawei/white-house-seeks-delay-on-huawei-ban-for-contractors-idUSKCN1TA0T1>.

striking a balance between the needs of industry and the freedoms of workers, will lead to a mutually beneficial framework in this era of increasing globalization.

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