AIPPI STANDING COMMITTEE ON TRADE SECRETS

Protecting Trade Secrets Globally:

AIPPI Report on the recognition and enforcement of foreign orders relating to the protection of trade secrets in cases involving an international dimension

Introduction

This Report is prepared by the Trade Secrets Committee of AIPPI.

The Report (1) compares the mechanisms for the recognition and enforcement of foreign court orders relating to the protection of trade secrets in various countries, and (2) proposes future harmonization efforts to facilitate the efficiency and robustness of the protection of trade secrets with an international element.

The enforcement of foreign orders is a complex field, involving a mixture of domestic and international agreements and jurisdiction-specific laws, regulations and procedural rules. AIPPI's Standing Committee on Trade Secrets has surveyed 15 countries on a range of questions relating to the extent to which foreign judgments and orders relating to trade secrets are recognizable and enforceable in their home countries, and the relevant procedures. Each of the countries has provided a Report providing a comprehensive overview of national and regional laws and practices on the enforcement and recognition of foreign orders protecting trade secrets.

Background

Although Article 39 of TRIPs provides for the protection of confidential information and recent efforts for harmonization have resulted in the EU Trade Secrets Directive (2016/943), there remain two barriers to the efficient and effective protection of trade secrets with a global dimension: (1) the lack of internationally harmonized trade secret protection; and (2) the inconsistent approaches to the recognition and enforcement of foreign judgments.

The key EU regulation governing issues of enforcement of judgments between EU member states is the Council Regulation of 12 December 2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters

(the "Brussels I Recast Regulation"), which enables a judgment in one Member State to be recognized in other Member States without the need for any special procedure.

Although the Brussels I Recast Regulation provides a basis for the enforcement of judgments in Europe, the position outside of Europe is more complex. Parties frequently face obstacles when seeking to enforce a judgment in a foreign court where no multilateral treaty dealing with the reciprocal recognition and enforcement of foreign judgments has been signed. In some circumstances, enforcement may be denied. This is particularly the case when the foreign judgment does not comply with public policy and fundamental principles of procedural law of the foreign court, or when the foreign court determines that the court producing the order did not have jurisdiction to hear the case. Another relevant issue is that, in countries such as the United States of America ("US"), the courts' recognition and enforcement of foreign judgments is governed by the law of each of the individual states. Therefore, a party seeking to enforce a foreign judgment in the US will need to evaluate the law of the relevant state, before seeking to enforce a foreign judgment.

Accordingly, the key issue often preventing companies and individuals from enforcing and protecting trade secrets globally, is that each country has adopted its own specific rules on whether or not, and to what extent, they will enforce a foreign judgment. This creates legal uncertainty for trade secrets holders in that it may lead to the court of country (A) recognizing that a trade secret should be protected but the court of country (B), where enforcement of country (A)'s judgment/order is necessary to protect the trade secrets, does not recognize country (A)'s judgment/order. This issue arises frequently in practice where confidential information is protected on an interim basis during proceedings under a confidentiality or protective order in the courts of country (A), but that same information is not protected at such in parallel litigation in the courts of country (B), thus undermining the order of country (A).

This creates unpredictability for companies that operate globally and who need to enforce their trade secrets rights in different countries. It further creates

uncertainty for courts and defendants in understanding the boundaries as to what is protected and where.

Survey on the Recognition and Enforcement of Foreign Protective Orders

The Standing Committee on Trade Secrets has received Reports from the following Groups and Independent Members in alphabetical order: Belgium, Canada, China, Denmark, France, Germany, India, Italy, the Netherlands, Poland, South Korea, Sweden, Switzerland, the United Kingdom (UK) and the US.

15 Reports were received in total. The Trade Secrets Committee of AIPPI thanks all contributors for their helpful and informative Reports.

This Report does not attempt to reproduce the detailed responses in any given Report. If any question arises as to the exact position in a particular jurisdiction, or for a detailed account of any particular answer, reference should be made to the original Reports themselves.

In this Report:

- where percentages of responses are given, they are to the nearest 5%;
- references to responses by one or more "Groups" may include references to Independent Members.

1. **Does your country's law have a legislative framework for the enforcement of judgments in general, and, specifically in relation to foreign judgments?**

Out of the 15 countries surveyed, 100% of them confirm that their country has a legislative framework for the enforcement of judgments, generally.

The US Group indicates that, although the US Constitution provides for the registration of enforceable, final judgments that have been entered in any US court, most of the power remains largely with individual states. Each state has specific requirements for the enforcement of judgments from foreign states or countries.

Similarly, 95% (all but the US) of the countries provide for enforcement of the judgment of a court of a different jurisdiction. The procedures and the territories from which foreign judgments are recognized vary by country.

In India, any territory not recognized as a reciprocating territory is treated as a non-reciprocating territory. Decrees from non-reciprocating territories can only be enforced if a domestic decree is obtained on the foreign judgment by discharging the burden that the decree passes the challenges under Section 13 of the Code of Civil Procedure, 1908 ("CPC"). The procedure is to file a civil suit before the court of first instance having jurisdiction to pass a decree based on the foreign judgment.

The US Group notes that federal law generally does not provide for the enforcement of foreign judgments, it only requires US states to enforce or recognize other US states' judgments on a national level as long as certain conditions are met.

In Italy and Poland, a declaration of enforceability is required for judgments coming from a non-EU jurisdiction, and there are specific procedures under Italian and Polish international private law in this respect. In France, the exequatur procedure is used to enforce judgments from countries that are not bound to France by any convention, treaty or agreement on the recognition and enforcement of foreign judgments. In these circumstances, the French courts will need to acknowledge the judgment as enforceable in France. This procedure is also followed in Denmark, the Netherlands and Sweden.

In Switzerland, all foreign court judgments are enforceable through the exequatur procedure and must therefore be "recognized" prior to enforcement. This is not an action on the merits of the decisions, but merely a formal action. Once recognized, decisions are enforced as a national decision would be. Similarly, under the UK regime, the judgment creditor must obtain a certificate from the original court containing specified details, or a certified copy in the case of a non-money judgment and apply to the High Court to register the judgment. Once registration has occurred, the certificate has the same force and effect as an English judgment.

2. What types of foreign judgments can be enforced?

Whereas 85% of the countries surveyed will not enforce foreign judgments relating to family matters (such as matrimonial, wills and succession matters), insolvency and administration, and customs, tax and other state-based issues, the position in the US and China is different.

China will recognize divorce judgments even if the application would otherwise not meet the criteria for recognition.

In the US, most states only enforce foreign money judgments, however, this ultimately depends on individual state laws. For example, New York has recently enacted the Recognition of Foreign Country Money-Judgments. N.Y. CPLR § 5302 (2022). Many other US states have adopted a version of the Uniform Foreign Money-Judgments Recognition Act 2005, which allows the enforcement of money judgments so long as certain conditions have been met.

3. **What are the pre-requisites for recognition and enforcement of a foreign judgment?**

The pre-requisites for recognition and enforcement of a foreign judgment differ from country to country.

Broadly, most countries have mechanisms to recognise judgments both from reciprocating territories or in line with a treaty or statutory obligation. 45% of the respondents point to Article 39 of The Brussels I Recast Regulation according to which a judgment given in an EU Member State which is enforceable in that Member State shall be enforceable in the other Member States without any declaration of enforceability being required, and without any need for the judgment to be final and conclusive (interim decisions can also be enforced).

When there is no reciprocal or legal obligation, the position is different. In those cases, all responding Groups agreed on the need for the foreign judgment to be final and conclusive. In addition, 25% of the respondents (Korea, Canada, France and Switzerland) note that the foreign court that rendered the judgment must have had proper jurisdiction over the case and 33% (Korea, Canada, China, France, Switzerland) note that the judgment must have been rendered following principles

of due process and must not violate the basic principles of security and public interest.

In the US, since each state has different statutory or common law requirements, there are no absolute requirements for enforcing a foreign judgment. However, generally, the state in which the foreign judgment is sought to be enforced must deem the outcome and level of remedies or damages to comply with its own jurisdictional laws and provisions. The Connecticut Uniform Foreign Money-Judgment Recognition Act, for example, lists as two of the prerequisites required for the state court to enforce the foreign money judgment that the foreign money judgment is final and conclusive.

4. **Can such foreign judgment be enforced as if it were a domestic judgment or must the judgment holder institute a new action on the foreign judgment?**

25% of the surveyed Groups (Canada, South Korea, UK (common law regime), US) require the judgment holder to institute a new action to enforce the foreign judgment. In some instances, a foreign judgment can be enforced as if it were a domestic judgment without the need for a separate enforcement procedure (e.g., in the case of the EU), in line with the relevant treaty or statutory obligations.

In 40% of the respondent countries (Belgium, Denmark, France, the Netherlands, Switzerland, Sweden) exequatur proceedings will have to be commenced in order to recognize a foreign judgment only in some circumstances, most notably, when the judicial decision was taken by the court of a state which is not an EU Member State. For example, in Denmark, an exequatur procedure must be followed under the Lugano Convention but not under the Brussels I Recast Regulation, which provides for judicial decisions from other EU Member States to be enforceable in Denmark without any declaration of enforceability.

In the Netherlands, Articles 985-994 of the Code of Civil Procedure set out the formalities surrounding exequatur proceedings and apply to foreign judgments that are rendered in a state that has concluded a treaty with the Netherlands for

the mutual recognition and enforcement of judgments. If there is no applicable treaty between the state of origin and the Netherlands, the claim must be re-litigated on the merits to obtain an enforceable judgment.

In Sweden, exequatur proceedings are not needed under the Nordic Convention but may be needed for other regimes, such as applications under the Hague Convention.

5. **Can a court in your country, under its evidence-gathering powers, compel a party to disclose/produce what is classified by a party or non-party as a trade secret?**

60% of the respondents' courts (UK, US, Sweden, Belgium, the Netherlands, China, Poland, India, Switzerland and France) would be able to compel a party to disclose or produce what is classified by a party or non-party as a trade secret. However, this would be done in different ways.

Courts in the US can compel a party to disclose or produce what is classified as a trade secret only after offering the owner the opportunity to file a submission under seal that describes the interest of the owner in keeping the information confidential.

In countries with no discovery phase, such as Belgium and Sweden, specific mechanisms are available to obtain information and evidence to support a trade secret claim that may result in the court compelling the defendant to share trade secret information (while putting in place measures to protect its confidentiality as far as possible).

The Belgian Group notes that information that the party in question might consider to be a trade secret could be disclosed if there are strong assumptions that a (non-)party has relevant elements of proof in their possession. The court would then be able to order that party to disclose these elements, either in the event that an expert is appointed by the court, for example on one party's unilateral request in case of a descriptive seizure, or at the request of the court or one of the parties.

In Sweden, Chapter 38 Section 2 of the Code of Judicial Procedure is used to obtain written evidence once a claim has been brought. Anybody holding a written document that is assumed to be of importance as evidence can be ordered by the court to produce it. Further, infringement investigations are available in Swedish IP legislation. Since an act of misappropriation of trade secrets is often simultaneously an act of IP rights infringement, infringement investigations based on IP rights infringement often have practical use for claims for the misappropriation of trade secrets.

6. **Can a court in your country, under its evidence-gathering powers, compel a party to disclose/produce a trade secret, the disclosure of which has been restrained by a foreign protective order?**

55% of the respondent countries' courts (UK, Belgium, Switzerland, Sweden, France, China, South Korea and India) would, at least in theory, be able to use their evidence-gathering powers to compel a party to disclose/produce a trade secret, the disclosure of which has been restrained by a foreign protective order. The existence of said foreign protective order would not be a valid ground for a party to resist the disclosure of or be restrained from disclosing a trade secret. However, in countries, such as the UK and Belgium, the disclosure of the trade secret could be protected by a confidentiality order.

Based on the language of the Defend Trade Secrets Act of 2016 (DTSA), if a US court were to compel a party to disclose, it would give the owner the opportunity to file a submission under seal so that it would not place the owner in harm. The existence of a foreign protective order would thus not likely be deemed a valid ground for a party to resist disclosure, as they will be able to do so under seal, keeping the trade secret confidential.

Courts in Canada and Italy would likely be more restrained.

There is no case law on this issue in Denmark, Belgium and the Netherlands.

7. **According to your country's law, are there any provisions to protect the interests of non-parties whose trade secrets are at risk in a dispute before a court in your country?**

80% of the respondents have provisions to protect the interests of non-parties whose trade secrets are at risk in a dispute before a court in that country. The Netherlands, Poland and Switzerland are not aware of specific provisions imposed on non-parties in relation to disclosure of trade secrets in court proceedings.

The Danish Group notes that the Danish Trade Secrets Act includes provisions that impose a duty of confidentiality on anyone who participates in a court case concerning trade secrets, or who has access to documents that are part of such a case, regardless of whether the proprietor of those trade secrets is a party in the case.

Similarly, in Belgium, Article 871bis of the Belgian Judicial Code lays down an obligation of confidentiality for any person who takes part in legal proceedings in which trade secrets may be disclosed, or who has access to documents forming part of such proceedings, whether or not the trade secrets holder is a party to the proceedings.

The South Korean and Indian Groups suggested that there was a strong likelihood of a court intervening of its own accord if it considered that a third party's trade secrets were at risk in a suit, thereby joining such non-party to the suit.

8. **Could your country's current law or practice relating to the recognition and enforcement of foreign judgments or foreign orders which protect trade secrets be improved?**

65% of the surveyed countries highlight that their current law or practice relating to the recognition and enforcement of foreign judgments or foreign orders which protect trade secrets could be improved.

According to the US Group, the US has been moving towards greater protection for trade secrets, demonstrated by the enactment of the DTSA in 2016, but still does not have a robust mechanism to enforce judgments from other countries.

The Indian Group notes that, while there is evolving jurisprudence, there are several opportunities for improvement of the law relating to the enforcement of foreign judgments or orders which protect trade secrets. These include the enactment of specific legislation for the protection of trade secrets, the creation of rules at the individual Court levels regarding the filing of documents in a sealed cover, the redaction of documents, conduct of in-camera proceedings and the formation of confidentiality clubs, entering bilateral treaties to increase the number of reciprocal territories, and acceding to related international conventions.

The South Korean Group highlights that Korea has made efforts to improve its legal framework for the recognition and enforcement of foreign judgments, including those involving the protection of trade secrets. Providing clear and specific provisions or guidelines regarding the recognition and enforcement of foreign judgments or orders related to trade secrets would increase legal certainty and predictability. This may include defining the scope of protection, procedural requirements, and the criteria for granting or refusing recognition.

There are no specific provisions relating to the recognition and enforcement of foreign judgments and orders relating to the protection of trade secrets in the UK, which therefore makes such enforcement difficult or impossible as certain orders relating to the protection of trade secrets will not be capable of being enforced under the applicable English law regimes.

Conclusion

This Report has highlighted that although many countries have mechanisms for the protection of trade secrets during and after litigation (as also evidenced by previous AIPPI Reports (**Q238** (San Francisco, 2022) and **Q247** (Rio, 2015), and resulting Resolutions (**2022**) and (**2015**)), as well as general procedures for the recognition of foreign judgments, there remains inconsistencies in approaches.

Some countries require a final judgment, others will recognize an interim judgment. Some countries need only a registration of a judgment, whereas others require the dispute to be relitigated in the country. There is therefore a pressing need for improvement and harmonization of the recognition and enforcement of foreign judgments and orders relating to the protection of trade secrets.

The majority of surveyed Groups have argued that harmonization concerning the recognition and enforcement of foreign judgments and orders relating to the protection of trade secrets would be desirable, with the key recommendations being:

- Strengthening international cooperation through multilateral agreements that set minimum harmonization of the subsistence and protection of trade secrets;
- Establishing concrete minimum level harmonization would facilitate the recognition and enforcement of foreign judgments or orders protecting trade secrets;
- Streamlining and expediting the procedures for recognizing and enforcing foreign judgments or orders relating to the protection of trade secrets, including simplifying documentation requirements, establishing specialized courts or reciprocity mechanisms, and adopting expedited processes for urgent cases.

Recommendation by the Trade Secrets Committee of AIPPI

The Standing Committee on Trade Secrets **recommends** that international bodies, as well as national governments in multilateral dialogues, consider investigating:

- the opportunity for a clear and specific international minimum harmonization treaty recognizing the protection of trade secrets;
- specific provisions for the recognition and enforcement of foreign judgments or orders (interim and final) related to the protection of trade secrets.

This work would promote harmonization and facilitate the easier recognition and enforcement of judgments protecting trade secrets, offering greater legal certainty and predictability to businesses implementing global policies and enforcing their trade secrets globally. It would further mitigate the risk of conflicting judgments, as well as valuable assets being unnecessarily undermined due to avoidable substantive and procedural inconsistencies.

Although not covered in this Report, the Standing Committee on Trade Secrets **recommends** further study on considering international harmonization on identifying the applicable law to apply in cases involving global trade secrets misuse where several laws may apply. Such rules may assist in mitigating the risk of inconsistent judgments in the absence of international harmonization treaties.