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## WHITE PAPER

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### 2021 Mid-Year Review: Key Global Trade Secret Developments

A trade secret is any information used in one's business that derives independent economic value from being kept secret. Unlike patents, trade secrets are protected indefinitely for as long as they remain a secret. In the United States, the enactment of the Defend Trade Secrets Act ("DTSA") in 2016 has made trade secrets an increasingly attractive form of intellectual property for businesses hoping to protect their innovations.<sup>1</sup> And in other jurisdictions, developments such as Germany's Company Secret Act and China's Anti-Unfair Competition Law are similarly refining trade secret laws.

This *White Paper* summarizes and explains recent noteworthy court decisions and regulatory developments in trade secret law around the world in the first half of 2021. Each of these decisions and developments has meaningful implications for trade secret owners, defendants, and practitioners alike.

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## UNITED STATES

### 11th Circuit Refines Standards for Timing to Show Misappropriation

#### ***AcryliCon USA, LLC v. Silikal GmbH*, 985 F.3d 1350 (11th Cir. 2021)**

Plaintiff AcryliCon USA, LLC (“AC-USA”) sued Silikal GmbH (“Silikal”) for breach of contract and misappropriation of a shared trade secret under the Georgia Trade Secrets Act of 1990. The district court awarded a final judgment of \$5.86 million, including attorneys’ fees. Silikal appealed to the 11th Circuit.

AC-USA and Silikal shared a trade secret, consisting of a formula for a flooring resin (“1061 SW”) that Silikal manufactured and sold. Both parties claimed to own the 1061 SW formula. AC-USA claimed “ownership by virtue of a 2010 Global Settlement Agreement” that resolved litigations between AC-USA and Silikal.<sup>2</sup> Silikal, however, traced “its ownership back to 1987, when it claims to have invented the formula” in conjunction with AC-USA’s parent corporation.<sup>3</sup> Although inventorship was disputed, Silikal “possessed the formula for the sole purpose of manufacturing the 1061 SW resin” in 1987, 21 years before AC-USA was founded in 2008.<sup>4</sup>

The 11<sup>th</sup> Circuit reversed the district court’s order denying Silikal’s motion for judgment as a matter of law against AC-USA’s trade secret misappropriation claim. It was “undisputed that Silikal used the [1061 SW] formula without AC-USA’s consent.”<sup>5</sup> However, the court concluded that Silikal was not liable for trade secret infringement under the Georgia Trade Secret Act because “AC-USA had to show that (1) Silikal owed AC-USA a duty to maintain the formula’s secrecy or limit its use” and (2) “this duty arose at the time Silikal acquired the formula.”<sup>6</sup> AC-USA could not possibly make these showings because Silikal acquired the formula 21 years before AC-USA was founded.

### Federal Circuit Interprets Marking Standard Regarding Proprietary Data Delivered Under a Government Contract

#### ***Boeing Co. v. Sec’y of Air Force*, 983 F.3d 1321 (Fed. Cir. 2020)**

Pursuant to government contracts, Boeing transferred technical data to the U.S. Air Force with “unlimited rights.” However, Boeing marked the data with a legend that restricted the transfer rights to third parties.<sup>7</sup> In particular, Boeing’s legend stated, “BOEING PROPRIETARY – THIRD PARTY DISCLOSURE REQUIRES WRITTEN APPROVAL ... NON-US GOVERNMENT

ENTITIES MAY USE AND DISCLOSE ONLY AS PERMITTED IN WRITING BY BOEING OR THE US GOVERNMENT.”<sup>8</sup> The Air Force rejected Boeing’s technical data based on Boeing’s legend.<sup>9</sup>

Boeing appealed the Air Force’s rejection to the Armed Services Board of Contract Appeals (“Board”), arguing that Boeing’s marking did not violate Defense Federal Acquisition Regulation Supplement (“DFARS”) 227.7103, which addresses data rights provided by contractors to the U.S. government.<sup>10</sup> “The regulation establishes four government licenses for non-commercial technical data: (1) unlimited rights; (2) government purpose rights; (3) limited rights; and (4) specifically negotiated license rights. See DFARS 227.7103-5(a)–(d).”<sup>11</sup> While Section 7103 guarantees rights to the government, it ensures that the “contractor retains all rights not granted to the government.”<sup>12</sup> On appeal at the Board, Boeing argued that “Subsection 7013(f) is categorically inapplicable to legends like Boeing’s that only restrict the rights of third parties.”<sup>13</sup> After the Board denied Boeing’s motion for summary judgment, Boeing appealed the Board’s decision to the Federal Circuit.

The Federal Circuit held that “the plain language of Subsection 7013(f) demonstrates that it applies only in situations when a contractor seeks to assert restrictions on the government’s rights,” and thus, a contractor can place restrictions on third-party use *if* that restriction does not restrict the government’s rights.<sup>14</sup> The Federal Circuit remanded to the Board with instructions to determine whether Boeing’s legend in fact restricts the government’s unlimited rights.

### Third Circuit Interprets the Pleading Standard Under the DTSA

#### ***Oakwood Lab’s LLC v. Thanoo*, 999 F.3d 892 (3d Cir. 2021)**

Oakwood Laboratories, L.L.C. (“Oakwood”), a pharmaceutical company, sued its former VP of product development, Dr. Bagavathikanun Thanoo (“Dr. Thanoo”), and Dr. Thanoo’s new employer, Aurobindo Pharma Ltd. (“Aurobindo”), in the District of New Jersey for misappropriation of trade secrets in violation of the DTSA. Oakwood filed four versions of its complaint over the course of two years, but “[t]he District Court dismissed each version of the complaint for failure to state a claim. [] After each dismissal, Oakwood endeavored to address the problems the District Court perceived.”<sup>15</sup> Oakwood appealed the fourth dismissal to the Third Circuit.

Dr. Thanoo worked at Oakwood from 1997 to 2014 and “spent more than 80% of his tenure with Oakwood working on [ ] [t]he Microsphere Project [which] forms the basis of Oakwood’s trade secrets claim.”<sup>16</sup> “Oakwood had invested more than \$130 million, two decades, and the efforts of dozens of full-time employees in its Microsphere Project.”<sup>17</sup> Aurobindo reached out to Oakwood “to discuss an opportunity to collaborate on the Microsphere Project,” but the negotiations fell through.<sup>18</sup> However, during the negotiations, Aurobindo received confidential information from Oakwood (subject to a nondisclosure agreement) describing the Microsphere Project.<sup>19</sup> Shortly after hiring Dr. Thanoo in April 2014, Aurobindo developed “microsphere-based injectable products that Oakwood alleges are ‘substantially similar to and competitive with Oakwood’s Microsphere Project using Oakwood’s trade secret information.’”<sup>20</sup> Oakwood filed the first of its four complaints in July 2017.

After the district court dismissed the four iterations of Oakwood’s complaint for failure to state a claim, Oakwood appealed to the Third Circuit, arguing that the district court did not correctly apply the plausibility standard under the DTSA.<sup>21</sup> “The DTSA requires a plaintiff to demonstrate (1) the existence of a trade secret, defined generally as information with independent economic value that the owner has taken reasonable measures to keep secret[ ]; (2) that [the trade secret] ‘is related to a product or service used in, or intended for use in, interstate or foreign commerce’ [ ]; and (3) the misappropriation of that trade secret, defined broadly as the knowing improper acquisition, or use or disclosure of the secret.”<sup>22</sup>

The district court held that Oakwood “adequately pled the existence of its trade secrets but ‘failed to identify which one or more of th[o]se trade secrets [D]efendants have misappropriated.’”<sup>23</sup> The Third Circuit disagreed and held that Oakwood had described its trade secret “with sufficient particularity to separate it from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the trade, and to permit the defendant to ascertain at least the boundaries within which the secret lies.”<sup>24</sup> In particular, Oakwood adequately identified its asserted trade secret by describing the product, process, and even pointing to particular documentation.<sup>25</sup>

The district court also held that Oakwood did not establish an “improper acquisition, disclosure, or use of a trade secret

without consent.”<sup>26</sup> Specifically, the district court held that Oakwood needed to demonstrate that Aurobindo replicated the Microsphere Project in order to satisfy the “use” requirement under the DTSA.<sup>27</sup> The Third Circuit disagreed again, finding that the district court’s narrow interpretation of the word “use” was “inconsistent with the text of the DTSA and the broad meaning that courts have attributed to the term ‘use’ under state laws that address trade secret misappropriation.”<sup>28</sup> Instead, the Third Circuit held that “the ‘use’ of a trade secret encompasses all the ways one can take advantage of trade secret information to obtain an economic benefit, competitive advantage, or other commercial value, or to accomplish a similar exploitative purpose, such as ‘assist[ing] or accelerat[ing] research or development.’”<sup>29</sup>

Further, Oakwood sufficiently alleged misappropriation based on circumstantial evidence, and Oakwood’s complaint was “sufficient to ‘raise a right to relief above the speculative level on the assumption that the allegations in the complaint are true.’”<sup>30</sup> Finally, the Third Circuit held that Aurobindo’s misappropriation was a harm, despite not launching a competing product, because Oakwood “lost the exclusive use of trade secret information, which is a real and redressable harm,” and the misappropriation “provides Aurobindo a jumpstart to an industry it would otherwise not have competitively joined for another decade.”<sup>31</sup>

## Supreme Court Restricts Types of Conduct that Can Be Charged Under the CFAA

### *Van Buren v. United States*, 141 S. Ct. 1648 (2021)

Nathan Van Buren (“Van Buren”), a former Georgia police officer, was convicted of violating the Computer Fraud and Abuse Act (“CFAA”) in the United States District Court for the Northern District of Georgia. He “used his patrol-car computer to access a law enforcement database to retrieve information about a particular license plate number in exchange for money. Although Van Buren used his own, valid credentials to perform the search, his conduct violated a department policy against obtaining database information for non-law-enforcement purposes.”<sup>32</sup>

The CFAA “subjects to criminal liability anyone who ‘intentionally accesses a computer without authorization or exceeds authorized access.’ 18 U.S.C. § 1030(a)(2). The term ‘exceeds authorized access’ is defined to mean ‘to access a computer with authorization and to use such access to obtain or alter

information in the computer that the accessor is not entitled so to obtain or alter.’ § 1030(e)(6).<sup>33</sup> Van Buren successfully argued at the Supreme Court that because he had access to use the license plate database, he “did not ‘exceed[] authorized access’ to the database, as the CFAA defines that phrase, even though he obtained information from the database for an improper purpose.”<sup>34</sup>

While this case did not directly involve a trade secret dispute, it is interesting because CFAA and trade secret claims often go hand in hand, e.g., when a departing employee copies trade secret information using a work computer. In *Van Buren*, the Supreme Court held that this type of access to computer files is not a violation of the CFAA—even if the information is obtained “from the database for an improper purpose.”<sup>35</sup> Thus, while in certain circumstances this type of data misuse might not constitute a violation of the CFAA, it still could constitute trade secret misappropriation.

#### **S.D.N.Y. Refines What Constitutes a Misappropriation Under the DTSA**

##### ***Zurich Am. Life Ins. Co. v. Nagel*, No. 20-CV-11091 (JSR), 2021 WL 1877364 (S.D.N.Y. May 11, 2021)**

Zurich American Life Insurance Co. (“Zurich”) fired and then sued its former paralegal Jon Nagel (“Nagel”) for misappropriation of trade secrets in violation of the DTSA, among other tort claims.<sup>36</sup> Nagel moved to dismiss Zurich’s DTSA claim, “arguing that Zurich [] failed [to plausibly] allege the existence of a trade secret. Further, [arguing] that even if some of the documents at issue were construed to be trade secrets, Zurich has not plausibly alleged use or misappropriation of a trade secret.”<sup>37</sup> The court held that, to successfully plead a claim under the DTSA, Zurich must demonstrate that: (i) it owns a trade secret, and (ii) there has been either (a) “actual or threatened misappropriation,” (b) “unjust enrichment,” or (c) “actual loss caused by the misappropriation of the trade secret.”<sup>38</sup>

The court concluded that Zurich failed to meet these pleading requirements. Zurich’s complaint merely described “‘nebulous’ categories of documents,” including “corporate governance documents, board resolutions, biographical affidavits,” and Zurich did not allege any actual or threatened misappropriation.<sup>39</sup> In a question of first impression, the court held that the DTSA “requires not just any use of a trade secret, but one that constitutes a ‘misappropriation.’”<sup>40</sup> Thus, a defendant who

“merely threaten[s] to keep trade secrets, without threatening to use or disclose them, does not give rise to a DTSA claim.”<sup>41</sup>

#### **E.D. Pa. Refines Personal Jurisdiction Standard in the Context of the PA TSA**

##### ***M3 USA Corp. v. Hart*, No. 20-cv-5736, 2021 WL 308162 (E.D. Pa. Jan. 29, 2021)**

Plaintiff M3 USA Corp. (“M3”) sued its former employee Karie Hart and her new employer, Atlas Primary, Inc. (“Atlas”), for misappropriation of M3’s trade secrets after Ms. Hart resigned from M3. Ms. Hart accessed M3’s pricing and account details after her resignation from M3, and she then began working for Atlas trying to win the same customers she worked for at M3. M3 is a Delaware corporation with a principal place of business in Pennsylvania, Atlas is a Delaware corporation with a principal place of business in Georgia, and Ms. Hart is a New Jersey resident who worked remotely for M3. Atlas and Ms. Hart moved to dismiss M3’s claim for lack of personal jurisdiction.

The court held that it could not exercise general personal jurisdiction over Ms. Hart or Atlas; however, the court concluded that it could exercise specific personal jurisdiction over Ms. Hart and Atlas for M3’s misappropriation of trade secrets claims. The court held that “[a]s an individual, [Ms. Hart] is subject to general personal jurisdiction only where [s]he is domiciled,” and thus is not subject to general personal jurisdiction in Pennsylvania.<sup>42</sup> Further, “Atlas does not specifically limit its services to Pennsylvania in any way to meet the ‘exceptional’ standard for general jurisdiction.”<sup>43</sup>

To establish specific personal jurisdiction over a remote employee in a trade secret action, the court must consider the totality of the circumstances, “[i]n short, all of the essential functions that allowed [the distant employees] to earn a living were channeled through Pennsylvania ... underscoring [the distant employees’] connection to the Commonwealth is more than incidental.”<sup>44</sup> “Though a close call,” the court found that Ms. Hart directed purposeful contacts at Pennsylvania, in part because she visited the Pennsylvania office several times a year, requested key fob access to the Pennsylvania office, and even “marketed herself as a Pennsylvania resident.”<sup>45</sup> Further, when applying the “effects test” set forth in *Calder v. Jones*, the court determined that: (i) Ms. Hart committed an intentional tort (misappropriation of trade secrets); (ii) M3 “felt the brunt of the harm” in Pennsylvania; and (iii) Ms. Hart “expressly

aimed h[er] tortious conduct at” Pennsylvania (for example, by using her M3-issued “devices to access confidential customer data after resigning”).<sup>46</sup>

Similarly, the court held that it also could exercise specific personal jurisdiction over Atlas because Atlas “has clients in Pennsylvania,” including the new clients from Ms. Hart.<sup>47</sup> Atlas also met the requirements of the “effect test” from *Calder v. Jones* test for similar reasons set out above for Ms. Hart.<sup>48</sup>

### **N.D. Cal. Discusses Standard to Disclose Trade Secrets with Particularity at Outset of Case**

#### ***Quintara Biosciences, Inc. v. Ruifeng Biztech Inc., No. 20-cv-04808 WHA, 2021 WL 965349 (N.D. Cal. Mar. 13, 2021)***

Plaintiff Quintara Biosciences, Inc. (“Quintara”) sued Ruifeng Biztech Inc. (“Ruifeng”) for trade secret misappropriation under the DTSA. Before discovery commenced, the court ordered Quintara “to disclose for each asserted trade secret: (1) a summary of the specific trade secret; (2) the background of the trade secret and a description of how each secret has derived independent, actual or potential economic value by virtue of not being generally known to the public; (3) a description of how each secret has been the subject of reasonable efforts to maintain its secrecy; and finally (4) each of the precise claimed trade secrets, numbered, with a list of the specific elements for each, as claims would appear at the end of a patent.”<sup>49</sup> The court explained that the purpose of the disclosure requirement is “to nail down the asserted trade secrets with sufficient particularity [1] to permit us to discern the reasonable bounds of discovery, [2] to give defendants enough notice to mount a cogent defense and [3] to prevent plaintiff from indulging in shifting sands.”<sup>50</sup> Early disclosure of trade secrets is important because “[e]xperience has shown that it is easy to allege theft of trade secrets with vagueness, then take discovery into defendant’s files, and then cleverly specify what ever happens to be there as having been trade secrets stolen from plaintiff.”<sup>51</sup>

Quintara disclosed 11 trade secret claims, and Ruifeng then successfully moved to strike nine of the 11 trade secret claims. First, the court held that Quintara adequately described two of its trade secrets, *viz.*, its customer profile database and vendor database. Quintara disclosed that its customer profile database is a “detailed business transaction history,”

including communications with customers for “internal business planning.”<sup>52</sup> Quintara disclosed that its vendor database includes contact information for essential vendors and “Quintara’s purchasing plans with specific vendors and the financial arrangements between Quintara and such vendors.”<sup>53</sup> The court held that these descriptions were “adequate given the subject matter” “because the underlying transactions are inherently party-specific.”<sup>54</sup>

However, applying the four disclosure factors listed above, the court held that Quintara failed to adequately describe the nine remaining “business and marketing and technical secrets.”<sup>55</sup> Quintara simply provided “categorical descriptions” of the remaining “secrets.”<sup>56</sup> For example, Quintara described a second “customer database” as “containing the names, detailed contact information, and other identifying information, built over several years.”<sup>57</sup> The court held that this customer database, unlike the customer *profile* database, was merely a generic contact list and not adequately described as a trade secret.

Further, Quintara “fail[ed] to distinguish its proposed product from industry practice. Presumably all providers of DNA sequencing services seek to do it faster; [Quintara] cannot preempt the entire field just by claiming this trade secret.”<sup>58</sup> Quintara also disclosed “computer informatics,” described as “standalone software for plasmid map viewing, editing, and sequencing trace alignment.”<sup>59</sup> The court held that these computer programs “*might* be protectable”; however, Quintara’s “disclosure essentially claims the entire sub-field of computer code for ‘plasmid map viewing, editing, and sequencing trace alignment,’ offering no description of what makes plaintiff’s methods distinct from its competitors’ method.”<sup>60</sup> “The bare assertion that plaintiff spent years developing a different protocol from the industry standard does not explain how it has incrementally advanced beyond the state of this art in its specialized field.”<sup>61</sup>

In conclusion, “[n]othing about plaintiff’s categorical descriptions will allow us to distinguish between, on the one hand, plaintiff truly discovering its material in defendants’ possession and, on the other, plaintiff merely slapping the retroactive label of ‘trade secret’ on information gained in discovery. This prevents us from framing the scope of discovery and defendants from mounting a knowing and reasoned defense.”<sup>62</sup>



## New Jersey State Court Discusses the Need to Plead Steps Taken to Maintain Secrecy and Alleged Damages

### *Lard-VID, LLC v. Ground Support Labs, LLC*, 2021 N.J. Super. Unpub. LEXIS 323 (Feb. 19, 2021)

Plaintiff Lard-VID, LLC (“VID”) sued several former employees and Ground Support Labs, LLC (“GSL”) (collectively, the defendants) for misappropriation of trade secrets after the employees left VID to found GSL. VID alleged that the defendants, among other torts, misappropriated VID’s trade secrets related to digital signage and consumer engagement technology. The defendants moved to dismiss several causes of action, including the claim for misappropriation of trade secrets.

The court granted the defendants’ motion to dismiss the trade secrets claim because VID failed to adequately plead its trade secrets claim under the New Jersey Trade Secrets Act (“NJTSA”). The NJTSA requires that “a Plaintiff must allege that a trade secret was misappropriated, and that Plaintiff was damaged by the misappropriation.”<sup>63</sup> VID, however, “fail[ed] to include any information that the Defendants actually used any of the data which was allegedly taken, nor do they include information on how the Plaintiffs were damaged as a result.”<sup>64</sup> First, VID did not allege “that Defendants signed any non-disclosure agreements, there is no allegation that Plaintiffs made any efforts to collect alleged confidential information from Defendants after their employment ended, and there is no allegation Plaintiffs asked Defendants to sign a non-disclosure agreement post-employment as a condition of any severance agreement or other post-employment arrangement.”<sup>65</sup> Further, “[t]he Complaint does not allege any actual instances of Defendants using any trade secrets to Plaintiffs’ detriment.”<sup>66</sup>

## President Biden’s Executive Order on Promoting Competition in the American Economy

President Biden signed an Executive Order on Promoting Competition in the American Economy on July 9, 2021. The Executive Order aims to curtail noncompetition agreements in the United States, among other competition-related measures. While this Executive Order does not directly regulate trade secrets, its focus on increasing competition across industries and limiting the enforceability of noncompetition agreements could impact trade secret protections.

The Executive Order addresses noncompetition agreements by encouraging the chair of the FTC “to consider working with the rest of the Commission to exercise the FTC’s statutory rulemaking authority under the Federal Trade Commission Act to curtail the unfair use of non-compete clauses and other clauses or agreements that may unfairly limit worker mobility.”<sup>67</sup> The effects of the Executive Order have not materialized, but it will be important to watch and see if the FTC acts to restrict noncompetition agreements and how any such restrictions impact trade secret protections.

## New Noncompetition Limitations in Illinois, Nevada, and Oregon

Illinois, Nevada, and Oregon all passed new restrictions on noncompetition covenants in the first half of 2021 (before President Biden’s Executive Order) that may have trade secret implications. Generally, all three states added restrictions to noncompetition agreements in their respective jurisdictions.

On May 31, 2021, the Illinois state legislature passed Senate Bill 672, placing additional restrictions on noncompetition and non-solicit agreements. Starting January 1, 2022, Bill 672, if signed by Governor Pritzker, will restrict the income level of employees who can enter noncompetition and nonsolicit agreements, and allow employees to recover attorneys’ fees from litigations related to noncompetition agreements. In particular, Bill 672 limits noncompetition agreements to employees earning more than \$75,000/year, and nonsolicitation agreements to employees earning more than \$45,000/year. Both income limits will be increased every five years to adjust for inflation. Bill 672 states that noncompetition agreements do not include confidentiality agreements, or “agreement[s] prohibiting use or disclosure of trade secrets or inventions.”<sup>68</sup>

An amendment to the Nevada Unfair Trade Practice Act, signed by Governor Sisolak on May 25, 2021, further restricts the applicability of noncompetition agreements.<sup>69</sup> The amendment will go into effect on October 1, 2021, and states that hourly employees are no longer subject to noncompetition agreements. Further, if an employer sues an hourly employee for breach of an improper noncompetition agreement, the employee is entitled to attorneys’ fees and costs.

Oregon Senate Bill No. 169 amending ORS 653.295, signed by Governor Brown on May 21, 2021, further limits the scope of noncompetition agreements in Oregon. Under the amendment, noncompetition agreements cannot exceed 12 months from the employee's last day of employment, and employees who earn less than \$100,533/year cannot be subject to a noncompetition agreement. Further, noncompetition agreements that run afoul of the restrictions are now void instead of voidable. Finally, an employer must pay the employee the greater of 50% of the employee's salary or 50% of Oregon's median income for a family of four for the duration of the enforcement period.

## UNITED KINGDOM

The United Kingdom enacted legislation implementing the Trade Secrets Directive prior to its departure from the European Union. The Trade Secrets (Enforcement, etc.) Regulations 2018 ("Trade Secrets Regulations") introduced a new statutory regime for protecting confidential information that is intended to operate in parallel with the United Kingdom's existing common law regime. We have previously commented on the key features of the Trade Secrets Regulations and its effect on UK law.<sup>70</sup> The UK Court of Appeal (the United Kingdom's primary appellate court) has issued a series of decisions that discuss specific aspects of the new regime and the approach to trade secrets litigation more generally.

### A Trade Secret Owner Must Describe its Trade Secret with Sufficient Particularity

***Celgard LLC v Shenzhen Senior Technology Material Co Ltd***  
In *Celgard LLC v. Shenzhen Senior Technology Material Co Ltd* [2020] EWCA Civ 1293, Celgard LLC ("Celgard") sought preliminary injunctive relief against Shenzhen Senior Technology Material Co Ltd ("Senior"), claiming that Senior's proposed importation and marketing of certain battery "separators" would constitute a misuse of Celgard's trade secrets. The High Court granted the preliminary injunction, and the injunction was upheld on appeal. The UK Court of Appeal made a number of observations that are likely to affect the conduct of future UK trade secrets litigation.

First, the claimant must describe its alleged trade secret with sufficient particularity to ensure that the law is not misused to

harass and oppress competitors and ex-employees. The case was at an early stage (and it was an interim decision); thus, the court was prepared to accept a lesser degree of particularization than usual. However, the court reiterated that a particular description of the trade secret remains a key requirement. The court also indicated that when assessing sufficient particularization, the court would consider the extent to which the claimant had been hampered by the defendant's obstructiveness or noncooperation.

Second, the court discussed the effect of Article 4(5) of the Directive, which provides that importation of infringing goods is an unlawful use of a trade secret "where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully." The court can take into account a range of factors as part of this assessment, including: (i) where a person acquires the trade secret, and (ii) which law should apply in determining whether the acquisition was "unlawful" (i.e., in this instance, China or the United Kingdom). Although not required to render its decision, the court acknowledged that this was a difficult question and one that may in due course have to be answered by the Court of Justice of the European Union ("CJEU"). Following Brexit, the CJEU no longer has jurisdiction in the United Kingdom, but it is likely that UK courts will consider any future guidance from the CJEU. In the meantime, this ambiguity may lead to disputes in cases where the relevant trade secret misappropriation spans multiple jurisdictions.

### UK Court of Appeal Discusses How Contracts Impact Trade Secret Claims

***The Racing Partnership Ltd and others v Sports Information Services Ltd***

In *The Racing Partnership Ltd. et al. v. Sports Information Services Ltd* [2020] EWCA Civ 1300, the Court of Appeal considered the circumstances in which information will have the "necessary quality of confidence" to be protectable under UK law. The Racing Partnership ("TRP") had a contract for the exclusive collection and distribution of certain live betting and horseracing data, such as prices, weather conditions, and race withdrawals. Sports Information Services Ltd ("SIS") previously had a similar contract with the second claimant that ended after TRP's contract began. SIS, however, continued to provide an unofficial feed through a deal with Totepool ("Tote"), a third party that had a right to collect certain limited data relating



to the second claimant's racecourses. Tote provided SIS with contractual assurances (including a warranty) that it had the right to provide SIS with the relevant information.

The three judges of the Court of Appeal had some disagreement regarding the confidential information. Arnold LJ found that the individual items of race data (e.g., nonrunners, withdrawals, and the result) were confidential information. He observed that the true criterion in determining the "necessary quality of confidence" is not secrecy but inaccessibility, and whether the information can be controlled and thus has commercial value. However, Lewison LJ found that that only a compilation of this data (which would be used by bookmakers) could attract commercial value and therefore be confidential (this was because the individual race data would be broadcast live on TV, and thus not be confidential). Phillips LJ agreed generally with Lewison LJ, but did not specifically address the confidentiality of the information. The debate highlights the practical difficulties that often arise in assessing confidentiality in trade secrets cases. The dissenting view of Arnold LJ may also indicate a greater emphasis in future cases on the commercial value of the information and the extent to which one party can control access to that information (as TRP could) in assessing its confidentiality.

The majority of the court ultimately found that SIS did not act in breach of confidence because it was not reasonable to expect SIS to have known that Tote was not permitted to supply SIS with data for fixed-odds betting. TRP and Tote had chosen to regulate their relationship by contract, and the trial judge found that Tote honestly believed that there was no restriction imposed on Tote's ability to provide the race-day data to SIS. Here, neither the imparter nor the recipient of the information knew that there was any restriction on the dissemination of the relevant information. When there is a contract, the majority considered that it was wrong to start from the point of view of whether there was a right to disseminate the information. The correct question was whether there was any prohibition on doing so. This distinction might play a key role in future disputes that arise from contractual grounds.

### **UK Court of Appeal Discusses the Confidentiality Obligations Imposed on Former Employees**

#### ***Travel Counsellors Ltd v Trailfinders Ltd***

In *Travel Counsellors Ltd. v. Trailfinders Ltd.* [2021] EWCA Civ 38, Trailfinders Ltd. ("Trailfinders") sued a competitor, Travel Counsellors ("TCL"), as well as a number of its former sales consultants who had left to join TCL. The former sales

consultants took with them to TLC customer names, contact details, and other information from Trailfinders' computer system. The Trade Secrets Regulations were not directly at issue (as the facts occurred in 2016, before implementation of the legislation); the key issue was whether the circumstances gave rise to an equitable duty of confidence.

The UK Court of Appeal at first upheld a finding in favor of Trailfinders, concluding that an obligation of confidentiality arises when a reasonable person in the position of the recipient of information would make enquires, but the recipient does not do so. Whether the reasonable person would make such enquiries (and the nature of those enquiries) are context- and fact-dependent. The court held that TCL must have realized the information was confidential to Trailfinders or, alternatively, it should have made enquiries to determine whether it was, and therefore that it owed an equitable duty of confidence to Trailfinders.

## **FRANCE**

France has enacted into national law EU Directive 2016/943/EU of June 8, 2016, "on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure" through two acts: (i) Law No. 2018-670 of July 30, 2018, which introduced in the French Commercial Code a Title V, "On the protection of trade secrets" (French Code of Commerce, art. L. 151-1 to L. 152-2); and (ii) Decree n° 2018-1126 of December 11, 2018, which specifies the terms of application of the law of July 30, 2018.

French courts have held that while the French law implementing the EU Directive cannot be applied retroactively to facts that occurred before its enactment, it is nonetheless relevant to these prior facts, because it sheds light on the current state of applicable law (Court of Appeal of Nîmes, January 6, 2021, *Établissements P. v. JC3D Industry*, Docket N° 18/03679).

French courts have recently ruled both on the merits of trade secrets violation and on procedural aspects of litigation involving trade secrets. Some aspects of these decisions are highlighted below.

### **Trade Secret Protection Is Granted Each Time the Three Legal Conditions Are Met**

In a landmark decision, the Court of Appeal of Montpellier awarded trade secret protection to the formulation of

long-lasting insecticidal nets (Court of Appeal of Montpellier, May 14, 2019, *Vestergaard v. IIC, O. Skovmand*, Docket N° 15/07646). A consultant of the claimant had copied a database containing five years of research on the development of new insecticidal nets before licensing the technology to a competing business. The court considered the three conditions to trade secret protection, namely: (i) the existence of confidential information not generally known; (ii) having a commercial value; and (iii) steps taken by the legitimate holder to keep the information secret. To assess the commercial value, the court noted that the infringer arrived very quickly on the market and with little financial investment that it would not have been able to make. The court granted an unlimited injunction preventing use of the infringing technology and of technology derived from it.

Recently, the Court of Appeal of Nîmes recently applied similar logic when a former employee left the claimant's company with a copy of more than 3,000 drawings of existing products, before setting up a competing business (Court of Appeal of Nîmes, January 6, 2021, *Établissements P. v. JC3D Industry*, Docket N° 18/03679). The Court of Appeal concluded that the drawings of the products originated from the claimant because the files had identical or similar names. In ruling that the copied files had commercial value and their use was contrary to fair commercial practice, the court noted again that the copied files enabled early entry in the market, with little financial risk or investment, and quickly resulted in a high turnover by the competing business. No injunction was granted, but damages were awarded.

### **Protection of Trade Secrets in Litigation Not Related to Trade Secret Violation**

In France, trade secret protection is often invoked to protect confidential information disclosed as exhibits in legal proceedings, or seized during dawn raids performed prior to legal proceedings, even when such proceedings do not relate to trade secret violation. In such situations, the court balances the interest of trade secret protection and the principle of adversarial proceedings, which requires that each party have access to all the evidence invoked against it. The court often orders that only redacted documents be adduced as exhibits or limits the number of persons to whom access is granted.

#### ***Court of Appeal of Paris, April 8, 2021, ITM Alimentaire Internationale v. Ministre de l'Économie, des Finances et de la Relance, Docket N° 21/05090***

In *ITM Alimentaire Internationale v. Ministre de l'Économie, des Finances et de la Relance*, Docket N° 21/05090, ITM Alimentaire

International ("ITM") applied for urgent measures before the president of the Paris Commercial Court three days after being served with summons that notably requested a civil fine of €150 million for prohibited practices consisting of obtaining advantages without compensation. ITM tried to stop the delivery of the summons to another co-defendant (AgeCore) because these summons would disclose trade secret information to its competitor.

The court analyzed the information contained in the summons for which redaction was requested, which mainly related to contracts and price lists. The court concluded that "this information is clearly non-public, not readily available and less than 5 years old so that it is sufficiently recent to remain commercially sensitive and strategic from a commercial and competitive point of view. It is therefore covered by trade secrets law within the meaning of Article L 151-1 of the French Commercial Code." The court likewise analyzed the exhibits for which redaction was requested and held that "[a]s a result, the elements whose redaction is requested (...) unquestionably constitute non-public information that is not easily accessible and is sufficiently recent to remain sensitive and strategic from a commercial and competitive point of view. Finally, it is covered by confidentiality clauses, as the parties intended to protect it."

Thus, the court granted ITM's request and held that "the protection of trade secrets while respecting the rights of the defense requires that only a redacted version of all confidential data be provided to AgeCore, both with regard to the summons and the exhibits adduced in support of it."

#### ***Cour de cassation, June 10, 2021, Docket N° 20-11.987, N° 20-10.570, N° 20-13.737, and N° 20-13.198***

The French Supreme Court issued four opinions on the same day emphasizing that investigation measures such as seizure/dawn raids authorized prior to legal proceedings must be sufficiently limited in time and purpose (*Cour de cassation*, June 10, 2021, Docket N° 20-11.987, N° 20-10.570, N° 20-13.737, and N° 20-13.198). The court further held that access to confidential information must be limited to the needs of the search for evidence in connection with the dispute and must not be disproportionate to the aim pursued. In particular, the French Supreme Court stated that: "[b]y not specifically pointing out, as it was requested to do, that the keywords aimed exclusively at generic terms (Google, agreement, understanding, employee, opinion, LinkedIn) and the first names, surnames and names of the people against whom the investigative measures had been requested, were sufficiently limited in time and in their object and that the breach of trade secret was limited

to the needs of the search for evidence in connection with the dispute and was not disproportionate to the aim pursued, the Court of Appeal did not give a legal basis for its decision.”

These rulings were immediately applied by lower courts (see, e.g., Court of Appeal of Chambéry, June 15, 2021, *AFG Bois v. GSTB Limited*, Docket N° 20/01366). “However, the list of keywords defining the search appears particularly wide and exceeds the strict protection of the rights invoked by GSTB (...) This seizure thus had the effect of giving access to all the data belonging to AFG Bois, even unrelated to the acts of unfair competition invoked by GSTB and constitutes a disproportionate infringement of the freedom of trade and industry, business secrecy, the right to respect for private life and the secrecy of correspondence. Consequently, it is appropriate to grant the request of AFG Bois and of MT, to set aside the interim order of business, to prohibit the Selarl MJ Alpes as liquidator of GSTB to use any documents obtained by the bailiff within the framework of a procedure on the merits, to declare null and void the official report drawn up by Me P. on April 8, 2019 when he came to the premises of the head office, and to order the return by ME P. to AFG Bois of all the data entered.”

The Court of Appeal of Paris (Court of Appeal of Paris, May 20, 2021, *Nobel Connexion v. The Call Machine*, Docket N° 20/04388), however, prevented access to evidence that it considered to be a trade secret. In particular, the court prevented access to software for calculating the applicability of legal benefits, even though these are made in accordance with known legal provisions, including “205 Excel spreadsheets... [that] synthesize and analyze ... payroll and other personal [employee] data [to generate] ... the contribution deductions from which they could benefit in terms of ‘Fillon reduction’ in particular, whereas the payroll software on the market does not allow not to solve these complex calculations.”

## GERMANY

Germany implemented Directive (EU) 2016/943 with the German Law on Protection of Trade Secrets, which came in force on April 26, 2019. Until then, trade secrets were protected by the German Act against Unfair Competition. German courts continue to issue decisions with guidance on the new German Company Secret Act (*Geschäftsgeheimnisgesetz*, or *GeschGehG*). The following cases display the latest judgments

in German jurisdiction concerning the German Law on Protection of Trade Secrets.

### Higher Regional Courts Define Minimum Measures a Trade Secret Owner Must Take to Protect Their Trade Secret Under the New German Company Trade Secret Act

#### Higher Regional Court of Stuttgart, 2 U 575/19 (November 19, 2020)

In a recent decision by the Higher Regional Court of Stuttgart, a chemical company sought damages for trade secret misappropriation from a group of its former managers and their new company. Four aspects of the decision are noteworthy:

1. Even when the protection of the trade secret is based on the *former* Section 17 of the Act on Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*), the court can declare the matter a company secrets litigation (*Geschäftsgeheimnisstreitsache*) under Section 16 of the *new* *GeschGehG*, with the new Act’s greater protection of trade secrets.
2. Unlike under the old law, the Stuttgart court defined certain minimum measures the trade secret owner must show it employs. For example, confidential information must be accessible by individuals on a “need-to-know” basis only, and the individuals must be informed of the obligation to maintain the confidentiality of the information.
3. In addition, following a “data leak,” the court might conclude that trade secret protection has been lost. For example, the court noted that a data loss might result if employees save data without password protection or if paper documents are not protected against access by nonauthorized individuals. In contrast, the court concluded that the “loss” of a laptop in the case at hand did not constitute a data leak.
4. Although this case primarily concerned trade secrets in the form of chemical formulas, the court also addressed the former managers’ contacts with their former employer’s customers when trying to obtain business for their new company. A former employee can use so-called “experience knowledge” (*Erfahrungswissen*) acquired with a former employer, *unless* there is an applicable post-contractual noncompetition agreement. Thus, although a customer list might be a trade secret, the former employees’ memory would permit them to contact customers without using such list.

This decision provides guidance regarding how to handle confidential information on a “need-to-know” basis and also highlights the importance of post-contractual noncompete agreements to, for example, exclude or restrict the use of experience knowledge that might have been acquired during former employment.

#### **Higher Regional Court of Hamm, Judgment of September 15, 2020—4 U 177/19 (not final judgment)**

In the judgment of *Higher Regional Court of Hamm*, the plaintiff was a leading supplier of rail construction machinery with high market shares both in Germany and worldwide. The defendant also offered machines, products, and services in the field of rail track maintenance. The managing directors and co-shareholders of the defendant were two former executives of the plaintiff. During a search of one of the defendant’s managing director’s premises, files and copies of the plaintiff’s documents and drawings were seized. The District Court denied the plaintiff’s action for injunctive relief, and the Higher Regional Court as Court of Appeal then upheld the judgment.

The plaintiff’s claim for injunctive relief failed due to the lack of a trade secret and lack of adequate protective measures. Adequacy is a flexible and open-ended criterion that follows the idea of proportionality. Therefore, it is not necessary to choose the best possible protection, but one must also make more than a minimum effort. Decisive criteria are the value of the trade secret, the size and performance of the company, and the industry of the respective activity. The threshold of inadequacy is exceeded if the costs for the protective measures exceed the value of the trade secret. A globally active company, for example, can be expected to take greater and more financially complex protective measures than a craftsman’s business with just a few employees. The Higher Regional Court also clarified that it is imperative, in view of the importance of the trade secret, to investigate every indication of a circumvention of (alleged) trade secrets and to adjust the security concept promptly or to take sanctions. The plaintiff provided extensive information on the security measures it has taken, i.e., IT security guideline, regulated access to the so-called PZA, and nondisclosure agreements with licensees. The Higher Regional Court, however, deemed the security measures not sufficient because the applicant’s measures had

already been circumvented several times and the secret at issue represents the applicant’s “flagship” product.

#### **Higher Regional Court Discusses a Trade Secret Owner’s Obligation to Describe its Trade Secret and Clarifies the Unauthorized Access Standard**

#### **Higher Regional Court of Frankfurt a. M., Decision of November 27, 2020—6 W 113/20—Vliestoffe (not final judgment)**

The applicant sought a preliminary injunction against its former employee and the employee’s new employer (the defendant). After leaving the applicant, its former employee exported information on external hard drives and uploaded the applicant’s information to external networks. He even sent an email to the managing director of the defendant. The District Court denied the preliminary injunction, and the Higher Regional Court as Court of Appeal upheld the decision.

The main claims were inadmissible because the applicant did not describe the asserted trade secret with sufficient detail to provide notice of the specific form of infringement. Moreover, the parties disputed the scope of the trade secrets, thus shifting the question of the subject matter to the enforcement proceedings.

Furthermore, the court found it sufficient that the defendant submitted a declaration that it would not use and/or publish the alleged trade secrets it had received.

The Higher Regional Court also clarified that the receipt of an email alone does not meet the requirement of “unauthorized access” within the meaning of Section 4 Para. 1 of the German Law on Protection of Trade Secrets, because the recipient does not make any contribution to this. Rather, there must be an active element in the “access”; thus, the recipient must also have developed some form of activity.

## **SPAIN**

Law 1/2019, of February 2019, on Trade Secrets (“*Ley de Secretos Empresariales*”) transposed into Spanish law EU Directive 2016/943. This Act amends the regime that previously enforced trade secret protection, provided for in Article 13 of Law 3/1991, of January 10, 1991, on Unfair Competition (“*Ley de*

*Competencia Desleal*”), which had been the main way to protect trade secrets in Spanish courts for two decades.

While the Act introduces a definition of trade secrets that did not exist in the Unfair Competition Law, the definition had been retained in a very similar way by Spanish courts in application of Article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (i.e., information that is secret, has business value, and has been the subject of reasonable measures by its owner to keep it secret).

Given the Act’s recent enactment, there are only a few cases applying it to date. Relevantly, however, Spanish courts have already held that while the Act cannot be applied retroactively, to the extent that the Act fills a legal vacuum, it makes sense to apply it, so long as the application does not contradict the interpretation of “trade secret” by the courts under the preexisting regulation. (*Audiencia Provincial de Barcelona, Sección 15ª, Sentencia 431/2021* of March 12, 2021, Rec. 2372/202).

Noteworthy recent judgments consider whether client lists are trade secrets and whether the research done by a company to identify the best source of supply from a Chinese manufacturer fall under the notion of trade secrets.

### **Spanish Courts Apply New Law 1/2019 on Trade Secrets to Alleged Trade Secrets Involving Client Lists and Sourcing Research Qualify as Trade Secrets**

#### **The Provincial Court of Barcelona, judgment N° 216/2021, February 4, 2021**

In judgment n° 216/2021, February 4, 2021, the Provincial Court of Barcelona (Section 15) declared that a list of clients cannot be considered a trade secret, because the list did not contain any particularity. Past judgments from the Supreme Court had already held that information that forms part of the general professional skills, abilities, and experience of a subject cannot be considered a trade secret, nor can the knowledge and relations that an individual may have with the clientele, even when these skills or abilities have been acquired in the performance of a specific post or specific functions carried out for a specific employer. Here, the names of the clients, the type of commercial policy followed, and the premium they paid was information linked to the defendant’s job and professional experience, so it was not a trade secret. In a prior judgment

from the Provincial Court of Madrid (Section 28), judgment of June 2, 2017 (issued under the Law on Unfair Competition), the court held that a plaintiff must prove that the use of the clients’ lists and the data contained therein does not correspond to the defendant’s professional experience. This criterion is also applied to other information that a defendant may know as a consequence of his job, such as price information. However, according to the court, other types of information like information on manufacturers, products, testing, regulatory compliance, approvals, purchase prices, or payment methods may be considered a trade secret.

#### **The Mercantile Court N° 3 of Madrid, judgment of February 11, 2021**

In the Mercantile Court n° 3 of Madrid, judgment of February 11, 2021, the plaintiff sued a former employee for trade secrets violation. This case has two interesting statements regarding a trade secret holder’s evidence and investments. First, the court reversed the burden of proof and held that the plaintiff must show that knowledge of clients’ products and prices is not a knowledge and experience acquired by the defendant acting as the plaintiff’s sales manager for 15 years. Second, the court declared that certain information (i.e., the identity of the manufacturer, the products, tests and trials, regulatory compliance, approvals, purchase prices, and payment methods agreed) would fall under the definition of “business secret,” with a business value. Here, the plaintiff had invested significant resources, time, and effort in obtaining the best product at the best price, through a Chinese mediation company. Their manufacturer complied with Spanish and community regulations in the manufacture of the products, so the plaintiff’s products could be approved in Spain and, at the same time, obtain a quality product to distinguish itself in the market with respect to its competitors.

## **CHINA**

Although the Chinese legal system, in general, is not based on case law, China is starting to employ more features of a precedence system. The Chinese Supreme People’s Court (“SPC”), the Intellectual Property Tribunal of the Chinese Supreme People’s Court (“IP Tribunal”), and some local courts have recently issued decisions that provide useful guidance on the protection of trade secrets.



## SPC Discusses the Relationship Between Civil and Criminal Trade Secret Misappropriation Cases

### *Wuhan Continuous Casting Equipment Engineering Co., Ltd. v. Song Zuxing*

Wuhan Continuous Casting Equipment Engineering Co., Ltd. (“Wuhan Casting”) sued the individual Song Zuxing for violation of confidentiality obligations, alleging that Song Zuxing disclosed its trade secrets to Wuhan Hengrui Valley Metallurgical Technology Co., Ltd. (“Hengrui”). There was a related criminal action. However, in the criminal action, only Hengrui and Hengrui’s legal representative were named as defendants, and Song Zuxing was not named. Both of the civil lower courts dismissed the case against Song Zuxing because he was not implicated in the criminal case. Wuhan Casting then sought leave for retrial by the SPC. The SPC reversed, concluding that Song Zuxing was a proper defendant in the civil case because the criminal court never ruled on whether Song Zuxing had violated his confidentiality obligations to Wuhan Casting.

Thus, even if there is a prior criminal judgment, the court handling the civil trade secret case can proceed to resolve the issues not already resolved in the criminal case. In practice, because the tests for criminal and civil liability are different, and criminal cases may furnish essential evidence, litigants in civil trade secret misappropriation cases often attempt to initiate criminal enforcement cases.

### Chinese Court Shifts the Burden of Proof Under New Trade Secret Law

#### *Qianyou v. Xu Hao and Xiao Xin*

In general, in China each litigant bears the burden of proof for all its claims and neither party can obtain discovery from its adversary, although courts may assist a party in obtaining evidence under exceptional circumstances. Without the benefit of a common law discovery system, and in light of strict rules on evidence collection by private parties, the burden of proof previously created a high bar to bringing trade secret misappropriation infringers to justice in China. However, China’s law now more reasonably distributes the burden of proof between plaintiffs and defendants.

First, under the revised Chinese Anti-Unfair Competition Law (“CAUCL”), once the plaintiff has established a prima facie case of access and substantial similarity, the burden of proof shifts to the defendant to disprove misappropriation. Second,

under the IP Evidence Rule, the party having the burden of proof may petition the court for an order compelling the other party to produce evidence. In addition, if a party refuses to submit such evidence without justification, submits false evidence, destroys evidence, or conducts any other act that renders the evidence unusable, the court is required to find against the party on the issue. This case applied the new law.

Qianyou developed and operated online game software. The defendants were former Qianyou employees. After resigning from Qianyou, the defendants established their own company and operated an online game very similar to Qianyou’s game. The alleged trade secret is the game’s source code. Qianyou submitted preliminary evidence showing that the defendants likely misappropriated the source code. Because the defendants owned and controlled their game’s source code and object code, Qianyou did not have access to the code to prove misappropriation. Applying the new law, the court shifted the burden of proof from Qianyou to the defendants and ordered the defendants to submit their source code. When the defendants refused, and did not provide any justification for their refusal, the court ruled in favor of Qianyou and found that the defendants had misappropriated Qianyou’s trade secrets.

### IP Tribunal Awards Punitive Damages Under New Trade Secret Law

#### *Guangzhou Tinci Advanced Materials Co., Ltd. v. Anhui Newman Co.*

Chinese law did not provide punitive damages for trade secret misappropriation until the revised CAUCL became effective in April 2019. In this case, the IP Tribunal awarded punitive damages so that the final damage award was five times the actual damages.

Guangzhou Tinci filed a lawsuit against Anhui Newman Company (“Newman”), alleging misappropriation of trade secrets. The lower court held that the actual damages should be RMB 12 million (approximately US\$1.9 million), calculated based on the profits earned by Newman. This court awarded punitive damages so that the total damage award was RMB 30 million, which was around 2.5 times the actual damages. The IP Tribunal disagreed. It held that the calculation of actual damages should be based on the contribution of the alleged trade secrets, and that the lower court failed to consider the contribution of nontrade secrets to the entire manufacturing



process. It found that the contribution of the trade secrets should be 50% of the entire manufacturing process, and hence the actual damages should be RMB 6 million.

However, the IP Tribunal awarded punitive damages so that the final damage award was RMB 30 million, which is the highest punitive damage award in China. The IP Tribunal considered the following factors to arrive at the punitive damages: (i) since its establishment, Newman had been manufacturing the products using the misappropriated trade secrets; (ii) Newman had never manufactured any other products, or ceased manufacturing the misappropriated product, even though Newman's legal representative had been held liable in a corresponding criminal case; (iii) Newman sold infringing products to approximately 20 countries and regions worldwide; and (iv) Newman refused to submit its books and accounts for calculation of damages.

### Key Takeaways

Trade secret owners still face obstacles in enforcing trade secret rights in China, including the lack of common law discovery procedures and strict rules on evidence collection by private parties. But the current legal reform has put opposing parties on a more level playing field and provided more legal certainty for all.

## CONCLUSIONS

This *White Paper* highlights recent noteworthy trade secret cases and updates in jurisdictions worldwide. In the United States, courts have provided insight and guidance on several topics, including the pleading standard, the particularity standard, the standards for timing to show misappropriation, and personal jurisdiction in the context of state trade secret acts. In addition, new state statutes and a presidential executive order are narrowing the scope of noncompetition clauses. In the United Kingdom, Germany, France, and Spain, courts continue to issue decisions under new trade secret statutes, which provide additional guidelines for trade secret owners across Europe. And in China, the legal system has recently employed more features of a precedence legal system, and Chinese courts have provided helpful guidance in the protection of trade secrets.

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## ENDNOTES

- 1 Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836, *et seq.*); see also Nix *et al.*, “New Federal Trade Secret Act Expands Trade Secret Rights” (May 2016); Nix *et al.*, “Mid-Year Review of Key Trade Secret Decisions” (May 2019); Nix *et al.*, “Year-End Review of Key Trade Secret Decisions” (December 2019); Nix *et al.*, “Mid-Year Review of Key Global Trade Secret Developments” (July 2020); Nix *et al.*, “2020 End-of-Year Review: Key Global Trade Secret Developments” (March 2021).
- 2 *AcryliCon USA, LLC v. Silikal GmbH*, 985 F.3d 1350, 1357 (11th Cir. 2021).
- 3 *Id.*
- 4 *Id.* at 1358.
- 5 *Id.* at 1367.
- 6 *Id.* at 1367; italics in original.
- 7 *Boeing Co. v. Sec’y of Air Force*, 983 F.3d 1321, 1325 (Fed. Cir. 2020).
- 8 *Id.*
- 9 *Id.*
- 10 *Id.* at 1326.
- 11 *Id.* at 1324.
- 12 *Id.* at 1324.
- 13 *Id.* at 1326.
- 14 *Id.* at 1329.
- 15 *Oakwood Lab’ys LLC v. Thanoo*, 999 F.3d 892, 895-896 (3d Cir. 2021).
- 16 *Id.* at 896-897.
- 17 *Id.* at 897.
- 18 *Id.*
- 19 *Id.* at 897-898.
- 20 *Id.* at 898 (citations omitted).
- 21 *Id.* at 904-905.
- 22 *Id.* at 905 (citations omitted).
- 23 *Id.* (citations omitted).
- 24 *Id.* at 906 (citations omitted).
- 25 See *id.*
- 26 *Id.* at 907-908.
- 27 *Id.* at 908-909.
- 28 *Id.* at 908.
- 29 *Id.* at 910 (citations omitted).
- 30 *Id.* at 913 (citations omitted).
- 31 *Id.* at 914.
- 32 *Van Buren v. United States*, 141 S. Ct. 1648, 1649 (2021).
- 33 *Id.*; emphasis added.
- 34 *Id.* at 1662.
- 35 *Id.*
- 36 *Zurich Am. Life Ins. Co. v. Nagel*, No. 20-cv-11091 (JSR), 2021 WL 1877364 (S.D.N.Y. May 11, 2021).
- 37 *Id.* at \*5.
- 38 *Id.* (citations omitted).
- 39 *Id.* at \*5-6.
- 40 *Id.* at \*6.
- 41 *Id.* (emphasis added).
- 42 *M3 USA Corp. v. Hart*, No. 20-cv-5736, 2021 WL 308162 (E.D. Pa. Jan. 29, 2021).
- 43 *Id.* at \*8.
- 44 *Id.* at \*9 (quoting *Numeric Analytics, LLC v. McCabe*, 161 F. Supp. 3d 348, 355 (E.D. Pa. 2016)).
- 45 *Id.* at \*9-10.
- 46 *Id.* at \*11-12, 13 (quoting *Calder v. Jones*, 465 U.S. 783 (1984)).
- 47 *Id.* at \*13.
- 48 *Id.* at \*13-14.
- 49 *Quintara Biosciences, Inc. v. Rui Feng Biztech Inc.*, No. 20-cv-04808 (WHA), 2021 WL 965349, at \*1 (N.D. Cal. Mar. 13, 2021).
- 50 *Id.*
- 51 *Id.* at \*2 (quoting *Jobscience, Inc. v. CVPartners, Inc.*, No. 13-cv-045-WHA, 2014 WL 852477, at \*5 (N.D. Cal. Feb. 28, 2014)).
- 52 *Id.* at \*2.
- 53 *Id.*
- 54 *Id.*
- 55 *Id.*
- 56 *Id.*
- 57 *Id.* at \*3.
- 58 *Id.*
- 59 *Id.*
- 60 *Id.*
- 61 *Id.* at \*4 (citing *Advanced Modular Sputtering, Inc. v. Sup. Ct.*, 132 Cal. App. 4th 82, 836 (2005)).
- 62 *Id.*
- 63 *Lard-VID, LLC v. Ground Support Labs, LLC*, 2021 N.J. Super. Unpub. LEXIS 323, \*16 (Feb. 19, 2021).
- 64 *Id.* at \*15.
- 65 *Id.* at \*18.
- 66 *Id.* at \*19.
- 67 Exec. Order No. 14,036, 86 FR 36987 (Jul. 9, 2021).
- 68 Illinois Senate Bill 672, Sec. 5.
- 69 See Nevada Assembly Bill 47.
- 70 Brown *et al.*, “Protecting Your Trade Secrets in the UK” (June 2019).

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