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Unlevel Playing Field

Pursuing a trade secrets case against a foreign company can be challenging.

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TRADE SECRET THEFT—AND THE legal liability for it—has existed since the rise of modern business and industry. For many years, trade secret cases were usually brought as a result of employees leaving one company for another, with the focus of the cases emphasizing the right of the employer to keep its information versus the right of the employee to freely practice elsewhere. In recent years, however, the nature of trade secret cases has shifted. Employee theft cases still exist, but more and more, companies are faced with theft that involves foreign individuals, companies, and even governments. According to the National Office of the Counterintelligence Executive, theft by foreign entities is significant and growing.

Last year a trade secret suit brought by E.I. du Pont de Nemours and Company against Kolon Industies Inc., a South Korean textile company, was heard in an eight-week jury trial in the Eastern District of Virginia. DuPont claimed that Kolon had stolen key technology related to its Kevlar product. (The author of this article was co–lead trial counsel for DuPont.) The jury found for DuPont, returning the largest verdict ever in a contested trade secret case and the largest verdict for any case in the state of Virginia—$920 million in damages. Kolon has said that it will appeal.

DuPont v. Kolon highlights many of the challenges plaintiffs face when bringing a trade secret suit in today's global environment. The technology was complex. The discovery involved millions of pages of documents in a foreign language. Part of the discovery involved evidence spoliation. (The U.S. government was also simultaneously prosecuting a related criminal case.) Here are some of the lessons learned from *DuPont v. Kolon*.

DISCOVERY AND SPOLIATION. Obtaining documents from foreign defendants is not usually a challenge. The rules of civil procedure make it clear that a plaintiff in a U.S. suit can obtain documents and other written discovery from a foreign defendant through the normal discovery procedures, even if the information is located abroad. However, the majority of documents that one is likely to obtain from a foreign company may not be in English, and it is time- and cost-prohibitive to translate every document produced in the case. Thus, it is necessary to impose a triage plan, focusing on methods that will quickly allow you to identify the best materials.

Since any written material taken from your client will likely be in English, it is prudent to conduct English-language searches in documents produced by your opponent for terms that may be in any stolen documents. Likewise, it helps to conduct searches of your own client's name or the product in the foreign documents, since these terms will likely appear in English. It also is often useful to have the attorneys work shoulder-to-shoulder with translators, and ask for informal, verbal document translations to aid in the triage. This is much less expensive, and faster, than obtaining written translations first and then sorting through that material.

While pursuing discovery, be alert for any hint of spoliation. Either willfully or due to their unfamiliarity with U.S. litigation, foreign companies often do not understand the complexities of the document

retention process. Any document destruction that occurs raises the possibility of finding spoliation—even willful spoliation—that can affect your case.

To find spoliation, don't overlook not-so-obvious clues, such as a lack of documents from key witnesses, gaps in regularly produced documents such as meeting minutes, or instructions near or around the time of the suit that show how the defendant intended to respond. For example, in *DuPont v. Kolon,* several computer screenshots contained notations with variations of the word "delete." The judge found that Kolon had destroyed documents that included relevant information. The jury thus received an "adverse inference" instruction noting this destruction, and allowing it to infer that the destroyed evidence would have been helpful to DuPont.

Proving spoliation is expensive and time-consuming. However, the payoff of an adverse inference instruction makes it worth the effort. When combined with other evidence of theft that naturally occurs in a trade secret case, the jury is presented with a clear picture of the defendant and its conduct.

TRYING THE CASE TO A JURY. There are two main challenges in trying a complex trade secret case before a jury. First, there is a large amount of evidence that must be presented to state a claim under the trade secret laws—evidence pertaining to confidentiality, economic value, and the misappropriation itself. Second, in most industrial espionage cases today, the stolen technology can be complicated and difficult for a jury to understand. To meet these challenges, it is best to pare down and group the stolen information into manageable categories—for example, process, manufacturing, financial, and customer information. In *DuPont v. Kolon,* DuPont grouped the trade secrets into jury-friendly categories—the unique chemical process, the Kevlar manufacturing process, and financial information. This gave a semblance of order to a lengthy trial.

It is also advisable to select a small number of witnesses to present the evidence for your case, on such topics as what the information is, how it is kept secret, why it would be valuable to a competitor, and how much it is worth. The DuPont witnesses in the case were engineers who had been with the company for many years and were able to demonstrate to the jury the importance of Kevlar and the stolen information.

Finally, to show the misappropriation, use pretrial depositions and key documents to narrow the inquiry. And as with any jury trial, weave the witnesses and documents into a narrative that shows why the defendants needed the information, how they received it, and what they did with it.

The defendant will likely argue that the information is publicly known, because obviously if the information is known, then it cannot be a trade secret, no matter how it was acquired. Today's large companies regularly publish their work through scholarly articles, patents, and trade journals. The key to preventing this public information from destroying your trade secret case is to pay careful attention to the boundaries of what is known versus what is actively kept secret. During a trial, you must constantly remind the judge and jury that while certain information may be known generally, the specific information at issue has been purposefully kept as a trade secret—and a valuable one.

CORRESPONDING CRIMINAL CASE. Finally, the trade secret case may have a corresponding U.S. criminal case. The rising importance of trade secret cases has led the U.S. Department of Justice to aggressively assert the Economic Espionage Act, the criminal statute for trade secret theft. A related criminal case can affect the civil case in at least two ways. First, the fact that individuals pled or were found guilty in the criminal context carries a powerful message to the jury. Second, individuals who are under investigation may assert their right not to testify. That invocation of the Fifth Amendment may also be presented to the jury in selected circumstances in the civil case. *DuPont v. Kolon* involved both of these circumstances, and the jury heard testimony and received instructions that highlighted the theft.

The industrial evolution to a global economy has made it inevitable that foreign companies, and even foreign governments, are stealing trade secrets of sophisticated technology. In today's networked world, that theft often occurs in ways unimaginable just 20 years ago. As *DuPont v. Kolon* shows, however, it is possible to combat this theft and present a winning complex trade secret case to a jury.

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