Duties to Inform vs. Trade Secrets – What Can Infringers Hold Back?

Professor Dr. Christoph Ann, LL.M. (Duke Univ.)
Lehrstuhl für Wirtschaftsrecht und Geistiges Eigentum
Technische Universität München
Munich Intellectual Property Law Center (MIPLC)
## I. Information Asymmetries & Information Interests

**Info re Infringement**

**Type and Extent of Infringement**

→ Quantification of Damage

**General Obligation to Inform, § 242 BGB**

**Info re Infringer**

**Origin and Distribution Channel of Infringing Goods**

→ Action Against Other Infringers

**Third Party Information, § 140b Patent Act and § 15 TM Act**
II. Trade Secret Protection – General Set-up

„Information Interest“ ↔ Trade Secret Protection

Injured Party‘s Interest to Enforce Its IP-Rights
Infringer‘s Interest to Maintain Its Trade Secrets‘ Integrity
II. Trade Secret Protection - Requirements:

- **Secrecy** in the sense that the information in question is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information

- **Economic Relevance** (Relation to Undertaking)

- **Holder’s Interest** to Maintain Secrecy

- **Holder’s Intent** to Maintain Secrecy
## II. Trade Secret Protection - Categories of Trade Secrets Under German Law

<table>
<thead>
<tr>
<th></th>
<th>Operations‘ Secret (Betriebsgeheimnis)</th>
<th>Business Secret (Geschäftsgeheimnis)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Technical Data</td>
<td>- Business Data</td>
</tr>
<tr>
<td></td>
<td>- May be but does not have to be eligible for patent protection</td>
<td>- Not eligible for IP-protection</td>
</tr>
</tbody>
</table>
II. Trade Secret Protection - Bases in Law

- Art. 39 (II) TRIPS
- Primary EU Law (general principle, see e.g. Art 36 TFEU)
- EU Enforcement Directive 2004/48/EC (Consideration No. 20)
- Art 1 (1) lit. g TTBER, which reads ‘intellectual property rights’ includes industrial property rights, know-how, copyright and neighbouring rights;“
II. Trade Secret Protection – Constitutional Aspects

• Freedom of Occupation, Art. 12 GG
  BVerfG, 14.03.2006, 1 BvR 2087/03 – Deutsche Telekom

• Guarantee of Personal Property, Art. 14 GG

results in:

➢ intervention requires justification
➢ Duties to Inform Limit Right to Information
➢ „Limitation‘s Limitation“: Intervention needs to be proportionate (verhältnismäßig)
III. Obligations to Inform in Detail

1. General Obligation to Inform, § 242 BGB - Requirements

   - Privity
   - Claimant’s uncertainty not attributable to his or her fault
   - No problem on part of respondent
     - must be able to access respective information
     - Access to information must not pose undue burden
1. General Obligation to Inform, § 242 BGB – Content of Claim

- depends on primary claim

- in case of patent infringement German law allows for „triple-fold calculation of damages“

→ Information shall enable or facilitate choice
1. General Obligation to Inform, § 242 BGB – Content in Detail:

1. Actual Damages = lost profit
   quantities, prices, delivery, names of customers

- License analogy
  quantities, prices, turnover, profit

- Release of infringer’s profit
  turnover, cost

- Control Data
  Names and Addresses of Customers and Suppliers, times of Delivery

- additionally: Production of Receipts

- General Obligation to Inform proved in adequate in piracy settings.
- Therefore, introduction of Third Party Information in German *Product Piracy Act 1990*
- German Enactment Statute of 2008 extended scope to Non-infringers.
- But: Third Party Information needs to be interpreted in accordance w/ Enforcement Directive

(1) Any person who uses a patented invention in contravention of Sections 9 through 13 may be sued by the injured party for prompt information as to the origin and the distribution channel of the products used.

(2) In cases where the infringement is obvious or in cases where the injured party has filed a legal action against the infringer, the claim also applies, irrespective of subsection (1), against any person that, on a commercial scale,

1. had infringing products in its possession,
2. made use of infringing services,
3. provided services used for infringing acts, or
4. participated, according to the statement of one of the persons referred to in nos. 1, 2 or 3, in the manufacture, production or distribution of said products or the provision of said services,…

(1) Any person who uses a patented invention in contravention of Sections 9 through 13 may be sued by the injured party for prompt information as to the origin and the distribution channel of the products used.

(2) ...

(3) The person required to provide information must specify

1. the names and addresses of the manufacturers, suppliers and other previous possessors of the products or users of the services as well as the commercial customers and sales outlets, for which said products were intended, and

2. the quantities of products manufactured, delivered, received or ordered as well as the prices paid for the respective products or services.
### 2. Third Party Info, § 140b Patent Act = § 19 TM Act

<table>
<thead>
<tr>
<th>Origin</th>
<th>Distribution Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>- names and addresses of all previous holders</td>
<td>- names and addresses of all commercial customers and points of sale</td>
</tr>
<tr>
<td>⇒ entire supply chain, i.e. producers, carriers, stockists etc.</td>
<td><em>not</em>: Final Consumers</td>
</tr>
<tr>
<td>- respective quantities</td>
<td><em>not</em>: Mere Offer-Recipients</td>
</tr>
</tbody>
</table>

**Prices?**

Art. 8 – Right of Information

(1) ...

(2) The information referred to in paragraph 1 shall, as appropriate, comprise:

(a) the names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services, as well as the intended wholesalers and retailers;

(b) information on the quantities produced, manufactured, delivered, received or ordered, as well as the prices obtained for the goods or services in question.

(3) ...

- Art. 8 (2) ED regulates two different Duties to Inform

- Prices are intended to facilitate calculation of damages and therefore do not fit in with Third Party Information

=> no necessity to enact with regard to prices, see also BGH, 14.02.2008, I ZR 55/05 – Hollister
IV. Proportionality

Information Interest, ↔ Trade Secret Protection

efficient legal protection

- General Obligation to Inform, § 242 BGB

  General Obligation to Inform must not unreasonably burden infringer!

- Third Party Information, § 140b PatG = § 19 TM Act

(4) Claims pursuant to subsections (1) and (2) shall be excluded, if in a specific case (Einzelfall) such claims were unproportionate.

Art. 8 (1) ED:

… in response to a justified and proportionate request of the claimant…

Art. 8 (2) ED

… as appropriate …

Consideration 17:

… remedies provided for in this Directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement.
IV. Proportionality

1. Legitimate Purpose
2. Suited
3. Necessary
4. Adequate

- CPA-Reservation (Wirtschaftsprüfervorbehalt) as least invasive remedy?
IV. Proportionality

- **CPA-Reservation**
  - Control Data:
    - § 242 BGB
    - § 140b Patent Act, § 19 TM Act
    - names and addresses - prices
  - Computation Base
  - Average Prices
  - Receipts
V. Information and Competition Law

- Protection of competitors

- Protection of competition as institution of public interest

- Legal bases: Art. 101 (1) TFEU / § 1 German Law Against Restrictions of Competition

- Orientation: protection of hidden competition (Geheimwettbewerb)
V. Information and Competition Law – Competitive Relevance of Information

depends on:
- Market level
- Structure of affected markets
- Date of data
- „Form“ of information
  → can singular data be tied together?
  → can data be attributed to market participants?

Remedy: CPA-Reservation
V. Information and Competition Law – Information Within Concentrated Markets

- Within small range of suppliers and customers lost profit can be calculated

- But: market transparency is problematic from perspective of antitrust laws

- Remedy by means of CPA-Reservation?
  → may violate Art. 103 (1) German Basic Law (Constitution) and therefore may not be legally feasible
VI. Summary and Theses

- **Information asymmetries are typical** for IPR-infringements.

- **Obligations to inform are remedy of choice:**
  - General Duty to Inform serves as means to enforce major claims, mostly for damages.

- **Enforcement Directive protects all IPRs, including trade secrets.**
VI. Summary and Theses

- Obligations to Inform must recognize debtors' interests to maintain trade secrets’ integrity.
- Criterion of proportionality is undistorted competition. It may bar enforcement of claim to be informed.
- As part of proportionality-check interests need to be weighed.
- Goal is to enable conflicting interests to co-exist.
- Frequently, CPA-reservation will be least invasive means in order to best safeguard parties’ interests.
Thank you very much for your attention!

See also:

Ann/Hauck/Maute, Auskunftsanspruch und Geheimnisschutz im Verletzungsprozess, Verlag Carl Heymanns Köln, 2011