

As defendants scramble to hide their tracks, here are some ways in which IP owners can seek to establish the full picture in Europe's largest market.

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Experience shows that trade secret theft can easily result in multimillion-dollar losses. Yet, in Europe's largest economy, the legal system has various pitfalls for claimants seeking to be adequately compensated for their damages.

Especially in cases of trade secret theft, it is not only challenging to meet the high standards to evidence the violation of protected rights. It is equally difficult to unveil the full scope of the defendant's unlawful conduct, which is in most cases one of the decisive factors to calculate damages.

If caught, the defendant typically invests great efforts to hide the extent of its misconduct to the detriment of the claimant. Contrary to common law jurisdictions, German procedural law does not allow discovery proceedings or any comparable form of document production. This significantly limits the options of the trade secret owner to gather all necessary evidence.

For damages to be awarded, there is usually a two-step approach. First, the claimant must provide full evidence on the theft of a trade secret. This is typically done by witness and expert testimonies and often conflicts with the confidential nature of information protected as a trade secret. After a trade secret theft has been established by the court, the defendant is ordered to disclose information to a certain limited extent about the scope of its misconduct. The revenue and the profit that defendant made based upon the information contained in the trade secret are then used to determine an appropriate amount of damages.

This article explores a claimant's options when seeking to establish the full picture and to be adequately compensated for the incurred damages.

Request for Disclosure of Information as a Remedy

The legal framework is set by EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets). German law implemented this directive by the Trade Secret Act (in German: "*Geschäftsgeheimnisgesetz*" or "*GeschGehG*"). Under the TSA, the owners of trade secrets are entitled to various claims against infringers. They can claim cease and desist of persisting impairments (section 6 TSA), destruction of embodiments of the trade secret, surrender and recall of infringing goods (section 7 TSA) and request for disclosure of information (section 8 TSA).

This article aims to highlight section 8 TSA and the challenges in enforcing the respective rights.

According to section 8 para. 1 TSA, the holder of a trade secret may request from the infringer information on the name and address of the producers, suppliers and other previous owners of the infringing products, as well as of the commercial customers and sales outlets for which they were intended; the quantity of infringing products manufactured, ordered, delivered or received and the purchase prices; the documents, items, materials, substances or electronic files in the possession or property of the infringer, which contain or embody the trade secret; and the person from whom they have obtained the trade secret and to whom they have disclosed it.

Such information is essential for the claimant to prepare and pursue any further claims as mentioned above. Defendants often attempt to downplay the extent of their misconduct, making it difficult for the claimant to identify misappropriated information. Generally, defendants may try to provide vague or evasive information only.

Speaking from experience, in many cases defendants attempt to limit the information to circumstances of which they know or presume that the plaintiff is already aware of, while hiding other details. For example, if a defendant had been caught copying one of claimant's antibodies based on illegally obtained information on the antibody's sequence, the defendant might be tempted to refrain from disclosing other antibodies which it had built in the same way.

One fundamental difference of the claim to disclosure in section 8 TSA in comparison with US discovery proceedings is that disclosure under section 8 TSA can only be obtained after a trade secret theft has been established and confirmed by the court.

In general, discovery proceedings are more extensive and enable comprehensive fact-finding and disclosure of documents. In Germany, it is hardly possible to force the defendant to produce documents at larger scale. Document production for the purpose of investigating the matter (in German: "*Ausforschungsbeweis*") is not allowed.

Only section 142 of the German Code of Civil Procedure (ZPO) allows for preliminary requests for information, but its scope is much narrower than discovery. Under this provision, it is possible under certain conditions to force a party to the procedure or a third party to provide a specific document, the existence of which is already known to the requesting party.

Fulfillment of the Request for Disclosure

Pursuant to section 8 para. 2 TSA the infringer shall be obliged to compensate the owner of the trade secret for the resulting damage, if he intentionally or through gross negligence fails to provide the information or provides it late, incorrectly, or incompletely. If no information is provided or if information is provided too late, the scenario is rather straightforward.

However, if the claimant is under the impression that the provided information is incomplete or incorrect, the situation is more challenging. The options to force the defendant can sometimes be complicated to enforce, especially if the defendant declares to have fulfilled the claim to disclosure in full (so-called "*Erfüllungseinwand*").

In order to prevail with this objection and to fulfill the awarded claim to the disclosure of information and rendering of accounts, the defendant must provide a formally complete rendering of accounts in accordance with the operative part (in German: "*Tenor*") of the judgment on the merits and the grounds for the judgment. From the mere formal point of view, this means that information must be available on all details about which the judgment obliges the defendant to provide information (see for instance paragraph 10 of OLG Düsseldorf decision [2 W 15/21, GRUR-RS 2021, 22988](#), dated 9 August 2021). The defendant is – to a reasonable extent – obliged to exhaust several options to obtain the relevant information, for instance review business documentation or seek clarification from his suppliers and customers (OLG Frankfurt a. M. decision [6 W 24/21, GRUR-RR 2021](#), 477, paragraph 11, dated 12 April 2021).

But what can the claimant do if it believes that there must be more? German procedural law offers only very limited options to verify the provided information. In order to use them successfully, the optimal phrasing of the requests, which will then form the operative part of the judgment, is key.

Claimants must therefore from the very beginning of the case be prepared for all possible scenarios and aim to reflect them in their requests.

Enforcement of the Right to Disclosure of Information

To address the issue of inaccurate or incomplete information, German law offers two options to the claimant to tackle this situation.

First, the claimant can request that the party, which was ordered to provide the information, issues an affidavit pursuant to sections 259, 260 German Civil Code (BGB) confirming that the provided information is to the best of the party's knowledge correct and was compiled with the greatest possible diligence. This option should be chosen if there are indications that the provided information is incorrect or false.

Such indications may be, for example, inconsistencies in the defendant's statements. It is therefore advisable to check the provided information against the disclosing party's written submissions or oral pleadings during the proceedings on the merits.

The assertion that certain accounting data cannot be retrieved can sometimes be countered with a reminder of the regulatory obligation to keep records of the relevant data.

Second, the claimant can request that the court orders a penalty fine against the party obliged to provide information pursuant to section 888 ZPO. This provision entitles the court to urge the defendant to take action by imposing a penalty payment, if the required act (here: disclosing of information) cannot be performed by a third party.

The amount of the fine is at the discretion of the court and can be up to EUR 25,000. However, usually (first) fines are in a range of EUR 2,000 to EUR 5,000. If the defendant fails to pay the penalty, the court has the authority to order the detention of the defendant. This sanction is only available in cases of clearly incomplete information.

The challenge with both options is that they require that the claimant demonstrates – and if necessary, proves – that there are concrete indications that the provided information is either incorrect or incomplete. Such indications are usually difficult to obtain for the claimant because the corresponding evidence can in most cases be found only in the sphere of the defendant.

In many cases the operative part of the judgment contains an abstract description of the unlawful conduct, which is the basis for the disclosure claim. This allows the claimant to obtain a broader scope of disclosure. It is accepted in German case law that a claimant's claims are not limited to the concrete unlawful conduct but include similar conducts with identical characteristics (in German so called "*kerngleiche Verletzungshandlungen*"). The grounds of the judgment are used to determine the scope of the disclosure obligation.

The abstract description of the operative part of the judgment often leaves room for interpretation whether a certain conduct falls under the scope of the disclosure obligation and can make it challenging for the claimant to convince the court that the disclosure is incomplete or inaccurate.

Defendants might for example assert that they are not obliged to disclose information in relation to certain similar conducts based on the argument that they cannot determine whether such similar conduct equally violates the claimant's protected trade secrets. A request for compulsory measures is in most cases not successful if considerations of substantive law are necessary to determine a violation of the operative part of the judgment (see OLG Düsseldorf decision above, paragraph 14).

Finally, before requesting the defendant to issue an affidavit on the accuracy and completeness of the provided information, claimants are well advised to consider the risk that a party, which consciously provided false information, may be inclined – instead of admitting having provided false information – to submit a wrong affidavit confirming the false information. Such wrong affidavit, which constitutes a criminal offence, makes it extremely difficult for the claimant to maintain the assertion that the provided information is false, unless the claimant has clear evidence that the defendant lied when issuing the affidavit.

Conclusion

Enforcing trade secret rights in Germany requires a strategic approach that leverages alternative methods to gather information in the absence of formal discovery.

By carefully drafting requests for disclosure and corresponding pleadings, utilising witness testimony, and employing expert analysis, claimants can overcome the challenges posed by a defendant's attempts to conceal their misconduct and ensure claimants receive adequate compensation for the theft of their valuable trade secrets.