

International Trade Secret Laws

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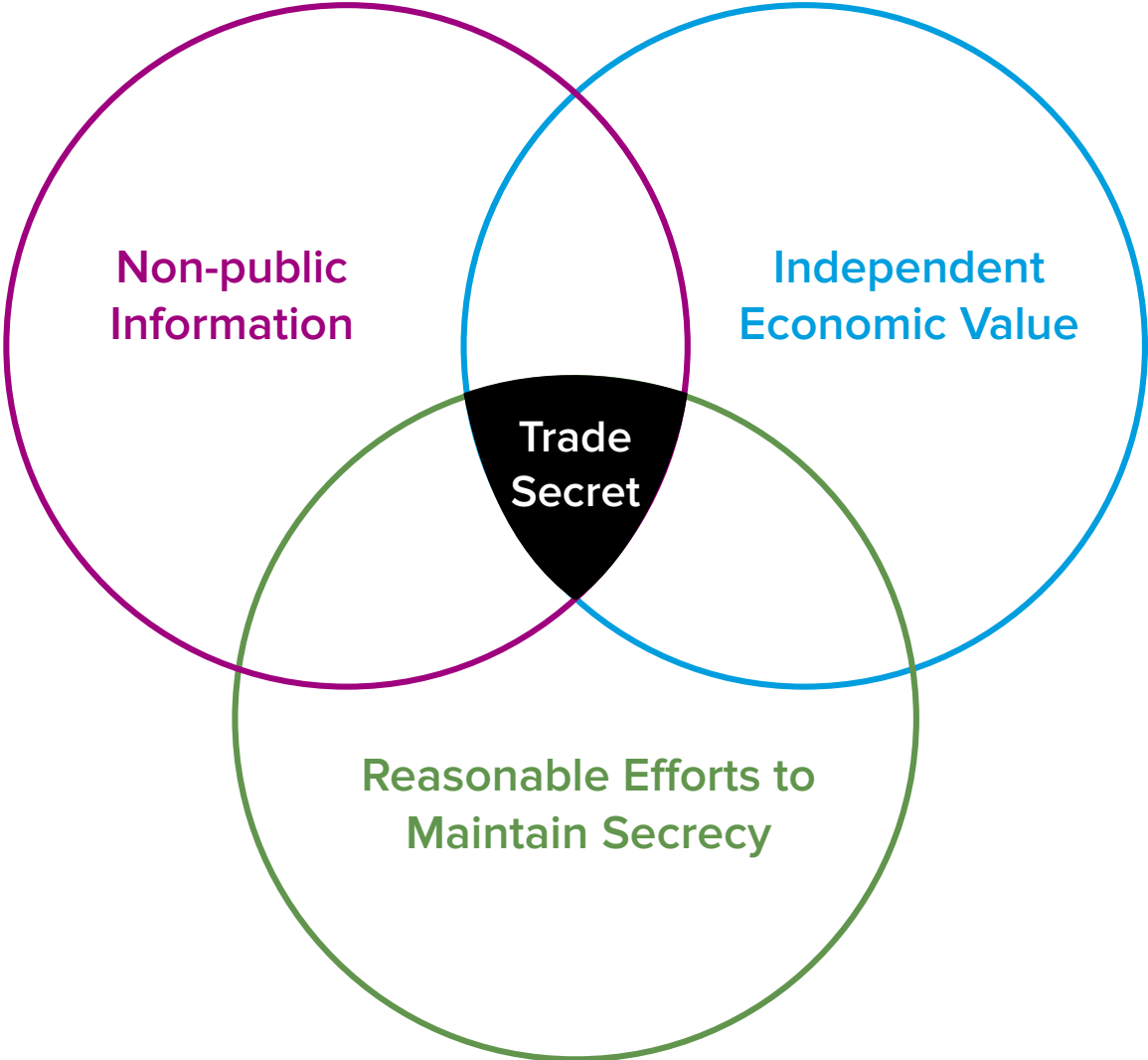
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Overview of Trade Secret Laws

What Is a Trade Secret?



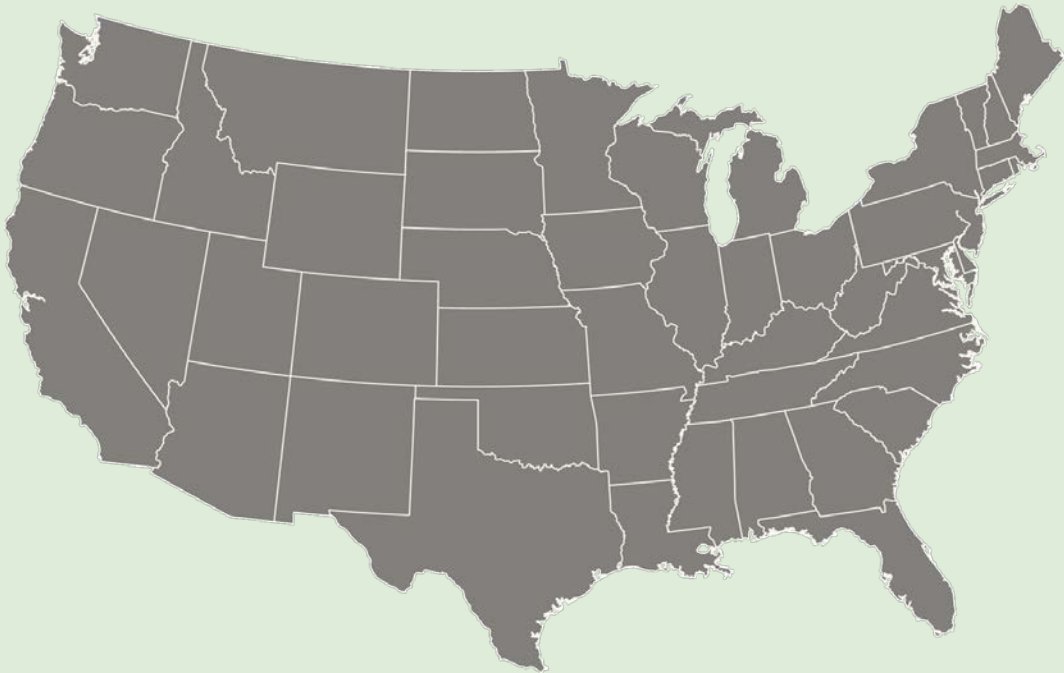
State Law: Uniform Trade Secret Act (UTSA)

- **UTSA Definition § 1(4)**

- Information, including a formula, pattern, compilation, program, device, method, technique, or process that:
 - derives independent economic value, actual or potential from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use, and
 - is the subject of efforts that are reasonable under the circumstances to maintain its secrecy



Federal Law: Defend Trade Secrets Act



- **United States Federal Law – May 11, 2016**
 - 18 U.S.C. §1836
 - Amendment to the Economic Espionage Act
- **Defend Trade Secrets Act (DTSA)**
 - Creates a new Federal Trade Secret Law applicable to all states and territories in the United States.
 - Ex parte seizure remedy
 - Whistleblower protection: new notice requirements for non-disclosure or confidentiality agreements
- **Does not change or preempt state laws**

EU Law: Trade Secrets Directive

- **EU Trade Secrets Directive – 8 June 2016**
- **Implemented by 9 June 2018**
 - UK introduced The Trade Secrets (Enforcement, etc.) Regulations 2018
 - France introduced a Law n°2018-670 on Protection of Trade Secrets in 2018
- The requirement that the trade secret needs to be subject to reasonable protection measures is a change for some jurisdictions

Information will be considered a trade secret if:

- it is secret, in that it is not generally known/readily accessible to persons within the circles that normally deal with that kind of information;
- it has commercial value because it is secret; and
- it has been subject to reasonable steps in the circumstances, by the person lawfully in control of the information, to keep it secret (Article 2(1)(a)-(c)).

In Taiwan, China, Japan and Korea

Defined and protected by statute

Taiwan:

- Trade Secrets Act (Art. 2 et seq.)

China:

- Anti-Unfair Competition Law of the PRC (Art. 9 et seq.)

Japan:

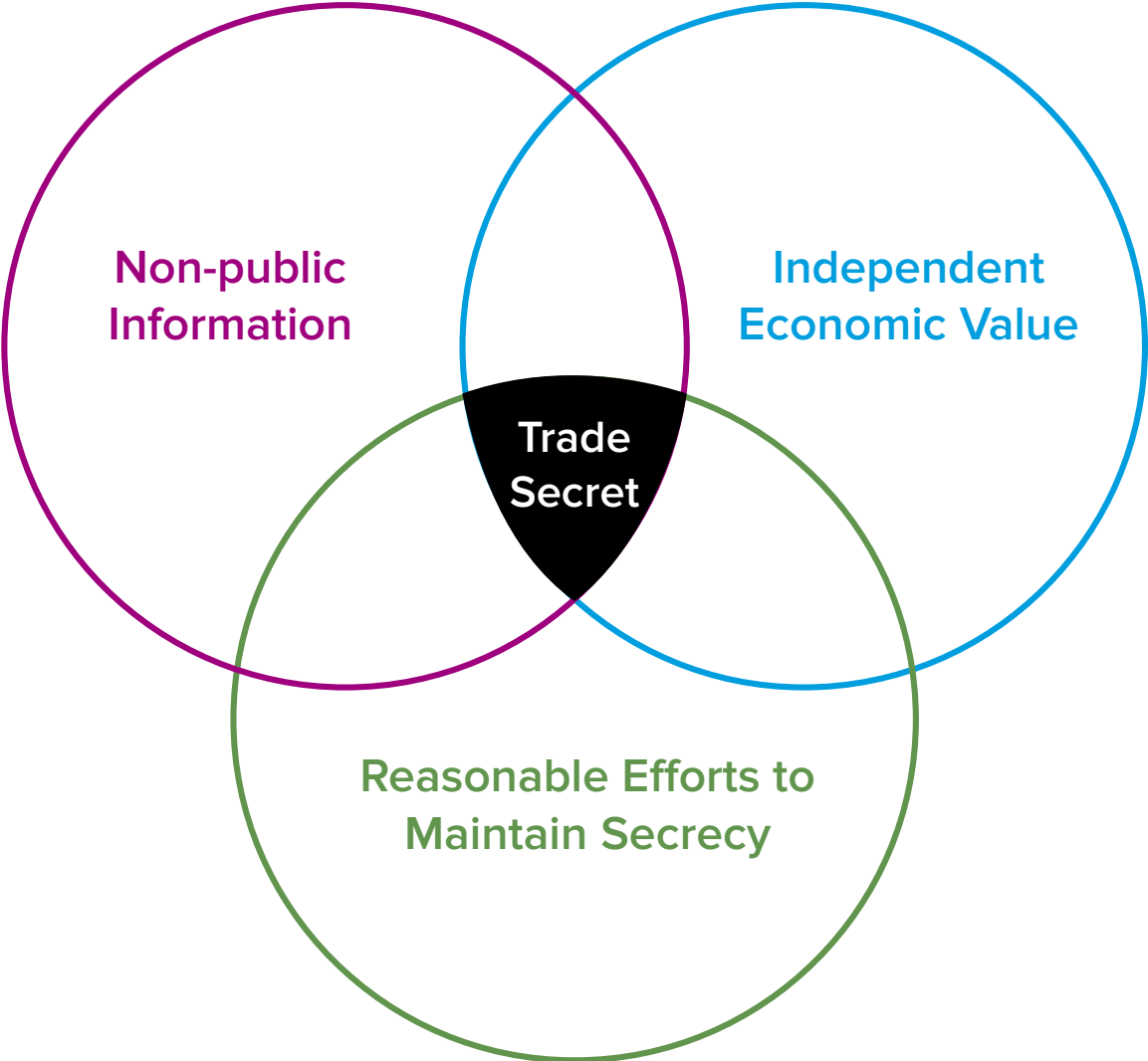
- Unfair Competition Prevention Act (Art. 2(6) et seq.)

Korea:

- Unfair Competition Prevention & Trade Secret Protection Act (Art. 2(2) et seq.)

Similar definitions of Trade Secret as UTSA/DTSA

Common “Trade Secret” Requirements



EU vs US Law Differences

	EU	US
Compilations	EUTSD protects secrets in compilations if not known as a “body” or in the precise configuration of and assembly of components	DTSA/UTSA protects compilations even if elements are publicly known
Whistleblower	EU provides broader protections including an exception for journalists and disclosures serving public interest – the new directive does not restrict whistleblowing activity	DTSA provides immunity only when the disclosure is confidential and made to the government or in a court filing (under seal)
Knowledge for Direct vs. Indirect Theft	EUTSD requires actual or constructive knowledge if the trade secret is required from a third party (though not if acquired directly from the trade secret owner)	The DTSA always requires actual or constructive knowledge
Ex Parte Seizure	Not available under the EUTSD but may be possible under national law	Possible under DSTA

Civil Legal Remedies

U.S. Federal – DTSA (Economic Espionage Act (18 U.S.C. §1831))

- Injunctive relief
- Actual loss, restitution, or reasonable royalty
- Enhanced (trebled) damages and attorneys' fees in some cases
- Economic loss rule may not apply

U.S. Individual States Laws – modeled after UTSA

- Injunctive relief
- Actual loss or reasonable royalty
- Enhanced (trebled) damages and attorneys' fees in some cases

EU

- Orders for preservation of confidentiality during legal proceedings
- Interim remedy of seizure and delivery up of suspected infringing goods
- Injunctions and corrective measures: deprive infringing goods of their infringing quality, withdraw from the market, destroy the goods
- Damages: actual prejudice suffered

China

- Damages: Actual losses, or defendants' profits, but in no case less than reasonable royalty
- Enhanced damages from 1 to 5 times the loss suffered if malicious

Japan and Korea

- Damages: Lost profits, or defendants' profits, or actual damages.
- Korea: Allows for enhanced (trebled) damages if willful

Criminal Trade Secret Laws

U.S. Federal – DTSA (Economic Espionage Act (18 U.S.C. §1831))	<ul style="list-style-type: none">• Applies in individuals, organizations and companies• Includes attempting to or conspiring to steal trade secrets
EU	<ul style="list-style-type: none">• Imprisonment and fines under national laws of Member States• Includes possibility of recurring penalty payments• French law does not introduce criminal remedy, only the civil liability
China	<ul style="list-style-type: none">• Penal fines: 5,000,000 RMB in severe circumstances• Administrative fines: not less than 500,000 RMB for “serious” cases• Imprisonment: not less than 3 years (up to 7 years) for “serious” cases
Japan (individual / corporate)	<ul style="list-style-type: none">• Penal fines: up to 30 million yen / up to 1 billion yen, for overseas use; respondeat superior• Imprisonment: up to 10 years
Korea	<ul style="list-style-type: none">• Penal fines: not less than 2 times and up to 10 times of accused’s profits (\leq 1.5 billion won)<ul style="list-style-type: none">• Respondeat superior, unless superior was not negligent in its / his / her supervision• Imprisonment: up to 15 years for overseas use
Taiwan	<ul style="list-style-type: none">• Penal fines: greater of up to 50 million NTD or 2 - 10 times accused’s profits, for overseas use<ul style="list-style-type: none">• Respondeat superior, unless superior had made the utmost efforts to prevent the crime

Current Trade Secret Focus: China

UNITED STATES DEPT. OF JUSTICE NOV. 1, 2018

[Attorney General Jeff Sessions Announces New Initiative to Combat Chinese Economic Espionage](#)

CORPORATE COUNSEL NOV. 9, 2018

[Why Trade-Secret Theft Prosecutions vs. China are Trending: Lawyers Explain](#)

THE WALL STREET JOURNAL SEPT. 26 2018

[How China Systematically Pries Technology from U.S. Companies](#)

THE WALL STREET JOURNAL Nov. 12, 2018

[U.S. Adopts New Battle Plan to Fight China's Theft of Trade Secrets](#)

REUTERS Nov. 15, 2018

[Exclusive: German Prosecutors Charge Chinese-Born Engineer in Industrial Espionage Case](#)

Bloomberg Jan. 28, 2019

[U.S. Charges Huawei with Stealing Trade Secrets, Bank Fraud](#)

Current Trade Secret Focus: China

US Department of Energy Critical of China's "The Thousand Talents" award –
"used to solicit and reward the theft of United States trade secrets."

Assistant Attorney General of the National Security
Division, John Demers:

"premeditated theft" that "exemplifies the
rob, replicate and replace approach to
technological development."

"China wants the fruits of America's brainpower
to harvest the seeds of its desired economic
dominance."



Legislative Developments & Cases on Trade Secret Misappropriation in China

PRC Law:

Provisions on Internet Security Supervision and Inspection by Public Security Organs

The Provisions state that public security organs may, when supervising and inspecting internet security on-site:

enter business premises, computer rooms and office spaces

require the responsible persons or cybersecurity management personnel of the target entity to explain the matters under inspection

access and copy information concerning the supervision and inspection of internet security

analyze the operation of technical measures regarding cyber and information security protection

China's far-reaching inspection and supervision may put multinational companies' sensitive information and trade secrets at risk of exposure

PRC Law:

General Provisions of the Civil Law



Article 123 - Intellectual property rights are the proprietary rights enjoyed by right holders in accordance with the law in respect of the following objects: (5) Trade secrets

- The provision confirms trade secret is subject to IP protection and provides legal basis for trade secret rights.
- The Office of National Leading Group on Fight against IPR Infringement and Counterfeiting made a statement:
 - Countries worldwide are paying more attention to the protection of trade secrets and are continuing to strengthen their protection of trade secret holders and their economic interests

PRC Law:

Anti Unfair Competition Law (“AUCL”)

The 1993 Anti-Unfair Competition Law (the “AUCL”) was amended in 2017 and again on April 23, 2019. It specifically addresses trade secret misappropriation

It also includes:

- **Introduction of enhanced damages.** 1 to 5 times the compensatory amount may be awarded for malicious infringement.
- **Increased Sanctions for Infringement.** Max statutory damages in instances of unascertainable damages and administrative penalties increased from RMB 3 million to 5 million.

PRC Law:

Definition of the Trade Secret



Article 9 of the PRC Anti-Unfair Competition Law: "trade secret means ~~technology or business~~ **technical, operational or other commercial** information unknown to the public and is of commercial value for which the right holder has taken corresponding confidentiality measures."

Four elements of a Trade Secret under PRC law:

1. Unknown to the public
2. Commercial value
3. Technical, operational or other commercial information
4. The right holder has taken corresponding confidentiality measures

Major Change #1: Burden-shifting

Alleviated Burden of Proof for Plaintiffs

- The plaintiff can now pass the buck to the defendant after making a **prima facie** case that its trade secret has been disclosed or used, accessed, or even at risk of being disclosed or used.
- The burden then shifts to defendant to prove that it did not make use of or infringe the trade secret.

Major Change #2:

Definition of misappropriation

The scope of “improper means” was extended in two aspects:

- **electronic intrusion** (电子侵入) is now an improper means
- “***abetting a person, or tempting, or aiding a person*** into or in acquiring, disclosing, using, ***or allowing another person*** to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential” are also an improper means

Major Change #3:

Liable parties

Liable parties

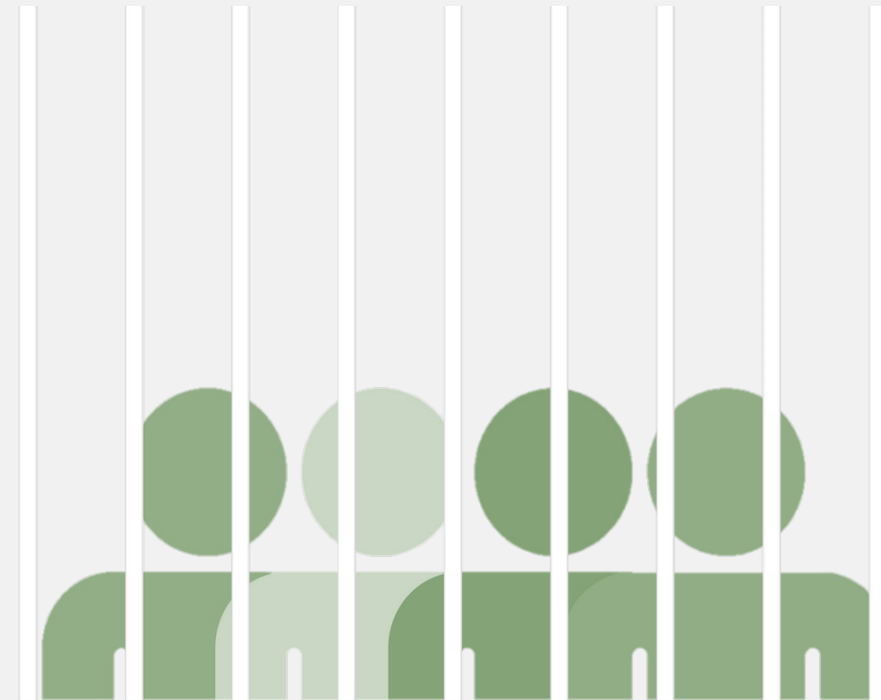
- The new law also clarifies that an infringer may include more parties than merely the business operators/owners.
- It now expressly includes other individuals (such as former employees who are not starting their own companies) and other entities.

Recent cases

Rio Tinto case (2009-2010)

The defendants from Rio Tinto were prosecuted for stealing Chinese state-owned steel enterprises' negotiation strategy and pricing information from these state-owned companies through bribery and other illegal means

- The Shanghai People's court sentenced four employees of Rio Tinto, including an Australian HU SHITAI, for 7 to 14 years in jail
- After this case, the Chinese government strengthened the protection of trade secret by promulgating a legislation focusing on protection of trade secret in state-owned companies (ie the Tentative Provisions on the Protection of Trade Secrets of Centrally Administered Enterprises)



Recent cases

Amap v. Didi (2017)

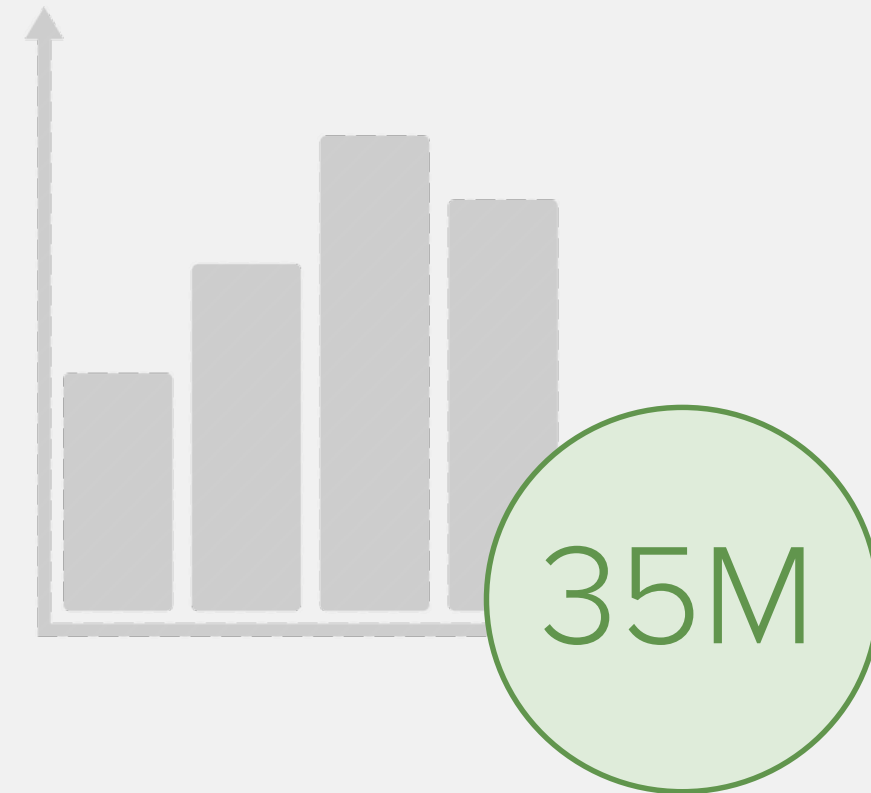
- Didi, a leading mobile transportation platform in China, was sued for infringing trade secret and unfair competition in 2017 by Amap, who is China's leading provider of digital map and navigation.
- Amap claimed for damages of around 75 million RMB (around 11 million USD) after 6 employees and 1 senior manager with classified information were employed by Didi immediately after leaving Amap, which violated the non-disclosure agreements and anti-unfair competition law (trade secrets).
- Parties settled for undisclosed amount.



Recent cases

Zhejiang NHU v. Fujian Fukang & Fujian Haixin

- The defendants illegally bought the technological process and production technical information of vitamin E intermediates from Yu Ke, the plaintiff's employee, and secretly produced vitamin E products using the same technology.
- The court ruled that the three defendants were jointly and severally liable and had to compensate the plaintiff for RMB 35 million in economic losses and RMB 220,000 in reasonable expenses.
- RMB 35 million is the highest amount of compensation ever for trade secret infringement in mainland China.



Recent cases

GL Biochem v. CS Bio China & Zhu Guoji (2014)

- Zhu Guoji was a departing employee and signed a Non-Compete Agreement with plaintiff in 2009. But Zhu joined CS Bio China and used the client list from the plaintiff.
- Shanghai Court held that the two defendants infringed on the plaintiff's trade secrets and ordered a compensation of RMB 150,000.
- The Court confirmed the list of clients was a trade secret, given that it included names, contact information, habits, details of the transaction, etc.
- Such information is different from public information and is valuable.
- Further, plaintiff had taken reasonable measures to ensure confidentiality.



Recent Developments & Challenges and Cautionary Tales (France)

Major Change:

Definition of Trade Secrets

Previous Only:

- No legislative definition existed
- 151 references to trade secrets in French codes, laws and regulations

Now also includes:

- Harmonized definition
- Information (i) not generally known/easily accessible, (ii) of commercial value because of its secret nature, (iii) subject to protection measures (§L. 151-1 of the French Commercial Code)

- Major progress in French Law
- Trade secrets better protected by French law and courts
- Harmonized definition in France and in the EU

Minimal transposition of the EU Directive

Not an absolute right under French Law

Exception #1:
Disclosure is legally required/authorized (§ L.151-7)

Exception #2:
Freedom of expression and communication (§L. 151-8-1 to §L. 151-8-3)

Exception #3:
Right to information and consultation of employees (§L. 151-9)

No criminal remedy

The system does not introduce any specific criminal remedy, only civil liability of the infringer (§L. 152-1).

Recent Case: Conforama vs. Challenges



Press article related to the Company's financial difficulty published by Challenges (magazine)



The magazine invoked the public's right to information



The company's financial difficulty was considered to be a trade secret under French Law



The magazine forced by the French Commercial Court to retract

Recent Case: “Implant Files”



Confidential information related to malfunctioning medical devices



Newspaper attempts to have access to confidential documents on the malfunction



Documents considered to be trade secrets under French Law



Courts refuse access

Recent Developments, Challenges, and Cautionary Tales (South Korea)

Patent Act and the Unfair Competition Prevention and Trade Secret Protection Act (the “UCPA”)

(부정경쟁 방지 및 영업비밀보호에 관한 법률)

Intent: protect small and medium-sized enterprises

- However, recent cases often applied to larger companies



Amended on December 7, 2018



Effective on July 9th, 2019

Major Change #1:

Definition of Trade Secret

Reasonable efforts
to maintain secrecy
of trade secrets



~~Reasonable efforts
to maintain secrecy
of trade secrets~~

- Now, “Manage as secret” Standard
- Broadens what constitutes a trade secret (broader than DTSA/UTSA)
- Must look to future interpretations of Korean courts to see what it means to “maintain secrecy”

Major Change #2:

Definition of Misappropriation

Previous Only:

- Improper acquisition;
- Unauthorized use or disclosure

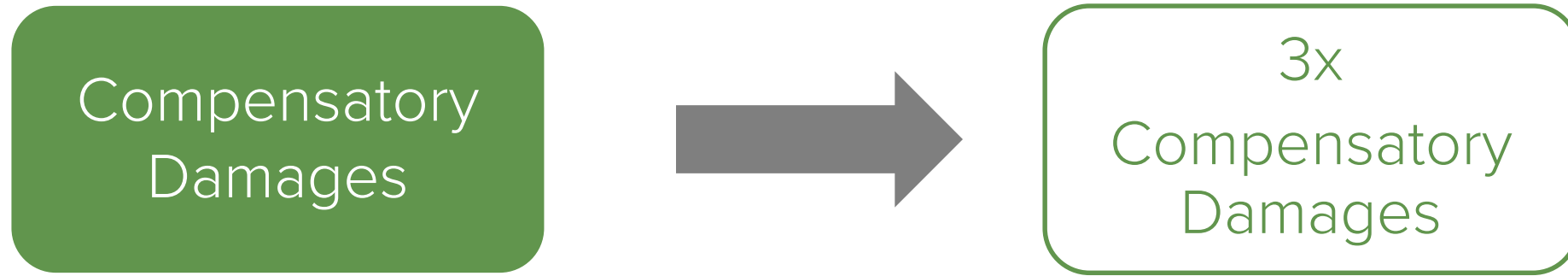
Now also includes:

- Any data leak;
- Removal of Trade Secret from a designated area;
- Refusal to delete Trade Secret;
- Retention of Trade Secret

- Now, more ways to misappropriate a trade secret
- Broadens what constitutes misappropriation

Major Change #3:

Addition of Punitive Damages



- Now treble damages available if misappropriation is willful
- 8 factor test to determine willfulness: (1) D's position; (2) recognition of willfulness/potential damages that P will suffer; (3) scope of damages suffered by P; (4) economic benefit D gained; (5) length and frequency of misappropriation; (6) disadvantages P suffered; (7) scope of D's assets; (8) remedial efforts of D.

Major Change #4: Stiffer Penalties

**Max prison term:
10 years**



**Max prison term:
15 years**

**Potential fine:
100 million won**



**Potential fine:
1.5 billion won**

Case Study 1:

Investigation of Toptec Co. Ltd.'s alleged misappropriation of Samsung's 3D Lamination technology



Toptec, a supplier of display modules to Samsung for 30 years

- Invested in automatic equipment to produce parts for curved panel technology, OLED panels
- Samsung reduces supply quota from Toptec



Toptec forms a shell company in China

- Receives information of equipment, including drawings of panels of Samsung Display's OLED panels
- Sells information to Huawei for \$13.85 million



Huawei produces panels similar to Samsung's OLED panels

Case Study 1:

Investigation of Toptec Co. Ltd. incident prompts new legislation



**Supreme Prosecutor's Office
indicts Toptec (Nov. 2018)**



Trial held under protective order

- Increased public interest



**Public debate over trade
secret loss to Chinese
companies prompts Dec. 2018
Amendment**



Case Study 2:

LG Display/Ericsson - LG's former employees



Multiple Ex-LG Managers moved to various Chinese companies, including BOE China and Huawei, and took:

- Plastic OLED (POLED)/LTE technology information from LG Display/Ericsson-LG
- Information about product business strategy and software dev. status

LG Display/LG-Ericsson sued under the pre-amendment law.

District courts granted preliminary Injunction/ found misappropriation

- Found guilty for criminal charges for misappropriation
- PI: prevented one manager's move to BOE China (or COE in Chengdu) for 2 years
- Huawei employee: 2 years in prison

Case Study 2:

LG Display/Ericsson-LG, civil suit result



However, in the civil case, the court found no misappropriation because:

- No “reasonable efforts to maintain” secrecy
- Portion of the information was available on the Internet
- No company policy prohibiting use of external hard drives

Under the Amendment, this result may have been different

Recent Developments, Challenges, and Cautionary Tales (Japan)

Unfair Competition Prevention Act

Definition of Trade Secret, in Art. 2(6)

- Defined as “technical or business information useful for business activities, such as manufacturing or marketing methods, that are kept secret and that are not publicly known.”
- The definition is composed of three elements similar to those in other jurisdictions: (1) confidential measures, (2) value and (3) non-public nature.

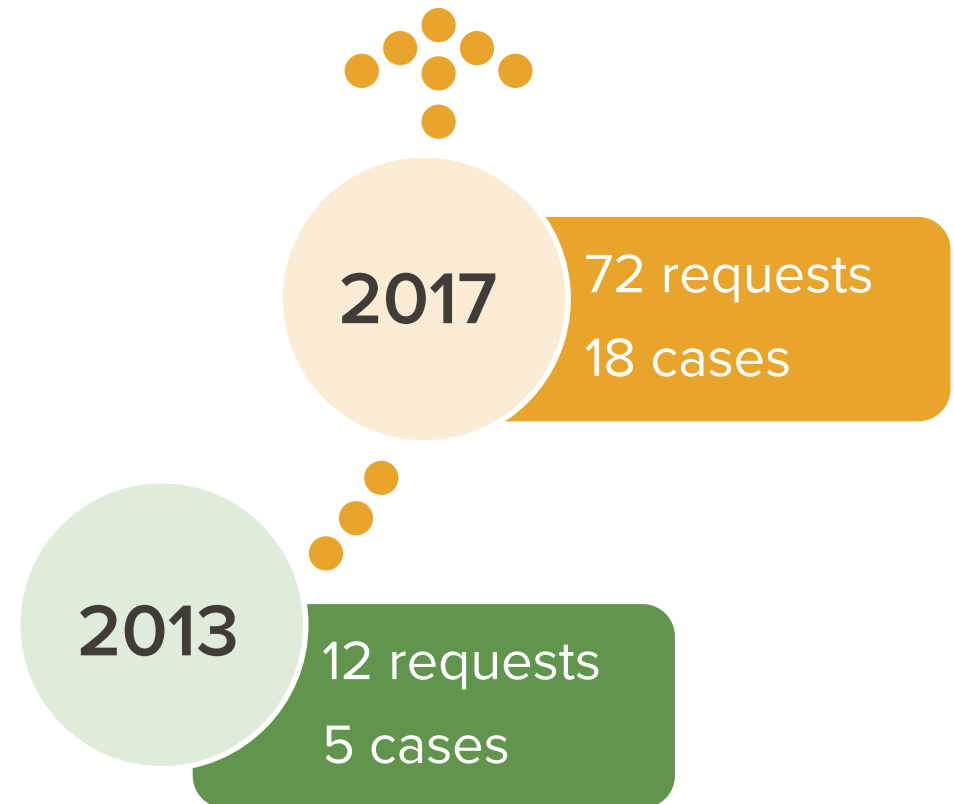
Increased awareness?

National Police Agency

- Received 72 requests for advice in 2017, up from 12 in 2013
- Pursued 18 cases in 2017, up from 5 in 2013

Information-technology Promotion Agency

- 2017 survey: Among companies without experience with trade secret misappropriation, only **28.6%** feel that theft is a risk



Laws and Guidance

Unfair Competition Prevention Act

- Amended in 2018, to take effect July 1, 2019, and expands the coverage of legal protection

Guidelines for the Management of Trade Secrets

- updated by the competent authority, in view of increasingly diversified forms of information transfer and usage (e.g., Cloud-based platforms)
- respected as the government's formal understanding of the minimum requirements for information to be considered trade secrets



経済産業省

Ministry of Economy, Trade and Industry

Recent Case: ASICS Corporation



Confidential information related to performance data and pictures of products

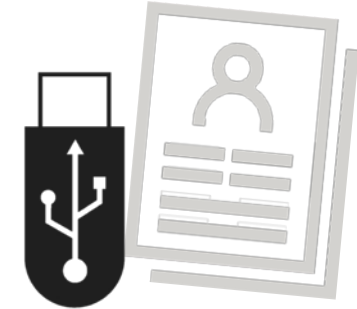
Involves a former employees who went to work for a competing company

Allegedly accessed the company's server using his assigned ID and password, and sent 36,000 items from his company email account to his private email account

Whether the confidential information was leaked to third parties, including the competing company, is currently under investigation



Recent Case: ARKRAY, Inc.



Confidential information related to:

- patient information from 885 patients provided by medical institutions, including genetic test data;
- personal information from 2,603 questionnaire respondents and clients;
- other technical and commercial information



Involves a former employee intending to work for a competitor



Allegedly accessed the company's server, and copied the information using a USB stick for misappropriation

Recent Case: No. 1



Confidential information relates to information about one's clients, disclosed by the opposing side during business negotiation

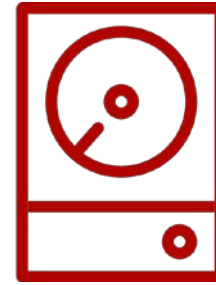


Involves a director and a current employee



allegedly digitized the hard copy from the meeting and made additional copies against instructions/wishes from the disclosing company

Recent Case: Nissan Motor Co., Ltd.



Confidential information related to product planning, including sales forecasts

Involves a former employee who moved to a competing automobile manufacturer

Before quitting, he accessed the company's server, and copied the confidential information to his hard drive

Sentenced to one-year imprisonment in Tokyo High Court




Other Considerations for Cases with International Components

International Trade Commission



ITC uses broad protective orders



ITC can issue limited and permanent exclusion or cease-and-desist orders enforced by US Customs and Border Patrol



Section 337 of the Tariff Act of 1930

- Four elements:
 - An imported product
 - The importation or sale of which arises from an unfair act or method of competition (This includes theft of trade secrets)
 - A US industry would be seriously harmed or prevented from forming
 - A specific injury to the complainant



Can have preclusive effect

Considerations for International Cases

Potential for success

- US: plaintiffs prevailed 70% of recent cases
- China: plaintiffs prevailed in only 14% of cases
- EU: no statistics yet available for new trade secrets directive

Discovery

- No discovery in China, Taiwan, and Japan
- Consider: Protective order in parallel or preceding U.S. suit could permit use of obtained discovery in later foreign judicial proceedings
- EU: discovery and disclosure will be determined by national procedural rules

Jurisdictional reach

- DTSA applies only where “an act in furtherance of the offense was committed in the United States” 18 USC § 1837

Duration of Proceedings

- ITC proceedings – trial in nine months, conclude in 15-18 months

What may the future hold?



Thank You



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