

# Trade Secret (Confidentiality)

## ～ Selecting Strategies for Protecting Technical Information in Companies ～

### 1 . Points to consider when selecting strategies for protecting technical information in companies

In selecting a protection strategy for technical information in a company's possession, it is necessary to accurately evaluate (1) the technical value / nature and (2) economic value, fully consider (3) the advantage and disadvantage of each protection strategy, such as concealment, patenting, and making public knowledge, including the differences in protection laws and practices of trade secrets, prior user rights and patent rights in each country concerned, and consider and decide (4) the appropriateness of each protection strategy, not merely the appropriateness of patenting, but the appropriateness of each protection strategy so that it is consistent with the company's business strategy for related products and services.

### 2 . Specific examples of points to consider when choosing a protection strategy for technical information in a company

In this regard, with respect to (3) above, in general, each of the protection strategies of confidentiality, patenting, and making public knowledge has advantages and disadvantages as shown in the table below.

	Making Confidentiality	Patenting	Making Public Knowledge
Advantages	<ul style="list-style-type: none"><li>○Low hurdle for protection (no inventive step required)</li><li>○Decrease in opportunities for imitation</li><li>○Increase in actual need for out-licensing</li><li>○Long-life potential</li><li>○Possibility of worldwide protection in contracts</li><li>○Low maintenance costs</li></ul>	<ul style="list-style-type: none"><li>○Small differences in patent protection legislation and practice in different countries around the world</li><li>○Absolute exclusivity, clarity, and publicity of the scope of rights</li><li>○Legal ease of commercialization, cross-licensing, and collateralization</li><li>○Prevention of patenting by other companies, etc., by publication of the application, especially the strength of the prevention effect in comparison with published technical reports etc.</li></ul>	<ul style="list-style-type: none"><li>○Possibility of early and simple prevention of patenting by other companies, especially by means of published technical reports, etc., compared to the publication of the application.</li><li>○Possibility of technology openness and even standardization</li></ul>
Disadvantages	<ul style="list-style-type: none"><li>●Possibility of patenting by others and geographical and other limitations on the right of prior use as a countermeasure thereof</li><li>●Major differences in protection legislation and practice of trade secrets and prior user rights in countries around the world</li><li>●Relative regulation of acts of trade secret infringement; unclear scope of said regulation</li><li>●Risk of leakage and making public knowledge</li><li>●Legal difficulties in commercialization, cross-licensing, and collateralization</li></ul>	<ul style="list-style-type: none"><li>●High hurdle for protection (inventive step required)</li><li>●Increased opportunities for imitation in application disclosures</li><li>●Decrease in actual out-licensing needs</li><li>●Fixed period or term</li><li>●Requires filing of an application for each country, liberalization of implementation in non-applicant countries</li><li>●High maintenance costs</li><li>●Non-promptness and complexity of preventing other companies from patenting the application by publishing the application compared to published technical reports etc.</li></ul>	<ul style="list-style-type: none"><li>●Early and definitive abandonment of the benefits of secrecy and patentability</li><li>●blocking the patenting of its own subsequent patent applications</li><li>●Weakness in prevention of patenting by other companies, etc., by means of published technical reports etc. in comparison with the publication of the application</li></ul>

Regarding (1) above, for example, if the technology is unique to the company and difficult to be developed independently by other companies, protection as a trade secret through concealment is better than patenting for a fixed period or term through application and publication, which can extend the life of the technology and the legal protection period if confidentiality management is thorough. On the other hand, technical information such as structure, size, shape, material, composition, physical properties, etc., which can be easily analyzed from a competitor's commercial product, is not suitable for protection as a trade secret due to loss of non-public knowledge, but if it is used in a competitor's commercial product, it can be easily detected and analyzed by the competitor, making it suitable for patenting.

In addition, with regard to (1) and (2) above, for example, if the technical and economic value of the basic part is not necessarily high in the Japanese market, while the improved part is over-specified in markets other than Japan, based on a combined evaluation of each technology group for each market, the basic part may be made publicly known and opened for the global commercialization and marketing of related products and services while the improved part is kept secret or patented for the Japanese market, and the use of different methods or combinations of methods is possible.

Furthermore, with regard to (4) above, for example, in cases where a technology license is granted to an affiliated company in a developing country for factory production and the receipt of a license fee, it may be easier for the relevant authorities in the country to recognize that the receipt of the license fee is appropriate if the technology is patented in the country and a hybrid license agreement of patent and know-how is concluded, rather than a simple know-how license agreement.

### 3 . Accurate support for client companies

In selecting such strategies for protecting technical information, we provide our clients with appropriate support through mutual study and close cooperation between attorneys at law and patent attorneys, who have specialized and abundant knowledge and experience in domestic and foreign practices relating to secrecy, patenting, and public knowledge, depending on each specific case.

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