

# Handling Trade Secret Information During Procedures Before Judiciaries - The German Perspective -

Jörn Feddersen  
Judge, Federal Supreme Court, Karlsruhe  
Geneva, Nov. 26th 2019



## Agenda

- I. Constitutional Framework
- II. The new Law on the Protection of Trade Secrets
- III. General Procedural Safeguards

# I. Constitutional Framework

## **The right to be heard / The right to a fair trial**

### **Art. 103 para. 1 Basic Law for the Federal Republic of Germany (Constitution)**

In the courts every person shall be entitled to a hearing in accordance with law.

### **Art. 47 para. 2 Charter of Fundamental Rights of the European Union**

Everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal previously established by law. Everyone shall have the possibility of being advised, defended and represented.

### **Art. 6 para 1 European Convention of Human Rights**

In the determination of his civil rights and obligations or of any criminal charge against him, everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law. Judgement shall be pronounced publicly but the press and public may be excluded from all or part of the trial in the interests of morals, public order or national security in a democratic society, where the interests of juveniles or the protection of the private life of the parties so require, or to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice.

## II. The new Law on the Protection of Trade Secrets

### 1. Scope of Application

- Applicable on claims based on the Law on the Protection of Trade Secrets
  - Prerequisite: unlawful acquisition, use and disclosure of a trade secret
  - Claims:
    - Cessation or prohibition of the use or disclosure of the trade secret
    - Disclosure of names and addresses of manufacturers and quantity of infringing products as well as of any documents or electronic files containing or embodying the trade secret
    - Destruction or surrender of any document or electronic files containing or embodying the trade secret
    - Recall and withdrawal of infringing products from the market
    - Destruction of infringing products
    - Damages
- Not applicable on other claims that might involve trade secrets (e.g. patent infringement, product liability)

## II. The new Law on the Protection of Trade Secrets

### **2. Confidentiality orders by the court (Sect. 16, 17, 18, 19)**

- Court may issue a confidentiality order relating to certain information that is by prima facie evidence deemed a trade secret
  - On application of a party
  - As soon as the civil action is pending
  - If after consideration of all circumstances the confidentiality interest outweighs the right to be heard
- Consequences
  - Parties, their lawyers, witnesses, experts and any other persons participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret are not permitted to use or disclose any trade secret or alleged trade secret which have been identified as confidential by the court, unless these persons have gained access outside of the court proceedings
    - Consequences of a breach of confidentiality
      - Disciplinary fine of up to € 100.000 or confinement for contempt of court
      - Civil liability according to the law on the protection of trade secrets
  - Restriction of access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties to a limited number of trustworthy persons (including, at least, one natural person from each party and the respective lawyers or other representatives)
  - Access to the files for third parties only if confidential information is edited out
  - Confidentiality obligation continues to exist after trial ends, unless court finds no trade secret or secret becomes common knowledge

## II. The new Law on the Protection of Trade Secrets

### **2. Confidentiality orders by the court (cont.)**

- Practical measures
  - Seeking party has to designate statements that contain trade secrets
  - Seeking party has to provide copies of documents where trade secrets have been edited out
- Appeal
  - Denial of confidentiality order can be appealed separately and immediately (sofortige Beschwerde)
  - Grant of confidentiality order can be appealed only by joint appeal against final decision on the merits of the case

## II. The new Law on the Protection of Trade Secrets

### **3. Confidentiality measures for court hearings (Sect. 19)**

- No in camera hearing (, but)
- Exclusion of the general public
- Restriction of access to a limited number of trustworthy persons (including, at least, one natural person from each party and the respective lawyers or other representatives)
- Restriction of access to the corresponding record or transcript of those hearings to a limited number of persons (including...)

### III. General Procedural Safeguards

#### 1. Restrictions on public access to hearings (in civil as well as criminal proceedings)

- Court hearings shall be public (Sect. 169 Courts Constitution Act, GVG)
- The court may exclude the public from a hearing if an important business, trade, invention or tax secret is mentioned, the public discussion of which would violate overriding interests meriting protection (Sect. 172 GVG)
- The same applies to the pronouncement of the reasons for the decision (Sect. 173 GVG)
- If the public has been excluded, the court may obligate the persons present to observe secrecy in respect of facts of which they become aware in the course of the hearing or through an official document relating to the matter (Sect. 174 para. 3 GVG)
- Issue of exclusion of the public shall be discussed in non-public hearing (Sect. 174 para. 1 GVG)
- Sanctions:
  - Disclosure (not: the use) of information from a non-public judicial hearing is a criminal offense (Sect. 353d German Criminal Code, StGB)
  - Violation of confidentiality order can justify civil claim pursuant to the law on the protection of trade secrets (t.b.d.)



### III. General Procedural Safeguards

#### **2. Restrictions of civil claims to disclose information by appointment of independent auditor**

- Claim of disclosure is commonly granted as preparation of a damages claim (e.g. concerning quantity, manufacturers, recipients of infringing products)
- Information to be disclosed can involve trade secrets (e.g. customer base, marketing techniques)
- Claim of disclosure can be limited by appointment of independent auditor („Wirtschaftsprüfervorbehalt“)
  - under duty of confidentiality
  - who collects the information and
  - discloses only relevant or anonymised facts or figures

### III. General Procedural Safeguards

#### **3. Restrictions of civil claims to inspect infringing products („Düsseldorfer Verfahren“)**

- By application of claimant the court orders inspection of allegedly infringing product by expert witness
- Duty of confidentiality applies to
  - Expert witness
  - Claimant's lawyers, who accordingly are not allowed to disclose information to their client
- Court rules on confidentiality after expert witness has submitted his report
- Approved by Federal Supreme Court, decision of Nov. 16/2009 - X ZB 37/08, BGHZ 183, 153 - Lichtbogenschneidung

### III. General Procedural Safeguards

#### **4. Restrictions on presentation of licensing agreements in FRAND proceedings**

- Court demands that parties conclude confidentiality agreement secured by contractual penalties
- Duty of confidentiality may bind lawyers and prevent them from providing information to their clients
- If one party rejects conclusion of confidentiality agreement, the other party enjoys a reduced burden of specification of facts (e.g. as to the conditions of other licensing agreements; OLG Düsseldorf, decision of April 25/2018 – I-2 W 8/18)

# Thank you!

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# Handling Trade Secret Information: a common law view

Justice David Unterhalter

Geneva 26<sup>th</sup> November 2019

# The issue of Principle: the right to fairness and the right to protect confidential information.

- Fairness requires disclosure and the ability to build a case through discovery as a procedure necessary to truth finding in an adversarial system.
- The law recognizes a litigant's right to protect trade secrets both substantively and procedurally by way of the protection of confidential information.
- The client in general enjoys sovereign decision-making: lawyers represent their clients on the basis of informed instructions.

# The scope of disclosure

- Common law jurisdictions prize disclosure as the engine of fairness and truth finding. Disclosure is premised on relevance, with the principal exclusion being privilege.
- The scope of disclosure is accordingly very wide, and much latitude is afforded a litigant to secure discovery that may give rise to a course of enquiry relevant to the case.
- Where transactions are so extensively documented, discovery is considered the essential procedure by which a case is built and the right of confrontation exercised.

# The risk to the protection of trade secrets

- Both where the subject matter of the litigation concerns trade secrets and, more generally, where a litigant seeks disclosure that may require the disclosure of trade secrets: the claims of a litigant to protect confidential information is recognized by the courts.
- The right has different aspects: to preserve confidentiality by protecting the information from public disclosure in open court and to protect the information from disclosure to a rival who might use the information to a litigant's detriment.



# The standard response: weighing

- Courts confronted with the the claims of disclosure and the claim to the protection of confidential information usually seek to craft a remedy that weighs the claims.
- Among the considerations are these: is the information confidential? What is the balance of harm that follows from disclosure and its refusal? What regime might minimize the harm of disclosure while permitting a litigant the right to know the case it must meet and confront that case ?

# The confidentiality ring

- The result of the weighing is usually to permit disclosure of relevant confidential information under restrictions of varying rigour that seek to retain the essential features of confidentiality while allowing access to a limit class of persons who are placed under use-restraints.
- These restraints restrict who may see the information, with whom it may be shared, how it may be used and how it may be dealt with in evidence.
- The classic exposition of this: *Crown Cork & Seal Co Inc v Rheem SA (Pty) Ltd* 1980 (3) SA 1093

# The challenge to the weighing model

- The confidentiality ring is often predicated upon confidential information being given under restrictions to experts and the client's lawyers, but not the client so as to strike a fair balance.
- The objection of principle: *“ It is unwise , unless very special circumstances exist, to create a situation in which the legal advisers or experts of a party to opposed litigation may find themselves in possession of information which may be highly relevant to the litigation but which they are precluded from communicating to their client. How are they do obtain instructions? How are they to advise their client?”*

Unilever plc v Polagric (Pty) Ltd 2001 (2) SA 329

# The regulatory context

- The question is not confined to the issue as to how to weigh the claims of litigants in civil litigation.
- In many regulatory frameworks: domestic trade remedies and competition law, for example, the administrative decision maker has procured confidential information that concerns trade secrets and uses it to make a decision.
- What claims does the person affected by the decision have to secure access to the information to make a case to the regulator or bring the regulator under review?

- Disclosure becomes implicated in regulatory fairness and the judicial review of administrative action.
- Confidentiality regimes are utilized extensively in contested merger proceedings and trade remedy adjudications.
- These regulatory regimes tend to replicate the weighing model of the common law, but with similar complications.

# Conclusions

- The weighing model is much used as a response to conflicting claims of disclosure and protection.
- Its utility is flexibility.
- But it may mask deeper problems of lawyer/client duty.
- And fail to recognize that if fairness of process is sovereign it may be harder to afford proper protection to trade secrets.

# WIPO Symposium On Trade Secrets and Innovation

Nov. 26, 2019

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PROPRIEDADE  
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Panel 7

# HANDLING TS INFORMATION DURING PROCEDURES BEFORE JUDICIARIES

ELISABETH KASZNAR

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# AGENDA

**1. STATUTORY  
LAW**

**2. MEASURES  
AVAILABLE**

**3. CASE STUDY**

**4.  
CONCLUSION**

# **1. STATUTORY LAW**

# BRAZIL – FEDERAL CONSTITUTION

**Protects**

- **Privacy** as a traditional value,

**but also**

- **Access to information.**

## TRIPS, ART. 42

### ***FAIR AND EQUITABLE PROCEDURES***

*“(...) defendants have the right to receive sufficient details (...)”*

*The procedure shall provide a means to **identify** and **protect** confidential information, unless this would be contrary to existing constitutional requirements.”*

## BRAZIL - INDUSTRIAL PROPERTY ACT

***Art. 206. “In the hypothesis that information qualified as confidential,***

- be it an industrial or commercial secret,***
- is revealed at court, for the defense of the interest of any of the parties,***
- the judge must determine that the process continues under judicial secrecy,***
- the use of such information being forbidden also to the other party, for other purposes.”***

*(Act 9279, 1996)*

# FUNCTIONAL SECRECY DUTY

Mandatory to all public officers,  
under penalty of:

- criminal  
and
- disciplinary  
sanctions.



## 2. MEASURES AVAILABLE AT COURTS

## PLAINTIFF CAN REQUEST

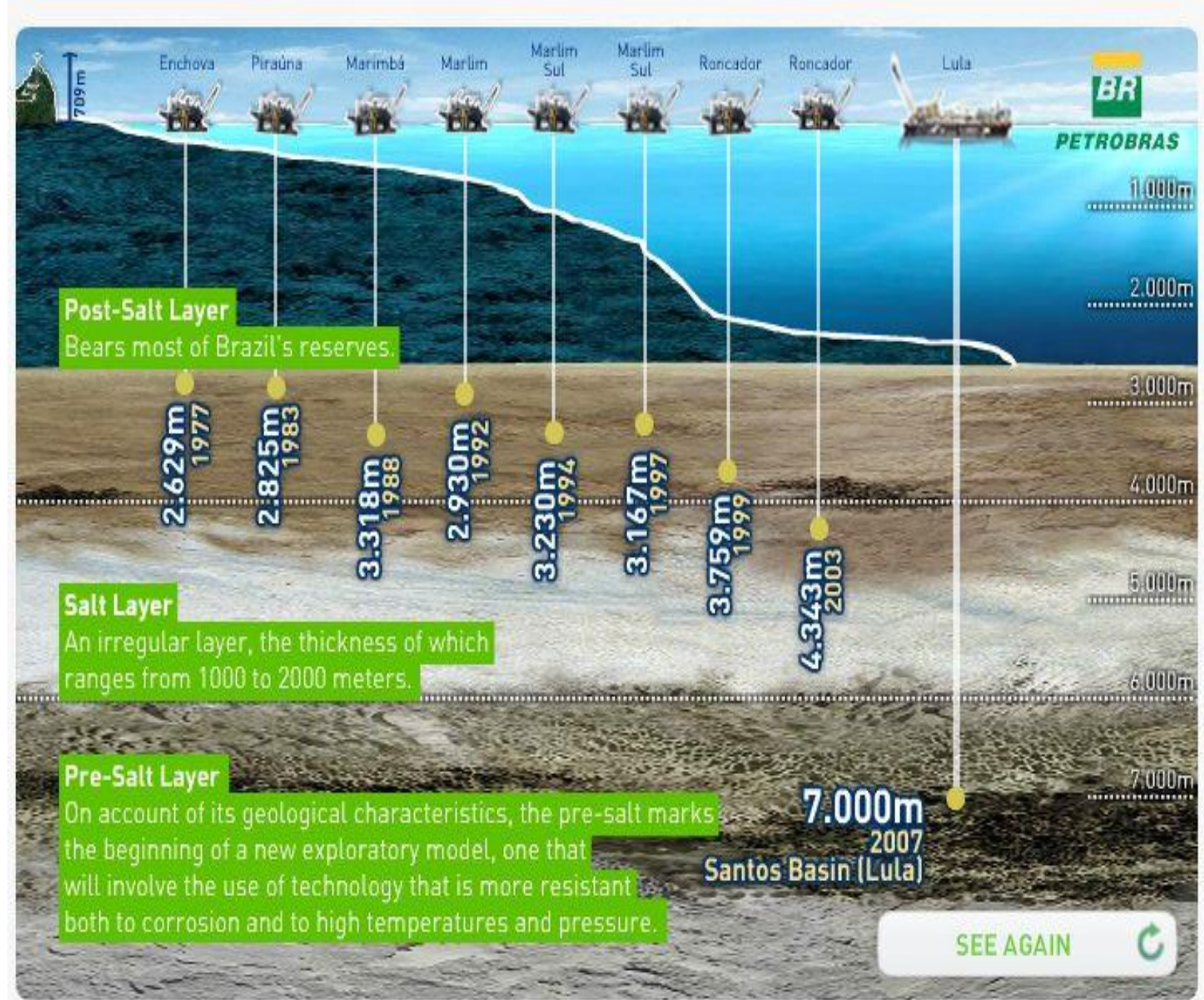
- Order to seal and protect materials
- A confidentiality order:
  - to exclude documents from the court file
  - preventing partial or total disclosure
- A hearing for joint opening of sealed evidence
- Other.



### **3. BRIEF CASE STUDY**

# OIL & GAS

# PRE- SALT





# Oil & Gas Equipment

<http://fotosedados.blogspotpetrobras.com..>



## **4. CONCLUSION**

# CHALLENGES

1. Defining the extension of the protective order

2. Revealing the details of the technology

3. The final decision is published.

4. General public interest – health, safety,  
environment.

5. PTO – no confidentiality rules for adm. procedures.

# THANK YOU

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*Handling Trade Secret Information During Procedures Before  
Judiciaries:*

*A Corporate Perspective*

WIPO Symposium on Trade Secrets and Innovation

November 26, 2019

Geneva, Switzerland

by

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- ❑ My previous in-house corporate clients, Texas Instruments (TI) and Taiwan Semiconductor (TSMC), had a very strong interest & commitment to maintain confidentiality during administrative/litigation matters
  - ❑ **Commonly used tools:**
    - ❑ At PTO: prior art publication, non-publication request; abandonment, injunction against PTO; prosecution bar, etc.
    - ❑ Proper/careful filings and pleadings
    - ❑ Confidentiality undertakings.
    - ❑ Protective orders (documents, testimony, appearances by corporate representatives, etc.).
      - ❑ Sealing of documents; redacting of documents; claw-back of inadvertent disclosure.
    - ❑ Interested third parties.
    - ❑ Discovery sanctions: spoliation.
    - ❑ Discretionary Appeal.



- ◆ **Intensive, expensive, time-consuming.**
- ◆ **Multi-jurisdiction litigation** (Manual for Complex Litigation).
- ◆ **Exponential growth of technology/IT, *now/future*.**
  - ◆ Public access over the *internet* – greater access to public records.
  - ◆ *Digital technologies*; high density storage media and the cloud.
  - ◆ *Mobile interconnectivity; social media explosion; digital trails*
  - ◆ *Meta data*.
  - ◆ Criticality of *cyber-security* infrastructure.
  - ◆ *Security automation, detection and recovery*.
- ◆ **Forensic science.**
- ◆ Lawyers must build all of this into the protection of their clients' trade secrets and their litigation strategies (anticipating an eventual misappropriation).
  - ◆ **Attorney-client relationship.**
  - ◆ **Civil vs. criminal matters.**

**TSMC vs. SMIC: The scope/scale of SMIC's theft (during 2000-2001) was massive.**

- ❑ Litigation in five different jurisdictions (Greater Chinas, California (Federal and State), and ITC (first case). Importance/Complexities of a coordinated approach.
- ❑ SMIC misappropriated massive amounts of TSMC information from at least 4 separate technology platforms: 0.35um, 0.25um, 0.18um and 0.13um;
- ❑ SMIC admitted to having more than 550,000 pages of TSMC documents.
- ❑ TSMC started the 2006 litigation with more than 1,379 trade secret items (the 1<sup>st</sup> case, filed in 2003, settled in 2005).
- ❑ 94 trade secrets went to trial in 2009.

**For example -- the volume of discovery, nearly all **under various protective orders**) included:**

- ❑ TSMC produced 8.4M pages of documents, SMIC produced 7.5M pages.
- ❑ SMIC made TSMC collect more than 100M pieces of email from TSMC archives, totaling more than 20 terabytes (20,000 gigabytes).
- ❑ Parties took 264 depositions (126 by TSMC, 138 by SMIC); there were 196 depositions in 1996 alone. Dick Thurston's deposition, alone, was taken 4 times for a total of approximately 46 hours.
- ❑ Court issued more than 500 orders (75% = discovery), which required TSMC and SMIC lawyers to brief the court many times a week to prepare the court for a ruling.

- ❑ United States: has a **strong presumption** under common law and the 1<sup>st</sup> Amendment to US Constitution of **public access** to evidence admitted at trial or considered by court.
  - ❑ **U.S. common law and statutory discovery regimes** applicable to trade secret and other subject matters.
  - ❑ **Good cause** (FRCP 26(c)(1)) (burden on requesting party); “relevant and necessary” standard. Either to exclude or to protect information. Show specific facts, show confidentiality and competitively sensitive/harm.
  - ❑ **Court’s broad discretion** (may be modified).
  - ❑ **Burden of Proof.**
  - ❑ **Umbrella/blanket or stipulated (SPO).**
  - ❑ **Scope** (broad or narrow). *Confidential vs. Highly Confidential.*

- ❑ **Attorney Eyes Only (AEO)** (can not be shared with the opposing party).
- ❑ **Subpoena.** Does grand jury subpoena trump a civil protective order (yes in 4<sup>th</sup>, 9<sup>th</sup> and 11<sup>th</sup> circuits, but NO in 1<sup>st</sup> and 3<sup>rd</sup> circuits).
- ❑ **Intervention** by a Non-Party (must demonstrate standing).
- ❑ **Sealing** a trial record (by Court Order, public notice, specific findings). What constitutes the “court record”.
- ❑ **Return of protected documents** at litigation end (if settlement, then use of “escrow” and continue court jurisdiction).
- ❑ **Motions, Injunctions, and Hearings.**

- ◆ In event of a “disclosure” during a court proceeding:
  - ◆ A trade secret is not automatically destroyed by disclosure during court proceedings.
  - ◆ Reasonable measures during proceeding to preserve secrecy.
    - ◆ Must be vigilant.
    - ◆ Monitor people in attendance to restrict attendance (“closed courtroom”- does a reasonable alternative exist?)
    - ◆ Appropriate objections such as to certain exhibits.
    - ◆ Post-hearing motions.
    - ◆ Are trade secrets property under the Constitution’s “Takings clause” – possible “takings” argument.
- ◆ American Bar Association: ABA Formal Opinion 477.
  - ◆ Security precautions must be taken to protect against inadvertent or unauthorized disclosure. Duty of Competence.

THANK YOU

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