

# Questions and answers regarding trade secret protection in Europe and the United States

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1. *Please tell us about some famous trade secrets such as Coca-Cola's recipe or Kentucky Fried Chicken's recipe.*

Famous trade secrets include the recipes for Coca-Cola, the Krispy Kreme Doughnut, and the Chanel No. 5 fragrance. In 1919, the Coca-Cola recipe was used as financing collateral, and a paper reciting the recipe was placed in a vault until the loan was repaid. The recipe was later placed in an Atlanta, Georgia, bank vault, where it remained for 86 years. The recipe is now in another vault at the World of Coca-Cola in Atlanta.

Most of the ingredients in the recipe are known, except for the precise contents of the flavoring, known as "Merchandise 7X." Only two employees at any given time purportedly know the actual Merchandise 7X recipe. A recipe for Merchandise 7X published in 1979 is allegedly a copy of the original recipe. But efforts to make Coca-Cola from that 1979 recipe did not produce an exact taste match, and Coca-Cola has denied it is the same recipe used today, though a Coca-Cola archivist admitted it might be a "precursor" to the original product.

In 1985, a Delaware federal court ordered Coca-Cola to disclose the secret recipe under a protective order in a case involving a dispute against soft drink bottling companies. Coca-Cola refused the order. The court then sanctioned Coca-Cola, ordering Coca-Cola to pay soft drink bottling companies' attorney fees and expenses associated with addressing Coca-Cola's failure to disclose.

Like Coca-Cola's recipe, the Krispy Kreme Doughnut recipe and the process for making it has long been protected as

a trade secret, literally locked in a safe at the company's headquarters to which only a few employees have access.

Besides recipes, common types of trade secrets today include chemical formulations, algorithms such as for search engines and dating platforms, and vendor and customer lists.

2. *Please provide summaries of some trade secret cases. We would appreciate it if you show us cases mentioning protective measures for trade secrets.*

## United States

In *Motorola Solutions Inc. v. Hytera Communications Corp. Ltd.*, an Illinois district court last month reduced by over \$200 million a jury's \$760 million damages award under the Defend Trade Secrets Act (DTSA) and Copyright Act. The reduction was based on a reconsideration of compensatory and punitive damages under the DTSA.

The most far-reaching aspect of the case, however, may be the court's decision in early 2020 that Motorola could base its damages on those incurred outside the US. Hytera, a Chinese corporation, hired three engineers away from Motorola's Malaysian office. Those engineers stole and brought with them thousands of Motorola's technical, confidential documents and Hytera used those documents, which contained trade secrets and lines of computer source code, to develop a digital radio essentially the same as Motorola's. Hytera then sold its radios worldwide, including in the US.

The district court applied the US Supreme Court's framework for analyzing the extraterritorial application of a US statute and determined that the DTSA was intended to be extraterritorial because of the language of 18 U.S.C. § 1837, which expressly references the DTSA's application to conduct outside the US if there is a sufficient nexus of facts connected to the US. The court did not make the decision lightly, reaching its conclusion only after recognizing the international friction and foreign policy issues that could arise from its determination that the DTSA governs extraterritorial conduct.<sup>1</sup>

In *Uni-Systems v. U.S. Tennis Ass'n*<sup>2</sup>, a case handled by Norton Rose Fulbright, the defendants moved to dismiss our client's (Uni-Systems') trade secret misappropriation claims brought under the DTSA and New York state law. To decide the motion, the New York district court first considered whether Uni-Systems had sufficiently identified the misappropriated trade secrets. The court found Uni-Systems had after considering six factors: (1) the extent to which the purported trade secret information is known outside of the business; (2) the extent to which the information is known by employees and others involved in the business; (3) the extent of measures taken by the business to guard the secrecy of the information, including barriers to accessing the information like security access cards and login passwords; (4) the value of the information to the business and its competitors; (5) the amount of effort or money expended by the business in developing the information and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

The court then turned to and rejected each of the defendants' grounds for dismissal. First, the court reviewed the terms of the relevant prior contracts between Uni-Systems and each defendant to ascertain whether Uni-Systems protected its trade secrets sufficiently to claim that the trade secrets were, in fact, secret. The court determined that the plain language of each contract adequately restricted access to the trade secrets.

The court also rejected the defendants' claim that Uni-Systems' trade secrets were destroyed when it sold a

construction project that it completed using the trade secrets. The court found that even while Uni-Systems sold the completed project, it did not sell its confidential information about the project or its full portfolio of trade secrets. The court rejected the proposition that a sale of an item invalidates all trade secrets used in its development and operation unless the item itself is the embodiment of the trade secret.

## United Kingdom

In *Vestergaard Frandsen A/S & others v Bestnet Europe Limited & others* [2013]<sup>3</sup>, Vestergaard developed techniques to manufacture insecticidal bed nets. A confidential database stored the information regarding the techniques. In 2004, two company employees, both of whom had confidentiality provisions in their contracts, started a rival company called Bestnet. A consultant biologist for Vestergaard who helped develop manufacturing techniques for the insecticidal beds also joined Bestnet. Bestnet began producing rival bed nets in 2006.

At first instance, all three individuals were held to be liable for misuse of confidential information. One of them, a former sales manager, appealed that she was not liable because she was unaware of the trade secret misuse.

The UK Supreme Court decided that the former sales manager was not liable, finding that she had not acquired confidential information in her employment, as she had not been involved in the technical development of the product. She was also unaware that Bestnet's rival bed net had been manufactured using confidential information. On this basis, the Supreme Court held she did not breach confidence as the trade secrets regime is "*based ultimately on conscience.... and in order for the conscience of the recipient to be affected, she must have agreed, or must know, that the information is confidential*".

In *Kerry Ingredients (UK) Ltd v Bakkavor Group Ltd* [2016]<sup>4</sup>, Kerry Ingredients supplied Bakkavor with edible infused oils. Kerry had provided certain product information to Bakkavor in order to comply with food safety and labelling requirements.

<sup>1</sup> 436 F. Supp. 3d 1150, 1162 (N.D. Ill. 2020).

<sup>2</sup> C.A. 17-cv-147 (E.D.N.Y.).

<sup>3</sup> UKSC 31.

<sup>4</sup> EWHC 2448 (Ch).

This information was then used by Bakkavor to develop its own competing products.

The court found that the information was confidential, had been provided to Bakkavor for the specific limited purpose of complying with regulatory requirements, and should not have been used by Bakkavor as a springboard to develop alternative competing products. The court granted Kerry damages and an injunction preventing Bakkavor from using the information. The injunction, however, was time-limited because the ingredients of the infused oils could have been “reverse engineered” by examination of the publicly available products.

In *Celgard, LLC v Shenzhen Senior Technology Material Co Ltd [2020]*<sup>5</sup>, a scientist-employee left battery separator manufacturer, Celgard, to join Chinese company, Shenzhen Senior Technology Material Co, Ltd. Shenzhen Senior’s product range thereafter expanded and its market share significantly increased. Celgard then brought an action against Shenzhen Senior.

The High Court granted Celgard an interim injunction to prevent Shenzhen Senior’s supply of products in the UK manufactured by Shenzhen Senior due to alleged misuse of Celgard’s confidential information and/or trade secrets.

## Germany

The Upper Regional Court Frankfurt (6 U 15/13) granted damages and an injunction against a defendant company’s marketing, sales, and disclosure of bone cements produced using certain trade secret ingredient specifications. In a subsequent case (GRUR 2018, 535), the plaintiff also sought an injunction against the defendant’s second bone cement product, which the Federal Supreme Court considered to be not produced based on the trade secret specification. The plaintiff nevertheless argued that the defendant violated competition law because it was only in the position to keep the customer relations due to the sales of the first, infringing bone cement. The plaintiff sought an order enjoining the defendant from competing using any bone cement for two years, but the Federal Supreme Court was unpersuaded.

In Germany, decisions reporting damages amounts are rare because damages are typically determined in second, subsequent court proceedings, after the defendant has provided information about the sales activities. Once the obligation to pay damages is ordered and the sales numbers are clear, the parties typically settle confidentially out of court.

## France

The following noteworthy cases paved the way for the introduction of the new trade secrets law of 2018 (see below), which introduced protective measures for trade secrets into French law:

*T. corr. Clermont-Ferrand, 21 june 2010*: A former Michelin engineer attempted to sell confidential information relating to a manufacturing process for heavy tires to the Japanese manufacturer Bridgestone. The Clermont-Ferrand Criminal Court fined the former employee £5,000, charged £10,000 in damages and sentenced the employee to two years imprisonment.

*T. corr. Versailles, 18 dec. 2007, no 0511965021, L. c/ Valeo*: A Chinese intern downloaded confidential documents belonging to the automobile equipment manufacturer Valeo, intending to share them with Chinese industrialists. The intern attempted to justify her actions by claiming she was unaware appropriating such documents was against the law. A magistrate charged the intern with “intrusion into computerized data systems” and “breach of trust.” The Versailles Criminal Court fined her £7,000 and sentenced her to one year’s imprisonment.

3. *Please tell us what kinds of remedies people can receive both in civil cases and in criminal cases. In addition to monetary remedies, we want to know effective remedies in civil and criminal. What did the Directive change in Europe? Additionally, please tell us what remedies people can enjoy for trade secret disputes in the UK, Germany, and France.*

<sup>5</sup> EWCA Civ 1293.

## United States

Civil trade secret misappropriation cases may be brought in federal district courts under the DTSA (18 U.S.C. §§ 1836, 1839), where monetary and equitable relief is available. Civil cases may also be brought before the International Trade Commission (ITC) for violations of the Tariff Act, where equitable relief is available and where defendants are exposed to civil penalties for failure to comply with certain orders.

Federal district courts are available to a trade secret owner to bring a civil action for misappropriation under the DTSA if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce. Remedies include injunctive relief to prevent any actual or threatened misappropriation, that requires affirmative actions to protect the trade secret if determined appropriate by the court, and, in exceptional circumstances, that conditions future use of the trade secret on payment of a reasonable royalty. § 1836(b)(3). In extreme cases where an injunction is not adequate, a court may order the *ex parte* seizure of goods if doing so is necessary to prevent the propagation or dissemination of the trade secret or to preserve evidence, such as if the defendant is fleeing the country. § 1836(b)(2).

Compensatory damages are also available in the form of actual loss and unjust enrichment (without double recovery for actual loss) caused by the misappropriation or a reasonable royalty. An example of actual loss is the profit the trade secret owner would have made but for the misappropriator's revenue. Examples of unjust enrichment include research and development cost savings (head-start damages) and the misappropriator's profits, but not both. The awarded amount will be increased up to two times if the misappropriation was willful and malicious. § 1836(b)(3).

The trade secret owner also may pursue similar remedies under state-level trade secret misappropriation laws, though not seizure.

A trade secret holder can also pursue non-monetary relief in the ITC related to products that have been or will be imported into the US that incorporate or were manufactured

using misappropriated trade secrets. In appropriate circumstances, the ITC can issue exclusion orders that bar the further importation of such infringing products, and cease-and-desist orders that preclude the further marketing, sale, or distribution of such infringing products. Applicable circumstances may include cases where the trade secret misappropriation occurred abroad but led to importation into the US of infringing products that substantially injured a domestic industry, *see TianRui Group v. ITC*, 661 F.3d 1322, 1328-1337 (Fed. Cir. 2011), and even cases in which the foreign misappropriation was not found to be illegal in the country in which it was committed, *see Certain Rubber Resins and Processes for Manufacturing Same*, Inv. No. 337-TA-849, 2014 WL 7497801, at \*44 n.12 (USITC Feb. 26, 2014).

Criminal trade secret misappropriation involves theft with the intent or knowledge that it will benefit (directly or indirectly) a foreign government, and may be punished under § 1831, a section of the DTSA known as the Economic Espionage Act (EEA). Under the US Department of Justice's (DOJ's) policy, prosecution under the EEA is discretionary. Guilty individuals can be imprisoned up to 15 years and fined up to \$5 million. Guilty organizations can be fined the greater of \$10 million or three times the value of the stolen trade secret to the organization, including saved expenses for research and design and other costs of reproducing the trade secret the organization avoided through theft.

A more general form of trade secret misappropriation involving the intent to improperly exploit a trade secret is also a federal crime under § 1832. Guilty individuals can be fined, imprisoned for up to 10 years, or both, and a guilty organization can be fined the greater of \$5 million or three times the value of the stolen trade secret to the organization, including the saved expenses described above. Under DOJ policy, prosecution for trade secret theft under § 1832 is also discretionary.

Guilty individuals and organizations are also subject to forfeiture, destruction and restitution requirements under § 1834.

## United Kingdom

The UK has two regimes for protecting valuable business information: (1) the common law of confidential information and (2) trade secrets under the Trade Secrets Regulations 2018 (the Regulations).

Information protected under the common law of confidential information must satisfy the following test: (i) there must be a quality of confidence to the information; (ii) the information must be provided in circumstances giving rise to an obligation of confidence; and (iii) there must be unauthorized use or disclosure (actual or threatened) of the confidential information which has or will cause a detriment to the information owner.

The Regulations define a “trade secret” as information that is (i) secret, in the sense that it is not generally available or known among persons that deal with such information; (ii) has commercial value because it is secret; and (iii) reasonable steps have been taken to keep the information secret.

Although there is some overlap between the definitions of confidential information under the common law and the Regulations, the Regulations do not require unauthorized use or disclosure of the trade secret, but requires businesses to show that they have suitable measures in place to maintain the secrecy of the information. With their enactment, the Regulations now co-exist with the common law.

Under UK law, an aggrieved party can seek a range of remedies, including:

*Injunctive relief:* the Court may grant a temporary, preliminary, or permanent injunctive relief to prevent a party/parties from using the information, and may require that the infringer take actions such as recalling or destroying infringing goods.

*Damages:* the Court may award damages for any reasonably foreseeable negative impact on the trade secret owner due to the infringer’s actions.

*Account of profits:* the claimant may seek to recover the profits generated by the infringing party’s wrongful use of the information, rather than damages.

## Germany

Remedies in German trade secret law are similar to those for other intellectual property rights. The remedies concern documents, files, or other items containing or embodying the trade secret as well as infringing goods, the design, characteristics, functioning, production process or marketing of which significantly benefit from trade secrets unlawfully acquired, used, or disclosed. § 2 no. 4 German Trade Secrets Act (GTSA).

The injunction is the usual tool of enforcement in trade secret law before Civil Courts. An injunction may be obtained if an infringement has already occurred or will likely occur. § 6 GTSA.

Other remedies include destruction, recall, and withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question. § 7 GTSA. Furthermore, the right holder is entitled to information related to the infringing activities. § 8 GTSA. Remedies may be unavailable if their enforcement would be disproportionate in the particular case under consideration of, for example, the trade secret’s value, the measurements taken for keeping the trade secret confidential, the conduct of the infringer, or upon balancing the involved interests of the right holder, the infringer, third parties, or the public. § 9 GTSA. In this regard, the remedies are not granted by the court automatically. The right holder can claim from the infringer damages (§ 10 GTSA) or, if the infringer did not act intentionally or negligently, compensation (§ 11 GTSA). Damages are calculated either on the basis of a reasonable royalty for the use of the trade secret or the profits made by the infringer due to the use of the trade secret. § 10 (2) GTSA. Compensation is also available for non-pecuniary loss. § 10 (3) GTSA. However, German law does not recognize punitive damages or treble damages. If a misappropriated trade secret has been made subject to a patent or application, the Court upon request may transfer the patent application or granted patent to the trade secret owner. § 8 German Patents Act (GPA).

Sentences for criminal trade secrets theft include fines or imprisonment up to three years. In severe cases, if for example the perpetrator acts professionally or if the misappropriation was made for use of the trade secret in a foreign country,

sentences could be imprisonment up to five years. § 23 GTSA. While many of the above-mentioned remedies were available before the implementation of the Directive (EU) 2016/943, the new GTSA is a huge step forward for the enforcement of trade secret rights because it codifies and expressly enumerates legal remedies for conduct regarding trade secrets.

## France

The Directive (EU) 2016/943 is transposed into French law through the Law no 2018-670 of 30 July 2018 relating to the protection of trade secrets. The law organizes the protection of information that has actual or potential commercial value because of its secret nature and is subject to reasonable protective measures, taking into account the circumstances, by its legitimate holder to maintain its secret nature. The law makes it illegal to obtain, use, or disclose this information.

In civil cases, the court may prescribe, pursuant to Articles of the French Commercial Code, including under penalty payment, any proportionate measure likely to prevent or put an end to the trade secret infringement, in particular: (i) measures to prohibit the continuation of acts of use or disclosure of a trade secret; (ii) measures to prohibit the production and marketing of the disputed products; and (iii) order the destruction of any document or product infringing trade secrets at the expense of the infringer. Article L. 152-3. A court may also order any measure to publicize the decision. Article L. 152-7. Third, the court may order that the products significantly resulting from the trade secret infringement be recalled from the commercial channels, permanently removed from these channels, modified in order to remove the breach of trade secrets, destroyed, or confiscated in favour of the injured party. Article L. 152-3 II. The court may also order provisional and protective measures. Article L. 152-4. The court shall determine the damages to be allocated in consideration of the following factors: (1) the negative economic consequences of the trade secret infringement, including the loss of profit and the loss suffered by the injured party, including loss of opportunity; (2) the non-material harm caused to the aggrieved party; and/or (3) the profits made by the trade secret infringer, including profits from intellectual, material and promotional investments. Article L. 152-6.

For criminal cases, Articles of the French Criminal Code set forth penalties for trade secret infringements. For example, theft is punishable by three years' imprisonment and a fine of £45,000. Article 311-3. Breach of trust is punishable by three years' imprisonment and a fine of £375,000. Article 314. In specific cases, penalties can be up to 10 years' imprisonment and a fine of £1.5 million. Intrusion into computerized data systems is punishable up to five years' imprisonment and a fine of £ 150,000. Article 323-1. Supply and collection of secret information to a foreign power is punishable by 15 years of criminal detention and a fine of £225,000 for supply. Article 411-6.

Unless provided otherwise, the penalties applying to natural persons also apply equally to legal persons.

4. *Please tell us the requirements and effect of prior user rights under the patent act and the background of prior user rights in the US, the UK, Germany, and France.*

## United States

Since 2012, those who have commercially used (a) a process, or (b) a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a US patent claim shall have a defense to such infringement if: (1) they acted in good faith, (2) they commercially used the subject matter of (a) or (b) in the United States, and (3) their commercial use occurred at least one year before the earlier of the effective filing date of the patent claim or the earliest grace-period disclosure of the claimed invention. The defense must be established by clear and convincing evidence. 35 U.S.C. § 273(a)-(b).

The defense can be transferred only as part of a good-faith sale of the entire business to which the defense relates, and any person who acquires such a transferred defense may assert it only for uses at sites where the subject matter was in use prior to the later of the effective filing date of the patent claim or the assignment/transfer date. The defense is not available to those who abandoned the qualifying commercial use but then began performing the use again. The defense is also generally unavailable against University-owned patents. 35 U.S.C. § 273(e).

A limited form of prior user rights was codified for the first time in 1999, in response to concerns that business method patents, which were generally viewed previously as not patent-eligible, would pose patent infringement liability problems for those who continued to use internal business processes.

## United Kingdom

The prior use provision of Section 64 of the Patents Act UK states that if a person in the United Kingdom, before the priority date of the patent, in good faith carried out an act that would constitute patent infringement were the patent in force, or makes serious preparations to do such an act, that party can continue to do that act, although they are not permitted to grant a license to others. If such acts were done in the course of business, that party can authorize other members of its business to do the act and to assign the right to do the act to anyone who acquires that element of their business.

## Germany

The prior use right under § 12 GPA is only a defense against enforcement of a patent against a person who already used the invention or had started preparations for the use of the invention before the priority date of the patent in Germany. The prior user and its customers are entitled to continue using the invention to the same extent despite grant of a patent to someone else. It requires that the prior user was in possession of the invention before the priority date. Because it is a defense, the prior user has the burden to prove the facts justifying the prior use right.

## France

Prior user rights are provided for in French law by the "exception of personal possession" to patent infringement under Article L. 613-7 of the French Intellectual Property Code. This exception allows the inventor of a non-patented invention that is kept secret since a date prior to the filing of the application of a third party relating to the same invention to continue working on the invention personally after the filing of the patent. To invoke prior personal possession on the invention covered by a patent, the following conditions

must be met: (1) the holding of the invention must be in good faith; (2) possession must be constituted on the day of filing or priority of the patent; (3) possession must occur in France; (4) possession must have been kept secret, i.e., not published / disclosed to third party outside the terms of a confidentiality or technology transfer agreement; and (5) possession must be complete. The right may only be transferred with the goodwill (business) of the company or the part of the company to which it is attached.

5. *Please tell us the relationship between prior user rights and trade secrets, based upon question four.*

In each jurisdiction, the statute defining a prior use to patent infringement does not require the prior use to have been secret. Thus, a prior use that qualifies as a defense to patent infringement may, but need not, be a use that also qualifies as a trade secret.

6. *Is the prior user right actually used in those countries? If they have, please tell us cases that courts granted prior user rights and cases that the court declined prior user rights in the US, the UK, Germany, and France.*

## United States

In the US, it is rarely used and no appellate court decision pertaining to it exists. Recently, it was one of the defenses raised by Edwards Lifesciences (EL), which was sued by Boston Scientific SciMed, Inc. (BSSI) in 2016 for allegedly infringing three claims of a patent directed to artificial heart valves. BSSI moved the court to dismiss the defense because the three claims were all directed to systems rather than processes, but EL argued the legislative history of the statute indicated it applied to any patent, and not just those directed to processes, and the court denied BSSI's motion. However, the jury instruction issued by the court required EL to prove a "prior use," the jury rejected the defense at the end of 2018, and the case settled early in 2019 before the court ruled on EL's motion for a new trial on the defense. See *Boston Scientific SciMed, Inc. v. Edwards Lifesciences Corp.*, C.A. No. 16-275 (D. Del.).

## United Kingdom

There does not appear to be any substantive use of prior user rights in the UK Courts.

## Germany

It is a frequent defense in patent infringement proceedings in Germany. Much-disputed topics include whether the alleged prior user had been in possession of the invention or whether the prior user had made preparations for the imminent use of the invention in Germany before the priority date. The parties also often debate about the limits of the prior use right, like in the recent decision "Protective Covering" (IIC 2020, 214) in which the Federal Supreme Court accepted the defense of a prior use right in a litigation based on a patent concerning a protective covering for radio-communications equipment and a method for fabricating same. The court considered whether modifying the allegedly infringing product after the priority date deprived the prior user of the prior use right. It concluded that it would in general go beyond the scope of the prior use right if the modified product realized an additional new advantage, which is disclosed in a sub-claim or in the description of the patent-in-suit. However, in that case, the allegedly infringing product constituted a fully equivalent alternative, which was an obvious alteration to the prior used product. The defendant therefore successfully invoked the prior use right, not only with respect to the product claim, but also the process claim for manufacturing the product.

Another well-known Federal Supreme Court decision (GRUR 2012, 895) set the standards for the requirement of "possession of the invention." The prior user was only in possession of the invention before the priority date if the technical teaching had been complete and the prior user had noticed it in a way that he is able to repeat the implementation of the invention. It would not have been sufficient if the prior user still had been in the test phase or if he had accidentally used the invention before the priority date.

These two major court decisions confirming a prior use right do not reflect the fact that the defense often fails because the purported prior user is unable to prove possession of the invention before the priority date or because the later product differs substantially from the prior use.

## France

In *TGI Paris, 19 décembre 2003, Paris Concept K c. Moulin, PIBD 2003, n 776-III-587*, the Paris High Court granted a prior use exception to a company established in Hong Kong, even though the product in question was developed outside French territory. The Court came to this decision because the possessor established the existence, prior to the patent filing, of a distribution network for its products on French territory and had tested the product in question there before the same date.

In *TGI Paris, 6 juin 2013, Belipro c. Vinmer, PIBD 2013, n 992-III-1456*, the plaintiff argued that the defendant could not rely on the exception because the possession was more than eight years before the patent was filed and it related to a product not exploited during that period, only to be marketed after the patented device itself had begun to be offered for sale. The court rejected the argument and upheld the exception, stating that proof of commercialization of the products is not required.

*TGI Paris, 21 janvier 1982, Akoram c. Cercomat, PIBD 1982, n 303-III-123*: The Paris High Court refused to grant the exception to a company that, at the date of filing, "carried out its activities in Italy, it being of little importance that it subsequently carried them out in France."

7. Please tell us how many trade secret misappropriation cases are filed yearly. What percentage is the plaintiff's success? How much are damages on average and maximum?

## United States

While no governmental or judicial entity aggregates this data from data supplied by Lex Machina, Inc. (an IP litigation research company), approximately 2,900 cases with trade secret misappropriation claims were filed in federal district courts in the US from 2016 to 2020. Plaintiffs prevailed about 78 percent of the time in the few cases that went to trial (28). In a more comprehensive study of trade secret misappropriation litigation conducted by global advisory firm Stout, covering federal trade secret cases decided from 1990 through the summer of 2019, plaintiffs received a favorable ruling in cases that went to trial 68 percent of the time. See 2020 Trends in Trade Secret Litigation Report. Stout reports



an average damages award of \$21.4 million across the 141 monetary award rulings from its study, though the median award was only \$2.2 million. The top damages award was about \$920 million in a case decided in 2011 concerning trade secrets relating to the material Kevlar®, though that award was vacated on appeal.

## United Kingdom

Breach of confidence is a broad tort in the UK; therefore, the way that trade secret cases are reported and categorized in the UK means we cannot accurately answer this question. There is no maximum on the damages that can be awarded.

## Germany

Court files are not public in Germany, so there are no statistics related to the number of trade secret misappropriation cases filed, success rates, or damages awarded. German courts are known for their quick, effective, and innovator-friendly courts. Preliminary injunctive relief will often be available within a few weeks or even a few days in very urgent cases.

## France

Statistics on the number of trade secret misappropriation cases, plaintiffs' success rate, and the average and maximum amounts of damages are not available.

8. *What is the preservation of evidence in the US, the UK, Germany, and France? We want to know the effective ways such as eDiscovery etc., in trade secret misappropriation cases. Regarding the preservation of evidence, is there any difference between patent litigations and trade secret misappropriation litigations? If so, please tell us such differences.*

## United States

A duty exists to preserve information relevant to anticipated or ongoing litigation. The failure to preserve information because a company failed to take reasonable steps to preserve it may lead to harsh sanctions, including dismissing the litigation or instructing the jury to presume that the lost information would

have been unfavorable. The obligation to preserve evidence arises when the company has notice that the evidence is relevant to litigation or should have known that the evidence may be relevant to future litigation, i.e., when future litigation is reasonably foreseeable. *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212 (S.D.N.Y. 2003).

Not every shred of paper needs to be preserved, but relevant evidence that might be useful to an adversary must be. Indeed, a potential litigant has a duty to maintain information that is reasonably likely to be or has been requested during discovery. *William T. Thompson Co. v. General Nutrition Corp.*, 593 F. Supp. 1443, 1445 (C.D. Cal. 1984). The duty to preserve spans documents within a party's "possession, custody or control." That scope spans a company's employees likely to have relevant information -- the "key players" in the case. Depending on the circumstances, the preservation obligation can extend to engineers, in-house counsel, and company leaders, such as corporate officers and even corporate directors.

There are limitations. A party need not provide discovery of electronically-stored information (ESI) from sources not reasonably accessible because of undue burden or cost. As a general rule, the duty does not extend to inaccessible backup tapes (e.g., those typically maintained solely for the purpose of disaster recovery), which may continue to be recycled on the schedule set forth in the company's policy.

While the preservation duty is the same, trade secret cases differ from patent cases in the scope of the information that must be preserved. A trade secret plaintiff generally must preserve a broader scope of information than a patent plaintiff due to the requirement of establishing the existence and maintenance of the allegedly misappropriated trade secrets. Such potentially relevant information includes documents or implementations that may reveal the details of the trade secret and where those documents or implementations are located. The preservation duty would also extend to information reflecting the activities taken to protect the trade secret, including documents concerning who knows the trade secret, whether confidentiality and/or employment agreements are in place to protect against the secret's disclosure to others, and how access to the trade secrets has been restricted.

The trade secret defendant faces its own unique information preservation challenges. A key challenge is to identify which employees are central to the misappropriation allegation and promptly implement a preservation order with respect to them so that information is not deleted either intentionally or as part of a systematic auto-delete policy. Importantly, the preservation rules regarding ESI are not limited to the usual computers and servers that may hold the vast majority of a company's ESI. Consequently, the preservation duty may extend to smartphones, tablets, and other personal electronic devices, particularly as texting has become a more ubiquitous communication method.

## United Kingdom

The duty to preserve evidence begins when a party knows of or has a reasonable anticipation of future litigation. The duty involves each party disclosing to the other party non-privileged documents that are in their control. These documents must be relevant, meaning that they support or detract from their own case or the other party's case.

A failure to preserve such documents can result in serious sanctions, including costs sanctions, striking out of a party's particulars of claim or defense, and/or drawing adverse inferences as to the contents of those documents.

The UK Civil Procedure Rules also require parties who anticipate or are involved in litigation before the Courts of England and Wales to review document retention policies to ensure that no relevant documents are overwritten, updated, or deleted. "Documents" is a widely defined term in the Civil Procedure rules and includes hard copy documents and electronic documents.

The Courts of England and Wales are able to make investigative orders to investigate what a party has done with relevant documents if another party suspects that documents have been destroyed after litigation was contemplated commenced.

Civil remedies relating to failures to preserve information that can be obtained in the UK include:

*Preservation orders:* an order requiring a defendant to preserve evidence pending a trial.

*Search and Seizure Orders:* orders obtained without notice, permitting an unannounced search led by the claimant's lawyers of a defendant's property and/or systems for misappropriated IP/confidential information. The orders may also enable a claimant to preserve property that is the subject of an action. These orders are typically only used in exceptional cases.

*Delivery Up Orders:* orders requiring a defendant to deliver up to the claimant categories of information—such as a forensically sound copy of their electronic files—for later review in civil proceedings.

## Germany

There is no difference in the preservation of evidence between patent litigations and trade secret misappropriation litigations. The Code of Civil Procedure regulates the preservation of evidence, which is applicable to all civil law cases. German law does not have Common Law type discovery or e-discovery, although it allows to a limited extent obtaining documents or infringing products in a defendant's possession.

Evidence is typically provided as documents or witness statements. An important principle in German law is that a detailed and comprehensible factual submission must be replied with similar profoundness. Simply contesting a substantive submission of facts would not be effective. Due to this principle, the court usually obtains a clear picture of the facts of the case without extensive discovery.

## France

There is no discovery or eDiscovery procedure in France and no difference in the preservation of evidence between patent and trade secret misappropriation litigations. The evidence in both litigations may be provided by any means, pre-constituted or not.

For trade secrets, a well-known means consists of filing a Soleau envelope with the French Intellectual Property Office (INPI), which is a sealed envelope serving as proof of priority for inventions, exclusively to precisely ascertain the date of an invention, idea, or creation of a work. The owner, after purchasing the envelope, then gives the INPI a double

description of its trade secret / invention; the INPI returns one copy to him and keeps the duplicate. The security guarding is provided for five years, once renewable, subject to payment of an additional fee. At the end of the 10th year, the duplicate is returned to the interested party upon request. The practice of Soleau envelopes is relatively widespread. The same result can be obtained by filing online, known as e-Soleau.

Despite its success, the practice of the Soleau envelope does not have a privileged effect and other methods of proof offer the same effectiveness: filing of paper documents, CD, USB, with a learned society, filing of documents with a bailiff / notary public, recording of the information on carefully kept laboratory notebooks so that the date of registration cannot be readily contested.

In patent litigations, it is also important to establish sufficient evidence of the findings / litigious acts (notably by instructing a bailiff to issue a report of findings on the internet, for instance). Equally, seizures for patent infringement are very common before French jurisdictions to obtain evidence for use in legal proceedings. Seizure actions require a legal authorization by the President of the Paris Court.



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