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Supreme Court clarifies level of proof in trade secret protection cases

Contributed by Lee and Li Attorneys at Law

In the civil judgment 2017-Tai-Shang-Zi-55 of January 4 2017, the Supreme Court clarified the level of proof in trade secret protection cases.

Decision

Himax Technologies Inc (the plaintiff), after the resignation of a number of employees (the defendants), found that the ex-employees had sent Himax confidential files to their own email accounts in the period following their application for resignation but before final resignation, leading to the disclosure of relevant trade secrets. The plaintiff claimed for default penalty and damages pursuant to the employee confidentiality and IP rights transfer agreement entered into by the plaintiff and the defendants.

The lower court brought in a verdict against the plaintiff, holding that although the files at issue had been sent to external email accounts, the ex-employees denied any disclosure of trade secrets and claimed that they had emailed the files for overtime work at home. Himax was therefore liable to present proof that the ex-employees had emailed the files to their external accounts for personal interest or the interest of a third party rather than for business purposes. However, the plaintiff failed to provide the relevant proof and merely questioned whether the files had been exploited by the defendants for purposes other than overtime. The conclusion was subjective, as the question presented by the plaintiff was groundless.

Moreover, the lower court stated that there were many possibilities regarding access time to the files and whether there was sufficient time to return them, rename and encrypt them, including:

- the nature and content of overtime work;
- progress of employee tasks at resignation;
- work habits; and
- the fact that the ex-employees' defence that the files were emailed to their external accounts for overtime purposes was not unreasonable.

The same should apply to another defence that the files at issue had been deleted.

Documents provided by Himax, including email information, cross-departmental investigation reports and response letters from a third-party server supplier concerning retrieving email messages, were unable to identify:

- the content of the trade secrets;
- the economic value of the trade secrets; and
- whether Himax had taken reasonable measures to maintain its secrecy.

Although Himax filed a petition to subpoena a witness, the witness was unable to demonstrate what the trade secrets at issue were. Therefore, the lower court decided not to subpoena the witness and ruled that the plaintiff's claims for damages and deleting trade secrets were groundless.

Degree of proof

In this regard, the Supreme Court discarded the original lower-court judgment and clarified the legal standards for degree of proof in trade secret cases.

Article 10-1(1) and (2) of the Intellectual Property Case Adjudication Act provides:

"In trade secret infringement cases, if a party has made a preliminary showing that his/her trade secret has been or is likely to be infringed, and the other party denies such allegation, the court shall order the other party to raise a specific defence as to the reasons for the denial...

The court may, subject to the circumstances, find the preliminary showing of the infringed party true if the other party mentioned in the preceding paragraph fails without good cause to raise a defense within the prescribed time limit or to raise a specific defence."

With regard to civil cases of trade secret infringement, one of the two parties involved often encounters difficulties in collecting the necessary evidence to prove infringement and the scope of damages. Should the court fail to impel the other party to present relevant proof, but have the party that is claiming his or her trade secret has been or is likely to be infringed bear all burdens of proof of infringement and scope of damages, it would be difficult for the victims of infringement to obtain the remedies they deserve. The law therefore lowers the degree of proof burden of the party claiming infringement on one hand, and on the other hand, has the other party bear the obligations to raise a specific defence against the preliminary proof made by the claimed party.

According to the investigation report, the lower court found that six of the files at issue were successfully restored, while the remaining 12 files were unable to be restored. Why would the ex-employees who had applied for resignation send files owned by their company to their external accounts? If the files were emailed for the purpose of working overtime, common sense suggests that the results of the overtime work would have been sent back to Himax. In addition, the investigation report suggested that six of the files were successfully restored. Himax claimed that these six files were trade secrets and filed a request to subpoena a deponent to testify to the restoring process. Under such circumstances, it is not out of question to state that Himax failed to fulfil its obligation to explain infringement. If Himax had already claimed infringement, which was denied by the ex-employees, the court could have asked the ex-employees to decrypt the files at issue and specify their overtime work so as to fulfil their obligations of making a specific defence.

Moreover, if the ex-employees had deleted the files after emailing, the defendant would bear the burden of proof. The lower court seemed to quickly conclude that it was reasonable to support the ex-employees' defence without any proof that files had been deleted.

Pursuant to Article 286 of the Code of Civil Procedure, the court will investigate evidence introduced by the parties except for that considered unnecessary by the court. The term 'unnecessary' refers to any evidence presented by the parties that is unrelated to facts to be proved or might be true but is insufficient to affect the basis of moral conviction. Himax's request to subpoena a witness to describe the content of the six restored emails was associated with whether the defendant had infringed trade secrets. The lower court decided that after appearing before the court the witness was unable to tell what the trade secret at issue was, and thereby rejected the subpoena. The decision ignored the obligations of the party accused of infringement to make a specific defence.

Comment

It can be concluded that in trade secret infringement cases, the trade secret owner often encounters difficulties collecting supporting proof. In order to implement trade secret protection fully, the Intellectual Property Case Adjudication Act lowers the burden of proof on owners and obliges the other party to make a specific defence. This interpretation will be valuable for trade secret owners citing and referring to prior judgments to protect their rights in future.

For further information on this topic please contact Katherine Juang at Lee and Li Attorneys at Law by telephone (+886 2 2715 3300) or email (katherinejuang@leeandli.com). The Lee and Li website can be accessed at www.leeandli.com.