Unfair Competition	Date	October 9, 2019	Court	Intellectual Property High Court, First Division
	Case number	2019(Ne)10037		
- A case concerning a company engaged in unlocking locks using a specific tool in the course of trade, in which the court restrictively construed the effect of special provisions specifying the duty not to compete of its employees after resignation and judged that the duty not to compete of the employees who resigned was not approved.				

Case type: Compensation

Result: Appeal dismissed

References: Article 415, Article 709, Article 715, paragraph (1) of the Civil Code; Article 350 of the Companies Act; Article 2, paragraph (1), item (iv) and item (v) and Article 4 of the Unfair Competition Prevention Act

Related rights, etc.: N/A

Summary of the Judgment

1. The Appellant is a company engaging in the sale, installation, repair, etc. of locks in the course of trade and also engages in unlocking locks that cannot be unlocked at the request of customers. The Appellant developed the tool in question that can unlock locks even if a thumbturn (thumbturn switch) is installed within the door and uses it for its operations.

In this case, the Appellant alleged against the Appellees that: [i] the Appellees conspired and illegally took out the tools, etc. owned by the Appellant and [ii] Appellee 1 illegally headhunted the employees of the Appellant and had them make a career move to the Appellee Company, and these acts respectively constitute a tort against the Appellant; [iii] Appellees 1, 2 and 3 conspired and illegally took out the trade secrets related to the unlocking technology, etc. of the Appellant and used them for the operations of the Appellee Company, and this act constitutes an act of unfair competition as set forth in Article 2, Paragraph (1), item (iv) and item (v) of the Unfair Competition Prevention Act; and [iv] the fact that Appellees 2 and 3 made a career move from the Appellant to the Appellee Company constitutes non-performance by breaching the duty not to compete. Based on these allegations, the Appellant demanded that the Appellees pay 187,839,135 yen as compensation for damages and delay damages accrued thereon to the Appellant jointly and severally, based on Article 709 and Article 719, paragraph (1) of the Civil Code and Article 4 of the Unfair Competition Prevention Act concerning Appellees 1, 2 and 3 mentioned in [i] through [iii] above,

based on Article 709, Article 715, paragraph (1) of the Civil Code or Article 350 of the Companies Act concerning the Appellee Company, and based on Article 415 of the Civil Code concerning Appellees 2 and 3 mentioned in [iv] above, respectively.

The court of prior instance judged that the Appellee Company had an employer's liability as set forth in Article 715, paragraph (1) of the Civil Code concerning the tort where some of its employees illegally took out the tools owned by the Appellant ([i] above), and approved the claim against the Appellee Company to the extent to order it to pay 1,386,000 yen, the sum total of the amount equivalent to the market price of the relevant tools and the amount of legal fees, with delay damages accrued on that sum total, while dismissing the claim for the remaining amount, and dismissed other claims on the grounds that they were groundless.

The Appellant was dissatisfied with the parts of the case that it lost and filed this appeal.

2. In this judgment, the court held as outlined below concerning the existence of non-performance by Appellees 2 and 3 by breaching the duty not to compete, judged that the judgment in prior instance was appropriate, and dismissed the appeal.

(1) Duty not to compete of employees after resignation

Concerning the duty not to compete which prohibits employees from making a career move to another company that is in competition with the employer or from starting their own competing businesses, even if the employer and employees who resigned individually agreed on the duty not to compete after resignation, this agreement limits the freedom of choice in employment and the freedom of business of employees who resigned and therefore the effect of the agreement should not be approved unconditionally. It is appropriate to construe that the effect of an agreement defining a resigned employee's duty not to compete should be examined from the perspective of the interests of the employer, the previous position of the employee who resigned, the scope of limitation, and the existence and content of compensation measures.

(2) Allegations of the Appellant

Concerning Appellee 2, the Appellant alleged the effect of the special provisions specifying the duty not to compete, and concerning Appellee 3, as well, the Appellant submitted a new article of evidence in this instance, alleging that a commitment form that included the duty not to compete was found.

However, the details of the commitment form that Appellee 2 had submitted prohibited employees from working in a competing company for a long period of three years after resignation uniformly without locational limitation, and the details of the

commitment form that Appellee 3 had submitted prohibited employees from working in a competing company uniformly for one year after resignation without locational limitation. Since both commitment forms thus limited a wide range of the freedom of choice in employment and the freedom of business of employees who resigned, it is impossible to approve the effect of the commitment forms immediately.

The Appellant alleged, from the perspective of employer's interests and the prior position of the resigned employees, that it was highly necessary to impose the duty not to compete on its employees in terms of the characteristics of its business of unlocking locks, and also alleged that since the Appellant paid rather high wages to its employees who were employed as locksmiths, compensation measures for imposing the duty not to compete had been taken.

However, in consideration of the aforementioned circumstances such as where the Appellant opened classes to the general public to teach unlocking techniques, etc. for a fee, taught participants how to release locks, and sold unlocking tools for the classes, the basis of the allegation of the Appellant that it was highly necessary to impose the duty not to compete in terms of the characteristics of its business is weak. In addition, the wages for employees are deemed to be paid for their duties while in service in principle; it is questionable whether the wages may be immediately considered as compensation for limitation of activities after resignation; and there is no appropriate evidence establishing the factual situation where sufficient measures were taken under the factual situation in this case.

Consequently, the aforementioned commitment forms violate public policy and are void.

(3) Summary

Appellees 2 and 3 do not assume the duty not to compete based on the aforementioned commitment forms and therefore the fact that Appellees 2 and 3 gained employment with the Appellee Company does not constitute a breach of the duty not to compete.

Concerning the allegations of the Appellant, even if it is considered that Appellant meant to argue that the employees who resigned should assume the duty not to compete after resignation in terms of the principle of good faith even though there is no effective individual agreement, as mentioned above, according to the facts of the case such as that the information in question which is related to the unlocking method using the tool in question and the structure and materials of that tool do not constitute trade secrets, no act of unfair competition can be found, and it cannot be said that Appellees 2 and 3 have breached the duty not to compete under the principle of good faith.

Judgment rendered on October 9, 2019
2019(Ne)10037, Appeal case of seeking compensation
(Court of prior instance: Tokyo District Court, 2017(Wa)27298)
Date of conclusion of oral argument: August 21, 2019

Judgment

Appellant: R-Security Inc.

Appellee: Kabushiki Kaisha Superfeed
(hereinafter referred to as "Appellee Company")

Appellee: Y1
(hereinafter referred to as "Appellee Y1")

Appellee: Y2
(hereinafter referred to as "Appellee Y2")

Appellee: Y3
(hereinafter referred to as "Appellee Y3")

Main text

1. The appeal shall be dismissed.
2. The Appellant shall bear the cost of the appeal.

Facts and reasons

No. 1 Object of the appeal

1. The part of the judgment in prior instance which is against the Appellant shall be rescinded.
2. The Appellees shall jointly and severally pay to the Appellant 186,453,135 yen and an amount accrued thereon at 5% per annum for the period from March 31, 2015, until the completion of the payment.

No. 2 Outline of the case (Unless particularly noted, the same abbreviations used in the judgment in prior instance shall be used herein.)

1. Summary of the case

This is a case where the Appellant, who engages in the sale, installation, repair, etc. of locks in the course of trade, alleged against the Appellees as follows: (A) the Appellees

conspired and illegally took out the tools, etc. owned by the Appellant and this act constitutes a tort against the Appellant; (B) Appellee Y1 illegally headhunted the employees of the Appellant and had them make a career move to the Appellant Company and this act constitutes a tort against the Appellant; (C) Appellee Y1, Appellee Y2, and Appellee Y3 conspired and illegally took out the trade secrets related to the unlocking technology, etc. of the Appellant and used them for the operations of the Appellee Company and this act constitutes an act of unfair competition as set forth in Article 2, Paragraph (1), item (iv) and item (v) of the Unfair Competition Prevention Act; and (D) Appellee Y2 and Appellee Y3, who were employees of the Appellant, made a career move from the Appellant to the Appellee Company and this fact constitutes non-performance by breaching the duty not to compete. Based on these allegations, the Appellant demanded that the Appellees pay to the Appellant jointly and severally 187,839,135 yen as compensation for damages and delay damages accrued thereon at 5% per annum as provided for by the Civil Code for the period from the last date of the tort, March 31, 2015, until the completion of the payment, based on Article 709 and Article 719, paragraph (1) of the Civil Code and Article 4 of the Unfair Competition Prevention Act concerning Appellee Y1, Appellee Y2, and Appellee Y3 mentioned in (A) through (C) above, based on Article 709, Article 715, paragraph (1) of the Civil Code or Article 350 of the Companies Act concerning the Appellee Company, and based on Article 415 of the Civil Code concerning Appellee Y2 and Appellee Y3 mentioned in (D) above, respectively.

The court of prior instance judged that the Appellee Company had an employer's liability as set forth in Article 715, paragraph (1) of the Civil Code concerning the tort where some of its employees illegally took out the tools owned by the Appellant ((A) above), and approved the claim against the Appellee Company to the extent to order it to pay 1,386,000 yen, the sum total of the amount equivalent to the market price of the relevant tools that were illegally taken out and the amount of legal fees, with delay damages accrued thereon, while dismissing the claim for the remaining amount, and dismissed other claims on the grounds that they were groundless.

The Appellant was dissatisfied with the part of the case that it lost and filed this appeal.

2. Basic facts (facts not disputed between the parties and facts that are easily found based on the evidence mentioned below and the entire import of oral arguments)

(1) Parties, etc.

The Appellant is a stock company engaging in the sale, installation, and repair of locks and other relevant constructions, etc. in the course of trade.

The Appellee Company is a stock company engaging in the planning, creating, etc. of

web advertisements and Appellee Y1 is a representative director of the Appellee Company.

Appellee Y2 and Appellee Y3 were former employees of the Appellant.

(2) Details of the Appellant's business

The Appellant engages in the business of unlocking locks that cannot be unlocked at the request of customers. The Appellant developed a tool (it is named "Gunmaji" by the Appellant; hereinafter referred to as "Gunmaji") that can unlock locks even if they are thumbturn, which is a structure where a button is installed on a tab and it can be turned only when the button is pressed, (thumbturn switch) is installed within the door and uses said tool for its operation (Exhibits Ko 3 and 4).

(3) Joining and resignation from the Appellant of Appellee Y2 and other persons and their employment by the Appellee Company

A. Non-party P (hereinafter referred to as "P"), Appellee Y2, non-party Q (hereinafter referred to as "Q"), non-party R (hereinafter referred to as "R"), non-party S (hereinafter referred to as "S"), and Appellee Y3 were employees of the Appellant and engaged in operations of the Appellant as locksmiths who engaged in unlocking locks (hereinafter these six persons are collectively referred to as "Former Employees" in some cases).

The times when they joined and resigned from the Appellant are stated below.

P: Joined in around December 2010 and resigned in around January 2015.

Appellee Y2: Joined in around October 2011 and resigned on October 10, 2014.

Q: Joined in around July 2013 and resigned in around January 2015.

R: Joined in around February 2014 and resigned on October 10, 2014.

S: Joined in around February 2014 and resigned in around January 2015.

Appellee Y3: Joined in around February 2014 and resigned on March 31, 2015.

B. R and Appellee Y2 resigned from the Appellant and joined the Appellee Company by around December 2014 and engaged in the business of unlocking locks, which the Appellee Company had started, as locksmiths. Subsequently, P, Q, S, and Appellee Y3 respectively joined the Appellee Company soon after resignation and engaged in the business as locksmiths (concerning the above, Exhibits Otsu 23 through Otsu 25).

(4) Commitment form of Appellee Y2 and Appellee Y3

A. The commitment form created by Appellee Y2 dated September 25, 2013 (Exhibit Ko 37) contains statements in which Appellee Y2 pledged to comply with the following.

(A) Appellee Y2 shall not disclose or divulge to a third party confidential information of the Appellant and personal information of its customers and employees, etc.

(B) Appellee Y2 shall not take tools, etc. owned by the Appellant out of the company without obtaining the permission of the Appellant, excluding cases where Appellee Y2

uses them for the business of the Appellant.
(C) Appellee Y2 shall not teach the skills that he/she has learned by being taught by the Appellant, to a person other than the Appellant.
(D) Appellee Y2 shall not commit a crime using the skills that he/she has learned by being taught by the Appellant.
(E) If Appellee Y2 resigns from the Appellant within five years from the joining in the Appellant, Appellee Y2 shall avoid any act competing with the business of the Appellant and shall not engage in the following acts for three years after resignation:
a. Join or assume the office of the director of an enterprise competing with the Appellant;
b. Join or assume the office of the director of an alliance company of an enterprise competing with the Appellant;
c. Start or establish a business competing with the Appellant.
(F) If Appellee Y2 breaches the provisions of this commitment form, Appellee Y2 shall compensate the Appellant for damages.
B. The commitment form created by Appellee Y3 dated March 20, 2014 (Exhibit Ko 93) contains statements in which Appellee Y3 pledged to comply with the following matters, in addition to A. (A) through (D) and (F) above:
(A) Appellee Y3 shall not use or create, or have another person use or create, a tool, etc. to be used for unlocking locks, etc. owned by the Appellant, or replicas, forged products, or any similar products;
(B) If Appellee Y3 resigns from the Appellant within three years from the joining the Appellant, Appellee Y3 shall avoid any act competing with the business of the Appellant and shall not engage in any of the acts mentioned in A. (E) a. through c. above for one year after resignation.
(5) Suspension of the business of unlocking locks by the Appellee Company

The Appellee Company stopped its unlocking business around the end of March 2016 and all of the Former Employees resigned from the Appellee Company (Exhibits Otsu 23 through 25).

3. Issues
(1) Whether the act of taking out tools, etc. was conducted or not.
(2) Whether the act of illegal headhunting was conducted or not.
(3) Whether the act of unfair competition (act of using trade secrets, etc.) was conducted or not.
(4) Whether the duty not to compete was breached by Appellee Y2 and Appellee Y3 or not.
(5) Causes of the Appellee Company's liability

(6) The amount of damage sustained by the Appellant

(omitted)

No. 4 Judgment of this court

The court also determines that the claim of the Appellant is grounded to the extent of ordering the Appellee Company to pay 1,386,000 yen and delay damages accrued thereon and that the other claims are groundless.

The reasons for this determination are as indicated in No. 3 in the "Facts and reasons" section of the judgment in prior instance and therefore they are cited, except for modifying "Key Machine" in line 10 on page 21 of the judgment in prior instance to "Gunmaji" and making additions as indicated in 1. through 6. below.

1. Whether the act of taking out tools, etc. was conducted or not (Issue 1)

(1) As indicated in the findings above (No. 3, 2. (2) A. and No. 3, 2. (3) B. and C. of the cited judgment in prior instance), it is found that Key Machine with manufacturing Nos. 555 and 597 manufactured by Kabushiki Kaisha Joei Seiki (2 units in total), Gunmaji held by R, and Gunmaji placed in the Warehouse (2 units in total) were taken out by one of the Former Employees.

(2) Number of Key Machines that were taken out

The Appellant alleged that around at the beginning of March 2015, Key Machines with manufacturing No. 853, etc. manufactured by Kabushiki Kaisha Joei Seiki and Key Machines manufactured by Keyline Japan owned by the Appellant were loaded on a vehicle owned by the Appellee Company and therefore they were also taken out in the same way.

The written statement of T, who is an employee of the Appellant, (Exhibit Ko 73) states that T saw the facts related to the loading of Key Machines above, reported them to the police, and had a police officer of the Ebara Police Station who arrived at the site take photographs. However, there is no record related to the aforementioned report at the police station (Exhibit Otsu 31) and there is no objective evidence that supports the facts indicated in the aforementioned written statement. Therefore, it is difficult to believe the statement in the aforementioned written statement and there is no other sufficient evidence to find that the aforementioned Key Machines were taken out.

Consequently, there are no grounds for the allegation of the Appellant concerning the number of Key Machines that were taken out.

The Appellant alleged that the Key Machines were taken out by Appellee Y 3 repeatedly; however, there is no appropriate evidence concerning this point.

(3) Number of units of Gunmaji that were taken out

The Appellant alleged that the number of Gunmaji that were taken out in this case is at least 6 units.

The Appellant also alleged as follows: R used Gunmaji, which had been supplied by the Appellant to one of the Former Employees and had been taken out from the Appellant by the relevant Former Employee, even after R made a career move to the Appellant Company; around May 27, 2015, fiber scopes, pipes, chucks to be attached on the end, and other components of Gunmaji were placed in the Warehouse; at least six pieces of handles of the main body are seen in a photograph taken at that time (page 17 of Exhibit Ko 52) and as there is one handle for each unit of Gunmaji, at least six units of Gunmaji must have been placed in the Warehouse around that day and all of these were taken out from the Appellant.

However, as instructed in the judgment in prior instance, it is not clear how Gunmaji were stored in the Warehouse and therefore it is difficult to find that at least six pieces of Gunmaji were placed in the Warehouse according to the aforementioned photograph. There is no other appropriate evidence to find that six units of Gunmaji were taken out.

Consequently, there is no grounds for the allegation of the Appellant concerning the number of Gunmaji that were taken out.

The Appellant alleged that Gunmaji was taken out by Appellee Y3 repeatedly; however, there is no sufficient evidence concerning this point.

(4) Taking out of other tools

The Appellant alleged that there are also other tools that were taken out in this case; however, the allegation lacks specific details and there is no suitable allegation and presentation of evidence.

(5) Involvement of Appellee Y1 in the taking out of Key Machines and Gunmaji

A. The Appellant alleged that according to the fact that the Former Employees, who had knowhow and experience of unlocking locks, joined the Appellee Company, which had no such knowhow or experience, and that the aforementioned tools were taken out, Appellee Y1, who is a representative of the Appellee Company, is deemed to have acquired the tools by having the Former Employees take out the tools, etc. from the Appellant and to have started the business. The Appellant alleged that it should be found that Appellee Y1 and the Former Employees conspired to take out the tools, etc.

B. However, at the Appellee Company, Appellee Y1 is a representative mainly engaged in creating web advertisements and there was no fact that Appellee Y1 engaged in the business of unlocking locks (Exhibit Otsu 23, Appellee Y1 in the prior instance (page 1)).

C. Appellee Y1 got to know R, who was an employee of the Appellant, in the summer of

2014 and was asked by Appellee Y2, who was introduced by R, to make an estimate of the cost for web advertisement since Appellee Y2 would start its own business as a locksmith. Then, Appellee Y1 suggested that Appellee Y2 should rather engage in the operations as a business of the Appellee Company. As a result, Appellee Y2 resigned from the Appellant and engaged in the business of unlocking locks under the Appellee Company from around December 2014, and R also resigned from the Appellant because R had been given a suggestion to be transferred against his/her will, and joined the Appellee Company and engaged in the business of unlocking locks at the same time. Appellee Y1, who engaged in creation of website advertisements, arranging listings, obtaining contracts for phone numbers, etc., had no knowhow of the business of unlocking locks, and therefore prepared vehicles, drivers, and other general tools based on the instructions of Appellee Y2 and R (Exhibit Otsu 23, Appellee Y1 in the prior instance (pages 1 to 4)).

According to the aforementioned facts, it is found that Appellee Y1 had no knowhow of the business of unlocking locks and left the preparation of the necessary unlocking tools when starting the business of unlocking locks to Appellee Y2 and R and there is also no fact that Appellee Y1 was involved in the preparation of unlocking tools thereafter.

D. As indicated in the findings above (No. 3, 1. (4) of the cited judgment in prior instance), the sales of the Appellee Company from the business of unlocking locks increased steadily; R solicited the employees of the Appellant and P, Q, S, and Appellee Y3 resigned from the Appellant sequentially and joined the Appellee Company; however, there is no evidence to find the fact that Appellee Y1 was involved in these facts.

E. Sales of the Appellee Company from the business of unlocking locks decreased drastically from around May or June 2015; the salaries of the Former Employees were reduced (Exhibit Otsu 23, Appellee Y1 in the prior instance (page 7)), and the business of unlocking locks was abolished in March 2016 as indicated in the findings above (No. 3, 1. (5) of the cited judgment in prior instance).

F. In light of the facts indicated in B. through E. above, it is difficult to immediately presume that Appellee Y1 conspired or otherwise got involved in the taking out of the tools from the facts that Appellee Y1 was in a position to receive profits from the success of the business of unlocking locks as a representative of the company and that there are tools that were taken out from the Appellant and there is no other sufficient evidence to find the fact of involvement of Appellee Y1.

Consequently, there are no grounds for the allegation of the Appellant.

2. Whether the act of illegal headhunting was conducted or not. (Issue 2)

(1) The Appellant alleged that according to the fact that the Former Employees, who had

knowhow, etc. of the Appellant's business of unlocking locks, joined the Appellee Company that had no such knowhow, etc., it is obvious that Appellee Y1, who is a representative of the Appellee Company, committed an act that constitutes a tort as illegal headhunting.

(2) In cases where a worker joins another enterprise that competes with the employer, it is generally construed that the act of the enterprise soliciting an employee of another enterprise to make a career move alone does not immediately deviate from the scope of free competition and does not constitute a tort.

In this case, as instructed in 1. above, it is not found that Appellee Y1 was proactively involved in the career move of the Former Employees except for the fact that when Appellee Y1 was asked by Appellee Y2 to make an estimate of the cost for web advertisement for starting a locksmith business, Appellee Y1 proposed that Appellee Y2 engage in the business as one of the businesses of the Appellee Company.

As to the behaviors of the Former Employees, as instructed in 3. below, since the Information related to the unlocking method using Gunmaji and the structure and components of Gunmaji do not constitute trade secrets, the use of Gunmaji does not constitute an act of unfair competition and, as instructed in 4. below, the Former Employees, including Appellee Y2 and Appellee Y3, do not have the duty not to compete. Based on these facts, there is no point to be evaluated as illegal concerning the fact that Former Employees engaged in the business of unlocking locks using Gunmaji at the Appellee Company.

Thus, the act of Appellee Y1 does not deviate from the range of free competition and it cannot be said that the act constitutes a tort.

(3) Consequently, the allegation of the Appellant that Appellee Y1 committed an act that constitutes a tort as illegal headhunting is groundless.

3. Whether the act of unfair competition (act of using trade secrets, etc.) was conducted or not. (Issue 3)

(1) Under the Unfair Competition Prevention Act, the term "trade secret" means technical or business information useful for business activities, such as manufacturing or marketing methods, that is kept secret and is not publicly known (Article 2, paragraph (6) of the Act).

(2) The Appellant alleged repeatedly in this instance that the Information, which is related to the unlocking method using Gunmaji and the structure and components of Gunmaji, was controlled so that it would not leak outside and the Appellant submitted the evidence supporting the allegation (Exhibits Ko 82, 85-1 and 85-2, 86 through 90).

However, according to the evidence (Exhibits Otsu 35 and 36, the entire import of oral arguments) in addition to the findings above (No. 3, 4. (1) and (2) of the cited

judgment in prior instance), the following facts are found: the Appellant provided Classes under the name "Lock school: Lock Master Training Classes" in Tokyo, Osaka, and Kobe, where the Appellant taught unlocking skills, etc. to the general public for a fee; in the Classes, unlocking methods by picking, unlocking methods using an opener, as well as unlocking methods using Gunmaji were taught and it is not found that a duty of confidentiality was imposed on participants in the Classes; the Appellant sold Gunmaji at the price of 298,000 yen in relation to the Classes; and articles supporting the aforementioned facts were posted on a blog, etc. that the Appellant disclosed on the Internet, where articles with non-pixelated photographs showing scenes using Gunmaji were available.

According to the aforementioned facts, the Information related to the unlocking method using Gunmaji and the structure and components of Gunmaji, which the Appellant alleges to be trade secrets, is not considered to be information "that is kept secret" and "that is not publicly known." Therefore, the Information does not constitute "trade secrets" under the Competition Prevention Act.

(3) The Appellant alleged concretely that Gunmaji was strictly stored; however, this only means a physical control method of Gunmaji, which is a tool, but not a control method of Information which should be examined regarding whether it falls under "trade secrets." Therefore, the aforementioned allegation of the Appellant does not have any impact on the judgment in (2) above.

(4) Consequently, the Information related to the unlocking method using Gunmaji and the structure and components of Gunmaji does not constitute trade secrets and therefore the allegation by the Appellant that the use of Gunmaji constitutes an act of unfair competition lacks a premise and is groundless.

4. Whether the duty not to compete was breached by Appellee Y2 and Appellee Y3 or not. (Issue 4)

(1) Concerning the duty not to compete which prohibits employees from making a career move to another company that is in competition with the employer or from starting their own competing businesses, even if the employer and employees who resigned individually agreed on the duty not to compete after resignation, this agreement limits the freedom of choice in employment and the freedom of business of employees who resigned and therefore the effect of the agreement should not be approved unconditionally. It is appropriate to construe that the effect of an agreement defining a resigned employee's duty not to compete should be examined from the perspective of the interests of the employer, the previous position of the employee who resigned, the scope of limitation, and the existence and content of compensation measures.

(2) The Appellant alleged the effect of the agreement by Appellee Y2, as well as the fact that concerning Appellee Y3, the Appellant submitted a new article of evidence in this instance, alleging that a commitment form (Exhibit Ko 93) that included the duty not to compete was found.

However, as mentioned in the Basic Facts (No.2, 2. (4)) above, the details of the commitment form (Exhibit Ko 37) that Appellee Y2 had submitted prohibited employees from making a career move to a competing enterprise for a long period of three years after resignation uniformly without locational limitation, and the details of the commitment form that Appellee Y3 had submitted prohibited employees from making a career move to a competing enterprise for one year after resignation uniformly without locational limitation based on the evidence (Exhibit Ko 93). The scope of limitation covers a wide range and it is impossible to approve the effect of the commitment form immediately.

The Appellant alleged, from the perspective of employer's interests and the prior position of the resigned employees, that it was highly necessary to impose the duty not to compete on its employees in terms of the characteristics of its business of unlocking locks, and also alleged that since the Appellant paid rather high wages to its employees who were employed as locksmiths, compensation measures for imposing the duty not to compete had been taken.

However, in consideration of the aforementioned circumstances, such as where the Appellant opened Classes to the general public to teach unlocking techniques, etc. for a fee, taught participants how to release locks, including the method using Gunmaji, and sold Gunmaji at the price of 298,000 yen in relation to the Classes, the basis of the allegation of the Appellant that it was highly necessary to impose the duty not to compete in terms of the characteristics of its business is weak. In addition, the wages for employees are deemed to be paid for their duties while in service in principle; it is questionable whether the wages may be immediately considered as compensation for limitation of activities after resignation; and there is no appropriate evidence establishing the factual situation where sufficient measures were taken under the factual situation in this case.

Consequently, the aforementioned commitment forms violate public policy and are void.

(3) Based on the above, Appellee Y2 and Appellee Y3 do not assume the duty not to compete based on the aforementioned commitment forms and therefore the allegation of the Appellant that the fact that Appellee Y2 and Y3 gained employment with the Appellee Company constitutes a breach of the duty not to compete, lacks a premise and is groundless.

Concerning the allegations of the Appellant, even if it is considered that the Appellant

meant to argue that the employees who resigned should assume the duty not to compete after resignation in terms of the principle of good faith even though there is no effective individual agreement, as mentioned in 3. above, under the Factual Situation where the Information related to the unlocking method using Gunmaji and the structure and components of Gunmaji does not constitute trade secrets, no act of unfair competition can be found and it cannot be said that the aforementioned Appellees have breached the duty not to compete under the principle of good faith.

5. Causes of the Appellee Company's liability (Issue 5)

(1) Based on the above, among the Claims of the Appellant, all allegations other than the allegation concerning the taking out of Key Machines and Gunmaji, that is, the claims on the grounds of illegal headhunting of employees, act of unfair competition (act of using trade secrets, etc.), and breach of the duty not to compete by Appellee Y2 and Appellee Y3, are groundless.

(2) On the other hand, the acts of any of the Former Employees to take out Key Machines and Gunmaji constitute a tort against the Appellant and it is found that these acts were conducted by March 13, 2015, at the latest, when it was obvious that R, who was dispatched from the Appellee Company, engaged in unlocking using Gunmaji as indicated in the findings above (No. 3, 2. (1) F. of the cited judgment in prior instance).

However, it is not found that Appellee Y2 or Appellee Y3 committed the aforementioned tort based on their own will and that Appellee Y2, Appellee Y3, and Appellee Y1 participated in the aforementioned tort in conspiracy, etc. Therefore, it is not found that Appellee Y2, Appellee Y3, and Appellee Y1 are liable for the tort.

On the other hand, although it is unknown when: before March 13, 2015, the aforementioned Key Machines and Gunmaji were taken out, these tools, etc. were taken out from the Appellant and moved to vehicles and the Warehouse owned by the Appellee Company or used for the Appellee Company's business of unlocking locks. According to these facts, it can be presumed that any of the Former Employees who became an employee of the Appellee Company took out the aforementioned tools, etc. from the Appellant based on his/her own will or moved and placed the aforementioned tools, etc. under the control of the Appellee Company by collaborating with any of the Former Employees who were still working for the Appellant.

The aforementioned tools, etc. are found to have been taken out to be used for the business of unlocking locks that the Appellee Company would conduct and therefore, the person took out the tools, etc. or his/her collaborator took out the tools, etc. for the business of the Appellee Company and caused damages to the Appellant.

Consequently, the Appellee Company, who is the employer, is responsible for

compensation based on the employer's liability to the Appellant to the extent of the aforementioned tort.

6. The amount of damage sustained by the Appellant (Issue 6)

(1) Actual damages caused by the taking out of Gunmaji

The Appellant alleged that the amount equivalent to the price of the tools and profits to be obtained by using the tools are included in the actual damages sustained by the Appellant due to the taking out of the tools and that the sales accrued from one piece of Gunmaji for residential houses are at least ●●●●yen and therefore the compensation amount should be calculated based on these facts.

However, as mentioned above, the Appellant opened Classes in Tokyo and in many other cities to teach unlocking techniques, etc. to the general public for a fee and taught unlocking methods by picking, unlocking methods using an opener, as well as unlocking methods using Gunmaji.

Based on these facts, it is doubtful whether the profits that the Appellant alleged could be continuously gained using Gunmaji.

In addition, the compensation system based on a tort involves assessing actual damages to a victim in monetary terms and having the offender compensate for the damages, and thereby it aims to supplement the detriment that the victim suffered and recover the conditions where the tort was not committed. Since the aforementioned Gunmaji was developed and manufactured by the Appellant, there are no circumstances requiring time to manufacture them and it is not found that there is special difficulty in procuring them again.

Based on the above, the allegation of the Appellant to claim compensation for profits to be gained from the use of Gunmaji as actual damages caused by the taking out of Gunmaji is groundless.

Consequently, compensation for the damages caused by the taking out of Gunmaji is the amount equivalent to the price of two units of Gunmaji, 596,000 yen in total, as recognized in the prior instance.

(2) Actual damages caused by the taking out of Key Machines

As to the taking out of Key Machines from the Appellant, as mentioned in 1. (1) above, actual damages can only be found regarding the two units of Key Machines that the prior instance recognized and the damages to the Appellant are the amount equivalent to their price, 640,000 yen in total, as found in the prior instance.

(3) Lost profits

The Appellant alleged that it is assumed that the Former Employees earned profits of ●●●●●●●●● yen in total by using the aforementioned tools taken out from the

Appellant for the period until the Appellee Company abolished the business of unlocking locks around the end of March 2016 and that, at the same time, the lost profits that are the same amount as the aforementioned profits of the Appellee Company were suffered by the Appellant.

However, there is no evidence to find the specific facts such as that the Appellant was not able to engage in the business of unlocking locks due to the fact that the aforementioned tools were taken out from the Appellant. In addition, there is no evidence to find that profits of the Appellant were lost since the Appellee Company engaged in the business of unlocking locks using the aforementioned tools.

Consequently, there are no grounds for the allegation of the Appellant to claim compensation for lost profits.

(4) Legal fees

In this case, legal fees of 150,000 yen are found to be damages that have a reasonable causal relationship with the tort.

(5) Summary

The amount of damages for which the Appellee Company should compensate the Appellant shall be 1,386,000 yen, which is total sum of the above.

7. Conclusion

As mentioned above, the claim of the Appellant is grounded to the extent of ordering the Appellee Company to pay 1,386,000 yen and the delay damages accrued thereon based on Article 715, paragraph (1) of the Civil Code and the other claims are groundless.

Consequently, the judgment in prior instance that has the same intent as the judgment in this instance is reasonable and the Appeal is groundless. Therefore, the Appeal shall be dismissed and the judgment shall be rendered in the form of the main text.

Intellectual Property High Court, First Division
Presiding judge: TAKABE Makiko
Judge: KOBAYASHI Yasuhiko
Judge: SEKINE Sumiko