

# **\*1 Celgard, LLC v Shenzhen Senior Technology Material Co Ltd**

 **Positive/Neutral Judicial Consideration**

## **Court**

Court of Appeal (Civil Division)

## **Judgment Date**

9 October 2020

## **Report Citation**

[2020] EWCA Civ 1293

[2021] F.S.R. 1

Court of Appeal

Davis , Arnold and Popplewell LJJ

29 September and 9 October 2020

Applicable law; Batteries; China; Confidential information; Forum non conveniens; Interim injunctions; Service out of jurisdiction; Trade secrets; Unfair competition;

*H1 Confidential information—Trade secrets—Lithium-ion battery separators—Trade Secrets (Enforcement etc.) Regulations 2018—Ex-employees—Infringing goods—Permission to serve out of the jurisdiction—Serious issue to be tried—Forum conveniens—Applicable law—Rome II Regulation—Place where the damage occurred—Injunctive relief pending trial—Appeal to Court of Appeal.*

H2. This was an appeal against the grant of injunctive relief pending trial and permission to serve a claim form out of the jurisdiction under r.6.36 of the Civil Procedure Rules (“CPR”). The claimant (“Celgard”) was a company incorporated in Delaware, USA, and was engaged in the business of developing and manufacturing battery separators. These were highly engineered sheets of microporous polymer which could be coated on one or both sides. Celgard contended that a former employee (“Dr Zhang”) had passed trade secrets and confidential information to the defendant (“Senior”), a Chinese company, and that these had been used by Senior in China in the manufacture of certain lithium-ion

battery separators. There was a significant market for such separators, particularly in the field of electric car batteries. The injunctive relief which Celgard had sought was to restrain Senior from placing its rival lithium-ion battery separators on the market in the UK or importing them into the UK on the basis that such acts amounted to a breach of confidence in equity and were also contrary to reg.3(1) of the Trade Secrets (Enforcement etc.) Regulations 2018 (“the TSR”). The TSR and the principles governing breach of confidence together constituted the UK’s implementation of European Parliament and Council Directive (EU) 2016/943 (“the Trade Secrets Directive”). Celgard believed that Senior was trying to supply the battery separators complained of to a particular UK customer (being one of an international group of companies supplying battery packs to electric vehicle manufacturers) and Celgard had obtained both permission to serve out of the jurisdiction and interim injunctive relief pending trial.<sup>1</sup> Senior appealed to the Court \*2 of Appeal. Celgard had also made a further application for permission to serve the proceedings on Senior by an alternative method or at an alternative place, but this had been refused, had not been appealed, and consequently is not addressed further here.

H3. Celgard advanced two types of claim based on misuse of its confidential information, namely (i) direct claims against Senior for offering, in the UK, battery separators that benefited significantly from the alleged unlawful use by Senior and Dr Zhang of its trade secrets (“the Direct Claim”); and (ii) vicarious claims against Senior in respect of the alleged breaches of confidence by Dr Zhang (“the Vicarious Claim”). It did not seek relief, whether by way of injunction or damages, in relation to anything other than the marketing of the battery separators in the UK. Celgard’s claims were vigorously disputed by Senior, which contended that it was exploiting its own technology, which had largely, if not entirely, been developed before it had engaged Dr Zhang.

H4. Three issues arose at the hearing of the application for permission to serve out at first instance: (a) whether Celgard’s claim had a reasonable prospect of success within the meaning of r.6.37(1)(b) of the Civil Procedure Rules (“CPR”) (i.e., whether there was a serious issue to be tried), (b) whether there was an arguable case that the gateways set out in para.3.1(2) (claim for an injunction in relation to

acts within the jurisdiction) and/or 3.1(21) (detriment suffered in the jurisdiction or resulting from an act committed in the jurisdiction) of Practice Direction 6B of the CPR applied, and (c) *forum conveniens*. There were related pending proceedings between the parties before the courts of Northern Carolina, USA, for both patent infringement and trade secret misappropriation, and also in China, where Senior had commenced proceedings against Celgard alleging unfair competitive practice. On the application for interim injunctive relief, the issues were whether (i) there was a serious issue to be tried, (ii) as to the adequacy of damages and (iii) as to the balance of convenience.

H5. By the time of the effective hearing of its applications, Celgard had addressed the nature of the confidential information relied upon in a confidential annex to draft particulars of claim. That annex described how that information related to detail of the materials, processes and configurations used to make the products concerned and, in general terms, explained the operating conditions, tolerances and materials used were all valuable confidential information. However, save in relation to one specific binder used to make a slurry as part of its ceramic coating process and the methods for incorporating the binders into the end product, little detail was provided. Senior argued that the way in which Celgard had sought to identify its confidential information was wholly inadequate and that the proper identification of the trade secrets relied upon was a basic requirement which Celgard had to satisfy to show that there was a serious issue to be tried. Having failed to do so, both of Celgard's applications should be dismissed.

H6. Celgard had contended that it had provided sufficient particularisation at this stage to establish that there was a serious issue to be tried. Its evidence should be looked at in the round and it relied on a three-stage argument: (i) Senior's share of the dry separator market had gone up sharply after Dr Zhang's arrival from Celgard, (ii) this improvement was due to improvement in the range and quality of Senior's products, and (iii) it was reasonably to be inferred that that improvement was as a result of its acquisition and use of Celgard's trade secrets through Dr Zhang. As to (iii), Celgard relied, inter alia, upon the fact that Dr Zhang's role at \*3 Senior included responsibility for the selection of resins for use in its separator products and a comparative analysis of certain Senior and Celgard products which

suggested that the same binder, or at least one with the same or similar properties, was now being used. It was Senior's case, inter alia, that the binder it used had been available commercially on the market since March 2014.

H7. As to *forum conveniens*, there would appear to have been no dispute that the onus in establishing that England and Wales was clearly and distinctly the appropriate forum for the dispute was on Celgard. Senior argued that the court should look at the totality of the dispute between the parties and that the relief sought in the present action ought to have been brought by way of counterclaim in the proceedings in China. Celgard contended that it could not have brought the present claims in those proceedings and both parties adduced expert evidence on Chinese law. The relevant factors alleged by Celgard to connect the present dispute to England included the contention that English law was the applicable law of the relevant obligation and governed the claim which it made.

H8. As to the applicable law, it was common ground that Celgard's claims fell within the scope of Regulation (EC) 864/2007 ("Rome II"), that the non-contractual obligation on which the claims were based arose out of an act of unfair competition within the meaning of art.6 of Rome II and that art.6(2) applied because those claims concerned an act of competition affecting exclusively the interests of a specific competitor. There would also appear to have been no dispute that this had the effect that art.4(1) of Rome II (the terms of which are summarised at [52] of the appeal judgment reported here) applied when determining applicable law. The dispute as to the applicable law had accordingly centred on where the relevant damage occurred. Senior argued that the most that could be said about England in this context was that it was the place where the indirect consequences of Dr Zhang's wrongful acts occurred and that this was an irrelevant consideration. It argued that the applicable law was that of China. Senior went on to argue that if Celgard's arguments were right, that would mean that different laws would apply to claims arising out of the same unlawful misuse of Celgard's trade secrets depending on the country in to which particular battery separators were being sold and that this could not be right.

H9. Reliance was placed by Celgard on the fact that it sought relief against wrongs committed in England, that the loss which it claimed was the damage sustained in England by having its own marketing efforts distorted and undermined by reason of the importation of the product complained of, that there was no single country in which both parties were domiciled and that much of the relevant evidence would be in English. Senior argued, inter alia, that central allegations in the case related to acts internal to Senior and which happened in China, namely how the products complained of came to be manufactured, what information Dr Zhang had imparted to Senior and how far Senior had got in the development of its products prior to Dr Zhang's arrival.

H10. As to interim injunctive relief, both parties had made their submission on the basis that Celgard would win the contract to supply its battery separators to the UK customer if the injunction was granted because there was no other competition and that the contrary was the case if not. The Senior dry battery separator prices were around half those of Celgard. Celgard contended that damages would not be an adequate remedy as they would be extremely difficult to assess. The imponderables relied on fell into two categories: (i) the effect of the benefit of \*4 being the incumbent supplier, and (ii) price erosion. As to the balance of convenience more generally, Celgard had contended that if no injunction were granted at this stage but it succeeded at trial, the UK customer would find itself locked into a contract with a party supplying infringing goods, which would cause considerable disruption to the supply chain. Senior argued that the UK customers ought to be free to contract with the supplier of its choice and contended that there had been delay in making the application.

H11. Trower J had been satisfied that Celgard had adduced sufficient evidence to establish a serious issue to be tried as to whether its trade secrets had been used in the development and manufacture by Senior of battery separators since the time of Dr Zhang's arrival as its employee and that, if that was the case, there could be no real dispute, at least as a matter of English law, that there was a serious case to be tried on Celgard's claims both under the TSR and also for breach of confidence in equity.<sup>2</sup> Further, English law was the applicable law<sup>3</sup> and

England was the proper forum for the present dispute.<sup>4</sup> No harm was sustained by Celgard as a result of the mere manufacture of infringing goods, which may never have been sold in competition with Celgard. The manufacture in China was no more than an event giving rise to the damage. The damage occurred in England because it was in England that Celgard would lose its contract of sale with the UK customer by reason of Senior's ability to compete through the misuse in its manufacturing process of Celgard's trade secrets. Even had the court not reached that conclusion, it would have had substantial concerns as to whether Celgard could have obtained substantial justice in China. If it were to formulate its dispute by reference to the issues it wished to have determined in England, the expert evidence was clear that the proceedings would be likely to be struck out in China for want of jurisdiction. There was also evidence that China's intellectual property laws and legal procedures in relation to such disputes were still developing.

H12. As to injunctive relief, Trower J had held that damages would be extremely difficult to quantify and would not be an adequate remedy for Celgard. Although there was a broad equivalence on the direct and immediate loss the parties may each suffer for failing to win the contract with the UK customer and there was no particular reason why those losses should not be relatively straightforward to estimate and damages be an adequate remedy, this was not the case in relation to any additional losses. Further, there was a material risk that irreversible price erosion would occur if no injunction was granted. Had there been any substance in the delay point which Senior had taken, Senior's conduct at the time of Celgard's initial application for interim injunctive relief outweighed that consideration.

H13. On appeal to the Court of Appeal, Senior argued inter alia, that the judge had erred in finding that there was a serious issue to be tried on each of Celgard's claims. This conclusion had not been open to him because Celgard had not identified the trade secrets which it contended had been misused. This failure had been compounded by Celgard's failure to disclose copies of its Bills of Materials, Standard Operating Conditions or Standard Operating Procedures. Celgard must have some idea as to what had allegedly been misused otherwise its claim would be speculative. Celgard did not dispute that, with the one exception (i.e. the use of \*5 specific binders in the coating slurries used as part of the ceramic coating process),

it had not pleaded either the particular properties required in the manufacture of its battery separators and coatings or in the final products, or the specific combinations of materials processes and equipment configurations used to achieve those properties (“the recipes”), as opposed to the nature of those recipes and the documents in which they were recorded. It pointed out that Senior did not dispute the recipes of this kind could in principle be trade secrets and contended that it had provided the best particulars it could at this stage. It was Senior’s fault that it could not provide more. It would provide better particulars at a later stage, which was sufficient to discharge its disclosure obligations. In particular, Senior’s conduct meant that it had been unable to inspect or analyse the shipment and once it had been able to do so, it would be able to provide more. In any event, it had sufficiently particularised its case in relation to the binder and that was enough.

H14. As to applicable law, Senior argued that confidential information was intangible property and that damage to intangible property was located at the time and place it became irreversible. This being so the judge had erred in law and should have concluded that the applicable law was Chinese law. Senior also argued that, when seeking to determine whether the acquisition of a trade secret was unlawful for purposes of art.4(5) of the Trade Secrets Directive, it was the law of the place where the secret had been acquired (here China) which applied. Article 4(5) read together with art.4(3)(a) of that directive amounted to an implicit choice of law rule. Further, Chinese law was clearly the applicable law in relation to the Vicarious Claim.

H15. Relying upon the decision in the *Harrods* case,<sup>5</sup> Senior also argued that the judge had mis-characterised the dispute when assessing the proper forum. He should have characterised it as a dispute concerning the manufacture of battery separators by Senior in China, allegedly using Celgard’s trade secrets disclosed by Dr Zhang in China and had instead been distracted by the fact that Celgard had limited its claim to remedies for acts done in England when those acts were a minor part of the alleged wrongdoing. Celgard could and should have brought a claim for unfair competition in China, which would give it substantial justice because, if successful, it would be able to cut off supplies at source.

H15.

H16. **Held** , dismissing the appeal,

*The Trade Secrets Directive and the Regulations*

H17. (1) In its contemporary incarnation, the doctrine of misuse of confidential information was all about the control of information and it was a species of unfair competition. These points applied with particular force to trade secrets, which were to be distinguished from other confidential information not only in that a former employee could be restrained from using or disclosing them after the termination of employment but now also in that they were subject to the Trade Secrets (Enforcement etc,) Regulations 2018 (“the Regulations”) and European Parliament and Council Directive (EU) 2016/943 (“the Trade Secrets Directive”). ([23], [24])

H17. *Douglas v Hello! Ltd (No.3) (also known as OBG Ltd v Allan) [2007] UKHL 21; [2008] 1 A.C. 1; [2007] E.M.L.R. 12* , HL; *Faccenda Chicken Ltd v Fowler [1987] Ch. 117; [1986] 3 W.L.R. 288; [1986] F.S.R. 291 \*6* , CA and *Lancashire Fires Ltd v SA Lyons & Co Ltd [1996] F.S.R. 629* , CA, referred to.

H18. (2) The Trade Secrets Directive harmonised the protection against the unlawful acquisition, use and disclosure of trade secrets in the European Union but was non-exhaustive. It provided that Member States could provide more far-reaching protection provided compliance with a number of provisions of that directive was ensured. It did not create a species of intellectual property right but formed part of the law of unfair competition and it took precedence over the European Parliament and Council Directive 2004/48/EC (“the IP Enforcement Directive”) where it overlapped. ([25], [26])

H19. (3) Regulation 3 of the Regulations appeared to have been primarily intended to ensure that, if and insofar as English law had previously been more favourable to the trade secrets holder, that greater level of protection would continue insofar as consistent with the safeguards which the Trade Secrets Directive required. Further,



English law had to be interpreted and applied consistently with the directive despite the failure of the UK to transpose arts 3, 4 or 5. ([29])

*Serious issue to be tried*

H20. (4) The judge had been correct to conclude that Celgard had established a serious issue to be tried despite its failure to particularise its secrets other than in relation to the binder at this stage. The case on the binder had been adequately pleaded and there was no basis for impeaching the judge's conclusion that the evidence established a serious issue to be tried in relation to it. Further, the form of the injunction was plainly intended to ensure that Senior knew what it could not do and not to require the determination of issues arising at trial in order to establish whether or not it had been complied with. The scope of the injunction was a matter for the discretion of the judge and no basis had been established to interfere with it. ([47])

H20. *Ocular Sciences Ltd v Aspect Vision Care Ltd (No.2) [1997] R.P.C. 289* , Pat. Ct and *CMI Centers for Medical Innovation GmbH v Phytopharm Plc [1999] F.S.R. 235* , Ch D, considered.

H20. *VTB Capital Plc v Nutritek International Corp [2013] UKSC 5; [2013] 2 A.C. 337; [2013] 2 W.L.R. 398* , SC and *Staver Co Inc v Digitext Display Ltd [1985] F.S.R. 512* , Ch D, referred to.

H21. (5) Although it was unnecessary to reach a conclusion on the point at this stage, Celgard's argument that it had given sufficient particulars of its other trade secrets had merit. What amounted to sufficient particularisation depended upon the circumstances of the individual case and a lesser degree of particularisation may be acceptable at the outset of a case than at its later stages. Moreover, it was relevant to take into account the claimant's ability to provide further particulars and the extent to which it had been hampered by obstructiveness, or at least non-cooperation, on the part of the defendant. In the circumstances of the present case Celgard had done enough for now, although it would undoubtedly have to give further particulars at a later stage. ([48])

H22. (6) (*Obiter* ) Celgard did not appear to have a real prospect of success in obtaining an injunction to restrain importation or to recover damages or profits in respect of importation by virtue of its Vicarious Claim as this was solely concerned

with Dr Zhang's disclosure of its trade secrets to Senior in China. However Senior had \*7 accepted that if Celgard was given permission to serve out in respect of the Direct Claim, it should have permission in respect of the Vicarious Claim too. ([49])

### *Applicable law*

H23. (7) Under art.4(1) of Regulation (EC) 864/2007 ("Rome II"), the applicable law was the law of the country in which the damage occurred, not the country in which the event giving rise to the damage occurred or in which indirect consequences of that event occurred. Thus, the connecting factor was the direct damage caused by the wrongdoing. ([54])

H23. *Lazar v Allianz SpA (C-350/14) EU:C:2015:802; [2016] 1 W.L.R. 835*, CJEU, referred to.

H24. (8) Senior's argument that confidential information was intangible property, that damage to such property was located at the time and place it became irreversible and that accordingly the applicable law was Chinese law was rejected and accordingly, it was probable that the applicable law, at least in the case of the Direct Claim, was English law:

- (i) Confidential information was not property. Further, the Trade Secrets Directive recognised trade secrets as a particular species of unfair competition.
- (ii)&(iii) As to the authorities cited by Senior, one did not concern confidential information and the other did not concern art.4(1) of Rome II and had not considered the relevant case law.
- (iv) The contention that it was desirable to locate the direct damage caused by misuse of confidential information in a single country was contrary to the approach laid down by both arts 4 and 6 of the Rome II Regulation.
- (v) The act of unfair competition the subject of the Direct Claim was the importation into, and marketing in the United Kingdom of, infringing goods and so that was the market affected by that act and where the direct damage was sustained. This same analysis did not apply to the Vicarious Claim but this did not matter as the Direct Claim was the main claim.
- (vi) The above analysis was consistent with the distinction between direct and indirect damage which had been drawn in the *Kitechnology* case.
- (vii) Further, Senior's argument would lead to an improbable result, namely that where goods were manufactured in the misuse of trade secrets in a country

X with weak trade secrets protection and then put on the market in an EU country, it would be the law of country X which would apply. This was an improbable result given that the Trade Secrets Directive was designed to strengthen protection against misuse of trade secrets “whether from within or from outside the Union” and specifically contemplated the prohibition of the importation of goods into the European Union. ([57]–[64], [69], [74])

H24. *Fortress Value Recovery Fund I LLC v Blue Skye Special Opportunities Fund LP* [2013] EWHC 14 (Comm) , QB and *Ashton Investments Ltd v OJSC Russian Aluminium (Rusal)* [2006] EWHC 2545 (Comm) , QB, distinguished.

H24. *Kitechnology BV v Unicor GmbH Plastmaschinen* [1995] F.S.R. 765 , CA, referred to.

H25. (9) It was not necessary at this stage to reach a conclusion as to the law to be applied when determining whether a trade secret had been acquired “unlawfully” \*8 for purposes of art.4(5) of the Trade Secrets Directive, but the provisional view of the court was that this was to be determined by the applicable law under Rome II. There was nothing in the Trade Secrets Directive to indicate that it was intended to include a choice of law rule and it was doubtful that EU law could be the applicable law given the terms of arts 1(1), 3(2) and 5(3) of that directive. However, this was a question which may well have to be answered (for Member States of the EU) by the Court of Justice of the European Union in due course. It was also doubtful that it was consistent with the objectives of the directive to apply to that question the law of the place where the trade secrets were acquired if that was different to the law which would be applied by Rome II. ([65]–[67])

H26. (10) As to the Vicarious Claim, given the way this had been formulated it was difficult to escape the conclusion that the applicable law was Chinese law because the direct damage sustained by Dr Zhang’s disclosure to Senior, if any, was sustained in China. ([68])

### *Proper forum*

H27. (11) When assessing whether England was clearly or distinctly the appropriate forum for the trial of the dispute, regard had to be had to the totality of the dispute, including where necessary the defendant’s answer to the claim. ([71])

H27. *Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd* [2011] UKPC 7; [2012] 1 W.L.R. 1804 , SC; *Huawei Technologies Co Ltd v Conversant Wireless Licensing SARL* [2019] EWCA Civ 38; [2019] R.P.C. 6 , CA and *Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd* [2020] UKSC 37 , SC, referred to.

H28. (12) The reasoning in the *Harrods* case did not show that the judge had wrongly characterised the dispute in the present case. He had focused on the substance of the dispute raised by the Direct Claim and correctly concluded that it was a dispute about whether Celgard’s UK market for battery separators had been (or would be if not restrained) damaged by the importation into, and marketing in the UK of what were alleged to be infringing goods. Thus, the location of the wrongful acts and of the loss, as well as the probable applicability of English law, pointed to England as being the appropriate forum. ([78])

H28. *Harrods (Buenos Aires) Ltd (No.2), Re* [1992] Ch. 72; [1991] 3 W.L.R. 397 , CA, distinguished.

H29. (13) Further, the judge’s characterisation was also supported by the subsequent decision of the Supreme Court in *Unwired Planet* . Information had no *situs* . However, it did not follow that the legal rights to control it had no *situs* . Celgard’s claims in this case, particularly the Direct Claim, involved its rights under the applicable law, which was probably English law. These were distinct from any rights it may have had under Chinese law. ([79]–[81], [85])

H29. *Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd* [2020] UKSC 37 , SC, considered.

### **H30 Cases referred to:**

*Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd* [2011] UKPC 7; [2012] 1 W.L.R. 1804 , SC

*Ashton Investments Ltd v OJSC Russian Aluminium (Rusal)* [2006] EWHC 2545 (Comm) , QBD \*9

*Attorney General v Observer Ltd (“Spycatcher”)* [1990] 1 A.C. 109; [1988] 2 W.L.R. 805; [1989] 2 F.S.R. 181 , HL

*Campbell v Mirror Group Newspapers Ltd* [2004] UKHL 22; [2004] 2 A.C. 457; [2004] E.M.L.R. 15 , HL

*Celgard LLC v Shenzhen Senior Technology Material Co Ltd* [2020] EWHC 2072 (Ch); [2020] F.S.R. 37 , Ch D

*CMI Centers for Medical Innovation GmbH v Phytopharm Plc* [1999] F.S.R. 235 , Ch D

*Coco v AN Clark (Engineers) Ltd* [1968] F.S.R. 415; [1969] R.P.C. 41 , Ch D

*Douglas v Hello! Ltd (No.3) (also known as OBG Ltd v Allan)* [2007] UKHL 21; [2008] 1 A.C. 1; [2007] E.M.L.R. 12 , HL

*Faccenda Chicken Ltd v Fowler* [1987] Ch. 117; [1986] 3 W.L.R. 288; [1986] F.S.R. 291 , CA

*Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch); [2012] R.P.C. 29 , Ch D

*Fortress Value Recovery Fund I LLC v Blue Skye Special Opportunities Fund LP* [2013] EWHC 14 (Comm); [2013] 1 All E.R. (Comm) 973 , QBD

*Harrods (Buenos Aires) Ltd (No.2), Re* [1992] Ch. 72; [1991] 3 W.L.R. 397 , CA

*Huawei Technologies Co Ltd v Conversant Wireless Licensing SARL* [2019] EWCA Civ 38; [2019] R.P.C. 6 , CA

*Kitechnology BV v Unicor GmbH Plastmaschinen* [1995] F.S.R. 765 , CA

*Lancashire Fires Ltd v SA Lyons & Co Ltd* [1996] F.S.R. 629 , CA

*Lazar v Allianz SpA (C-350/14)* EU:C:2015:802; [2016] 1 W.L.R. 835 , CJEU

*Lungowe v Vedanta Resources Plc* [2019] UKSC 20; [2019] 2 W.L.R. 1051 , SC

*Ocular Sciences Ltd v Aspect Vision Care Ltd (No.2)* [1997] R.P.C. 289 , Pat Ct

*Staver Co Inc v Digitext Display Ltd* [1985] F.S.R. 512 , Ch D

*Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd* [2020] UKSC 37 , SC

*VTB Capital Plc v Nutritek International Corp* [2013] UKSC 5; [2013] 2 A.C. 337; [2013] 2 W.L.R. 398 , SC

### **H31 Legislation referred to:**

Trade Secrets (Enforcement, etc) Regulations 2018, regs 2, 3

European Parliament and Council Directive (EU) 2016/943 (“the Trade Secrets Directive”), recitals (2), (4), (16), (17) , (28) and (39) and arts 1(1), 1(3), 2, 3(1) (d), 3(2), 4, 5(d), 9(2)

European Parliament and Council Regulation (EC) 864/2007 (“Rome II”), recital (16), arts 4, 6, 8, 15(g)

European Parliament and Council Directive 2004/48/EC (“the IP Enforcement Directive”)

Brussels Convention 1968, art.5(3)

Paris Convention for the Protection of Industrial Property, art.10 *bis*

Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), art.39

Civil Procedure Rules, r.6.37(3) and Practice Direction 6B para.3.1(11)

## H32 Representation

Nicholas Saunders QC and Max Schaefer , instructed by Bird & Bird LLP , appeared for the claimant/respondent. *\*10*

James Abrahams QC and Josephine Davies , instructed by Taylor Wessing LLP , appeared for the defendant/appellant.

## Judgment

Arnold LJ:

## Introduction

1. This is an appeal by Shenzhen Senior Technology Material Co Ltd (“Senior”), a company incorporated in the People’s Republic of China, against an order made by Trower J on 6 August 2020 granting Celgard, LLC (“Celgard”), a company incorporated in the State of Delaware, and based in the State of North Carolina, in the United States of America, (i) permission to serve the claim form in the proceedings on Senior outside the jurisdiction of the courts of England and Wales and (ii) an interim injunction to restrain Senior from importing battery separator film into, or marketing such battery separator film in, the United Kingdom. Celgard alleges that the importation and marketing by Senior of such battery separator film involves the misuse of Celgard’s trade secrets.

2. Senior contends that the judge fell into error in concluding, first, that Celgard had established a serious issue to be tried assuming that English law applies to

its claim and, secondly, that England is the proper forum to try the claims. The first conclusion involved an assessment of extensive factual and expert evidence served by the parties, while the second involved a multi-factorial evaluation of the factors connecting the claim to England rather than China. At first blush, these are unpromising conclusions for a party to seek to challenge on appeal. Senior contends, however, that the judge made three errors of principle which require this Court to intervene: first, he failed to recognise that Celgard had not identified the alleged trade secrets it alleged had been misused; secondly, he wrongly accepted that, by limiting its claims to remedies in respect of acts in the UK, Celgard could establish the requisite degree of connection to England; and thirdly, he wrongly concluded, as part of his consideration of the proper forum, that the law applicable to Celgard's claims was English law when he should have concluded that it was Chinese law.

3. Although logically the issue as to the applicable law might be said to come first, the parties argued it last. For my part, I shall consider it second.

### **Factual and procedural background**

4. The factual and procedural background to the matter is set out in the judge's detailed and careful judgment dated 30 July 2020 ([2020] EWHC 2072 (Ch); [2020] F.S.R. 37). For the purposes of this appeal, the following brief summary will suffice.

5. Both Celgard and Senior make battery separators. Celgard does so in the US, while Senior does so in China. Battery separators are used in lithium-ion batteries to separate the anode and the cathode of the battery. They can be classified as wet separators or dry separators, depending on the way in which they are made. Dry battery separators, which are the type with which these proceedings are concerned, are highly engineered sheets of microporous polymer which may be coated on one or both sides. They are critical to the performance, product life and safety of batteries, because they allow ions to flow between the electrodes, but prevent the *\*II* electrodes coming into contact, which can cause the cell to short circuit

and overheat. Both companies supply their separators to battery manufacturers, including manufacturers of batteries for electric vehicles.

6. From July 2005 to October 2016 Dr Zhang Xiaomin (a.k.a. Steven Zhang) was employed by Celgard successively as Staff Engineer, Technical Associate and Polypore Fellow (Celgard being a subsidiary of a company which is now Polypore International, LP) on terms that included a written Confidentiality and Nonsolicitation Agreement (“the NDA”). As such, Celgard says that Dr Zhang had access to a body of trade secrets concerning its battery separators.

7. Celgard’s evidence is that, when Dr Zhang left Celgard, he told its then Chief Operating Officer (now President), Lie Shi, that he was going to work for General Electric (“GE”) in California, which does not compete with Celgard in the field of battery separators, but it later transpired that he had in fact joined Senior in China, where he was using the false name “Bin Wang”.

8. Although Dr Zhang says that he only told Mr Shi that a move to GE was one of his possible options, Senior has admitted that it asked Dr Zhang to use a different name in order to avoid drawing Celgard’s attention to his work for Senior. In addition, Dr Zhang has admitted that, although he told Mr Shi of the possibility of a move to GE in August 2016, he did not at the same time say that he was also thinking of a return to his native China, a step which he took when he accepted an offer from Senior in January 2017.

9. When Mr Shi was at a trade fair 18 months later, he asked a representative of Senior about Dr Zhang, because he had heard rumours that Dr Zhang was working for them. His evidence is that he was told that nobody of that name worked for Senior. It is Senior’s case that their employees were approached by Mr Shi with a request for a meeting with Dr Zhang; they simply told him that Dr Zhang was not there. Afterwards, Dr Zhang contacted Mr Shi and said that he was not working on battery separators, but on reverse osmosis. Celgard contends that the untruthfulness



of this became apparent when a picture was published of Dr Zhang at a visit made by Senior employees to Panasonic.

10. Senior sought to explain its behaviour by characterising Celgard as an aggressive litigator, but the judge's assessment was that the evidence relied upon by Senior did not bear this out.

11. Prior to the commencement of these proceedings, Celgard believed that it was on the point of concluding a contract with a UK manufacturer of lithium-ion batteries ("the UK Customer") for the supply of a battery separator to the UK Customer. The UK Customer makes batteries for a well-known manufacturer of electric vehicles. During the course of the negotiations for that contract, Celgard learnt that the UK Customer might be starting the process of evaluating the suitability of a battery separator manufactured by Senior. This could lead to Senior becoming "qualified" for the purpose of supplying its separator to the UK Customer. Celgard is concerned that qualification can only be achieved by Senior with the assistance of Celgard's trade secrets, the misuse of which will facilitate the ability of Senior to enter the UK market by undercutting Celgard. Its case is that, if it then loses the contract with the UK Customer, it will suffer damage that will be very difficult to quantify.

12. On 30 April 2020 Celgard applied, formally without notice, but on informal notice to Senior, for an interim injunction. On 7 May 2020 Mann J made an order until 21 May 2020 or further order that Senior "shall not make, offer, put on the \*12 market, import, export or store for any of those purposes the Battery Separator in the United Kingdom". Battery Separator was defined to mean all battery separator film to be supplied to the UK Customer. At the time this application was made, Celgard understood that the shipment was about to be made. It subsequently transpired that the shipment had in fact been delivered to the UK Customer before the injunction was granted. The judge found that the impression given by Senior's correspondence prior to the application was wholly misleading.

Fortunately, no damage was done, because the UK Customer agreed to deliver the shipment into the custody of Celgard's solicitors, where it remains.

13. The injunction was continued by consent until the determination of Celgard's application for an interim injunction. Sensibly, that application was heard together with Celgard's application for permission to serve the claim form outside the jurisdiction. The injunction granted by Trower J was in the same form as that granted by Mann J.

14. For reasons that have not been explained, Celgard did not issue its claim form until 4 August 2020. The claim form has not yet been served, since Senior's present stance is that, even though it has instructed English solicitors, it declines to instruct them to accept service, but insists upon service under the Hague Convention, a process which it is estimated will take up to 12 months to complete, and since the judge refused an application by Celgard for permission to serve the claim form by an alternative means.

15. Celgard has brought proceedings against Senior and Dr Zhang for misuse of trade secrets before the District Court of the Western District of North Carolina, while Senior has brought proceedings against Celgard and others for what we were told amounts to a declaration of non-infringement before the Shenzhen Intermediate People's Court. It is not necessary to say anything more about these proceedings save that they confirm the multi-national nature of the dispute.

## **Celgard's claims**

16. Celgard's claims are now set out in Particulars of Claim dated 11 August 2020 and a Confidential Annex thereto. The final version of the Particulars of Claim and Confidential Annex do not differ materially from the drafts which were before the judge. Celgard's case is pleaded in the Particulars of Claim on the assumption

that the applicable law is English law. Celgard advances two claims, referred to in argument as the Direct Claim and the Vicarious Claim.

17. The Direct Claim is a claim that Senior is liable for importing into, and marketing (or threatening to market) in, the UK battery separators whose design, characteristics, functioning and/or production process benefit significantly from Celgard's trade secrets on the grounds that such acts amount to a breach of an equitable obligation of confidence and/or a breach of [reg.3 of the Trade Secrets \(Enforcement, etc\) Regulations 2018](#) (SI 2018/597) ("the Regulations") which (partially) implement European Parliament and Council Directive 2016/943/EU of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ("the Trade Secrets Directive").

18. The Vicarious Claim is a claim that Senior is vicariously liable for the wrongdoing of Dr Zhang in disclosing Celgard's trade secrets to Senior in breach of an equitable obligation of confidence and/or [reg.3](#) of the Regulations. Although [\\*13](#) Celgard pleads that Dr Zhang was subject to an express contractual obligation of confidence pursuant to the NDA in support of its case that its trade secrets are confidential information, it does not allege breach of the NDA by Dr Zhang.

19. Although Senior has yet to serve its Defence, it has made it clear that it vigorously disputes Celgard's claims. In short, Senior says that it did not acquire any of Celgard's alleged trade secrets from Dr Zhang, but is exploiting its own technology, which was largely, if not entirely, developed before Dr Zhang's arrival.

## **Protection of trade secrets under English law**

### *English law prior to the Trade Secrets Directive*

20. Prior to the implementation of the Trade Secrets Directive in the UK, trade secrets could be protected under English law by contractual and equitable obligations of confidence. Contractual protection is not relevant to this appeal, and therefore I shall say no more about it.

21. The clearest statement of the elements necessary to found an action for breach of an equitable obligation of confidence remains that of Megarry J in *Coco v AN Clark (Engineers) Ltd* [1969] R.P.C. 41 at p.47:

“First, the information itself ...must ‘have the necessary quality of confidence about it’. Secondly, that information must have been communicated in circumstances importing an obligation of confidence. Thirdly, there must have been an unauthorised use of the information to the detriment of the party communicating it.”

22. This statement of the law has repeatedly been cited with approval at the highest level: see Lord Griffiths in *Attorney General v Observer Ltd (“Spycatcher”)* [1990] 1 A.C. 109 at p.268, Lord Nicholls of Birkenhead in *Campbell v Mirror Group Newspapers Ltd* [2004] UKHL 22; [2004] 2 A.C. 457 at [13] and Lord Hoffmann in *Douglas v Hello! Ltd (No.3)* [2007] UKHL 21; [2008] 1 A.C. 1 at [111]. (It is not, however, a complete statement of the ingredients of a successful claim: there is a further requirement, namely that the unauthorised use of information was without lawful excuse.)

23. I would add two points. The first is that, whatever its origins may have been, in its contemporary incarnation the doctrine of misuse of confidential information is, as Lord Hoffmann made clear in *Douglas v Hello!*, all about the control of information. The second is that misuse of confidential information is a species of unfair competition: see art.10 *bis* of the Paris Convention for the Protection of Industrial Property read together with art.39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), and the discussion below of the Trade Secrets Directive and of art.6 of European Parliament and Council

[Regulation 864/2007 of 11 July 2009](#) on the law applicable to non-contractual obligations (“the Rome II Regulation”).

24. These points apply with particular force to trade secrets. Under English law prior to the implementation of the Trade Secrets Directive, trade secrets constituted a particular category of confidential information. The principal distinguishing characteristic of trade secrets, as opposed to other forms of confidential information, was that a former employee could be restrained from using or disclosing their former employer’s trade secrets after the termination of the employment: see in *\*14* particular [Faccenda Chicken Ltd v Fowler \[1987\] Ch. 117; \[1986\] F.S.R. 291](#) and [Lancashire Fires Ltd v SA Lyons & Co Ltd \[1996\] F.S.R. 629](#) . Now, trade secrets are also to be distinguished from other confidential information in that they are subject to the Regulations and the Trade Secrets Directive.

### *The Trade Secrets Directive*

25. The Trade Secrets Directive harmonises the protection against the unlawful acquisition, use and disclosure of trade secrets in the European Union. It is not an exhaustive harmonisation: art.1(1) provides that Member States may provide for more far-reaching protection than that required by the Directive provided that compliance with a number of provisions of the Directive is ensured. Thus the Directive provides both a floor and a ceiling.

26. Although the Trade Secrets Directive has similarities to [European Parliament and Council Directive 2004/48/EC of 29 April 2004](#) on the enforcement of intellectual property rights (“the IP Enforcement Directive”), it is clear from recitals (2), (16), (17) and (39) and art.3(1)(d) that it does not create a species of intellectual property right, but rather forms part of the law of unfair competition. Furthermore, recital (39) states that, where the scope of application of the Trade Secrets Directive overlaps with that of the IP Enforcement Directive, the Trade Secrets Directive takes precedence as *lex specialis* .

27. The following provisions of the Directive are particularly relevant for present purposes:

## **“Article 1**

### *Subject matter and scope*

...

3. Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees. In particular, in relation to the exercise of such mobility, this Directive shall not offer any ground for:

- (a) limiting employees’ use of information that does not constitute a trade secret as defined in point (1) of Article 2 ;
- (b) limiting employees’ use of experience and skills honestly acquired in the normal course of their employment;
- (c) imposing any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.

## **Article 2**

### *Definitions*

For the purposes of this Directive, the following definitions apply:

- (1) ‘trade secret’ means information which meets all of the following requirements: (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) it has commercial value

because \*15 it is secret; (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;

(2) ‘trade secret holder’ means any natural or legal person lawfully controlling a trade secret;

(3) ‘infringer’ means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret;

(4) ‘infringing goods’ means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

### **Article 3**

#### *Lawful acquisition, use and disclosure of trade secrets*

1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:

...

(d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.

### **Article 4**

*Unlawful acquisition, use and disclosure of trade secrets*

1. Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.

2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:

(a) unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced;

(b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.

3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

(a) having acquired the trade secret unlawfully;

(b) being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;

(c) being in breach of a contractual or any other duty to limit the use of the trade secret.

4. The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, *\*16* knew or ought, under the circumstances, to have known that the trade secret had



been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.

5. The production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully within the meaning of paragraph 3.

## **Article 5**

### *Exceptions*

Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

...

(d) for the purpose of protecting a legitimate interest recognised by Union or national law.

## **Article 9**

### *Preservation of confidentiality of trade secrets in the course of legal proceedings*

...

2. Member States shall also ensure that the competent judicial authorities may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret. Member States may also allow competent judicial authorities to take such measures on their own initiative.

The measures referred to in the first subparagraph shall at least include the possibility:

(a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;

(b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons;

(c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted.

The number of persons referred to in points (a) and (b) of the second subparagraph shall be no greater than necessary in order to ensure compliance with the right of the parties to the legal proceedings to an effective remedy *\*17* and to a fair trial, and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.

...”

## The Regulations

28. Although the Regulations implement the Trade Secrets Directive, they do not specifically transpose all of its provisions: in particular, although [reg.2](#) of the Regulations contains definitions which are almost identical to those contained in art.2 of the Directive, the Regulations do not transpose arts 3, 4 or 5 of the Directive. For present purposes, the only provision of the Regulation which it is necessary to set out is [reg.3](#) :

### “Wider protection

- (1) The acquisition, use or disclosure of a trade secret is unlawful where the acquisition, use or disclosure constitutes a breach of confidence in confidential information.
- (2) A trade secret holder may apply for and a court may grant measures, procedures, and remedies available in an action for breach of confidence where the measures, procedures and remedies—
  - (a) provide wider protection to the trade secret holder than that provided under these Regulations in respect of the unlawful acquisition, use or disclosure of a trade secret, and
  - (b) comply with the safeguards referred to in Article 1 of [the Trade Secrets Directive] .
- (3) A trade secret holder may apply for and a court may grant the measures, procedures and remedies referred to in paragraph (2) in addition, or as an alternative, to the measures, procedures and remedies provided for in these Regulations

in respect of the unlawful acquisition, use or disclosure of a trade secret.”

29. It is not necessary for the purposes of this appeal to consider in detail the effect of this curious provision, but it appears to be primarily intended to ensure that, if and insofar as English law prior to the implementation of the Trade Secrets Directive was more favourable to the trade secret holder (as defined in [reg.2](#) and [art.2](#) ) than the minimum level of protection required by the Directive, then that greater level of protection shall continue to be available, but only insofar as is consistent with the safeguards (i.e. for the defendant and third parties) required by the Directive. [Regulation 3](#) does not appear to address the position if the Directive confers greater protection than English law did previously; but presumably English law must, in accordance with well-established principles of EU law, be interpreted and applied, so far as possible, consistently with the Directive despite the failure of the UK to transpose arts 3, 4 or 5 .

### **Serious issue to be tried?**

30. In order to obtain the permission of the court to serve the claim form on Senior out of the jurisdiction in China, Celgard has to establish in respect of each claim *\*18* it advances that: (i) it has a “good arguable case” that one of the jurisdictional gateways set out in para.3.1 of CPR Practice Direction 6B applies; (ii) there is a serious issue to be tried on the merits of its claim; and (iii) England is the proper place in which to bring the claim. Equally, in order to obtain an interim injunction, Celgard must establish that its claims raise a serious issue to be tried. Thus this requirement is common to both of Celgard’s applications, assuming for this purpose that English law is the applicable law as Celgard contends. As is common ground, in both contexts, the requirement for a serious issue to be tried is to be equated with a real (as opposed to a fanciful) prospect of success.

31. The judge concluded that Celgard had established a serious issue to be tried on each of its claims. Senior contends that this conclusion was not open to him because Celgard has not identified the trade secrets which it contends have been misused.

32. It is well established that, in a claim for misuse of trade secrets, it is important for the claimant properly to particularise the information which is alleged to be a trade secret and to have been misused. The reasons for this were clearly and forcefully articulated by Laddie J, who had considerable experience in this field, in two judgments. First, in *Ocular Sciences Ltd v Aspect Vision Care Ltd (No.2)* [1997] R.P.C. 289 he said at pp.359–360:

“The rules relating to the particularity of pleadings apply to breach of confidence actions as they apply to all other proceedings. But it is well recognised that breach of confidence actions can be used to oppress and harass competitors and ex-employees. The courts are therefore careful to ensure that the plaintiff gives full and proper particulars of all the confidential information on which he intends to rely in the proceedings. If the plaintiff fails to do this the court may infer that the purpose of the litigation is harassment rather than the protection of the plaintiff’s rights and may strike out the action as an abuse of process. Such a case was *John Zink Co Ltd v Wilkinson* [1973] F.S.R. 1; [1973] R.P.C. 717 in which the Court of Appeal ordered particulars before defence. The case returned to the High Court on a successful application to strike out. This is reported under the name *John Zink Co Ltd v Lloyds Bank Ltd* [1974] F.S.R. 401; [1975] R.P.C. 385 .

...

The normal approach of the court is that if a plaintiff wishes to seek relief against a defendant for misuse of confidential information it is his duty to ensure that the defendant knows

what information is in issue. This is not only for the reasons set out by Edmund Davies L.J. in *John Zink* [namely, that an allegation of misuse of trade secrets is a serious allegation] but for at least two other reasons. First, the plaintiff usually seeks an injunction to restrain the defendant from using its confidential information. Unless the confidential information is properly identified, an injunction in such terms is of uncertain scope and may be difficult to enforce: .... Secondly, the defendant must know what he has to meet. He may wish to show that the items of information relied on by the plaintiff are matters of public knowledge. His ability to defend himself will be compromised if the plaintiff can rely on matters of which no proper warning was given. It is for all these reasons that failure to give proper particulars may be a particularly damaging abuse of process.” \*19

33. Secondly, in *CMI Centers for Medical Innovation GmbH v Phytopharm Plc* [1999] F.S.R. 235 Laddie J said, when considering an application for an interim injunction, at [27]:

“As to the first of these four matters [namely ‘the plaintiff must identify clearly what is the information he is relying on’], the fact that the proceedings are only at an interlocutory stage does not justify less precision. The defendant must be told what it is he is accused of misusing. He must be told precisely what it is that he will be prevented from doing or using by the injunction sought. This does not mean that the plaintiff is locked into his case at the interlocutory stage. He may find that additional information has been taken or misused by the defendant in which case he will be able to amend his claim to include additional material. He may find that some of the information which he had thought was

confidential is not or has not been used by the defendant. In that case he can restrict his claim. But this does not affect his obligation to set out precisely what, at the interlocutory stage, is the confidential information he wishes to rely on.”

34. There is no dispute that the considerations identified by Laddie J apply with equal force to a claim brought under the Regulations as they do to a claim brought purely in equity.

35. In the present case the trade secrets relied on by Celgard are set out in paras 5–15 of the Confidential Annex. Those paragraphs are structured as follows:

(i) Paragraphs 5–6 address the specific combinations of properties that Celgard requires to be achieved in the manufacture of its battery separators and coatings, and in the final products.

(ii) Paragraphs 7–15 address the production of those separators. They explain that specific combinations of materials, processes and equipment configurations—as it were, specific recipes—are used to achieve each of the particular combinations of properties described in paras 5–6. They further explain that the detail of those recipes are set out in identified categories of documents maintained by Celgard: materials in Bills of Materials (para.9), processes in Standard Operating Procedures (para.10), and equipment configurations in Standard Operating Conditions (paras 11–15).

(iii) The nature of those recipes is particularised in detail. For example, para.5 lists eighteen categories of property included in the product specifications, including Gurley (a measure of air permeability), shrinkage, thickness and basis weight; and para.12 lists around thirty operating condition variables, including annealing string-up, tension stretch profiles, and line speed set.

36. Celgard does not dispute that, with one exception, it has not pleaded the actual recipes, as opposed to the nature of the recipes and the documents in which they are

recorded. The exception is in para.9(4), which states that Celgard’s trade secrets include:

“the make-up of the coating slurries used by Celgard as part of the ceramic coating process, including the use in certain slurries of specific binders made by [Supplier A], in turn including a specific [constituents B and C]-based \*20 binder developed by [Supplier A] in collaboration with Celgard and known as [Code D], and the particular properties of that binder that makes it suitable” [redactions applied].

37. The judge addressed the question of whether there was a serious issue to be tried in his judgment at [23]–[59]. His approach to this question may be summarised as follows:

- (i) First, at [23]–[28], he considered the genesis of the dispute (summarised in [7]–[10] above).
- (ii) Next, at [28]–[31], he considered Senior’s conduct at the outset of this litigation (summarised in [12] above).
- (iii) Against that background, he turned at [32]–[42] to Celgard’s pleaded case. He set out Senior’s argument that the trade secrets allegedly misused had not been identified and Celgard’s response to that argument, which was to accept that its case was imprecise but nevertheless to contend that it was sufficient to establish a serious issue to be tried.
- (iv) He then considered at [43]–[53] a three-stage argument advanced by Celgard in support of its case that the shipment to the UK Customer constituted infringing goods within the meaning of the Regulations and the Trade Secrets Directive. The first stage was to contend that Senior’s share of the dry separator market had gone up sharply after Dr Zhang’s arrival from Celgard. The second stage was to contend that this increase was due to an improvement in the range and quality of Senior’s products. The third stage was to contend that the improvement in quality was as a result of Senior’s acquisition and use of Celgard’s trade secrets through Dr Zhang.



(v) Finally, at [54]–[58], he addressed Celgard’s specific case on the binder referred to in para.9(4) of the Confidential Annex.

(vi) The judge’s overall conclusion, at [59], was that Celgard had adduced sufficient evidence to establish a serious issue to be tried that its trade secrets have been used in the development and manufacture by Senior of battery separators since the time of Dr Zhang’s arrival as its employee.

38. Counsel for Senior submitted to this Court that Celgard’s failure to set out the actual recipes meant that they had not identified the trade secrets relied upon, and that this failure was compounded by Celgard’s failure to disclose copies of the Bills of Materials, Standard Operating Conditions and Standard Operating Procedures, let alone to identify the relevant parts of those documents (although he accepted that Senior had not specifically requested Celgard to do this). Furthermore, he submitted that, despite reciting counsel’s submissions on this issue, the judge had not grappled with them, and in particular had not made any finding that Celgard had adequately identified the trade secrets relied on.

39. At first blush, these are powerful submissions. Counsel for Celgard advanced two main answers to them, however.

40. First, he pointed out that Senior did not dispute that recipes of the kind described in the Confidential Annex could in principle constitute trade secrets, and he submitted that: (i) Celgard had provided the best particulars of the trade secrets it could at this stage; (ii) it was Senior’s fault that Celgard could not provide better particulars; and (iii) Celgard would provide better particulars at a later stage, which was sufficient to discharge its obligations in that respect. *\*21*

41. So far as point (i) is concerned, counsel for Celgard pointed out that it was Celgard’s evidence that Dr Zhang had had access to a wide range of its trade secrets, and he informed this Court on instructions that the documents occupied 20 filing

cabinets (but it is not alleged that Dr Zhang took copies of such documents with him when he left Celgard).

42. As to point (ii), counsel for Celgard relied upon the facts that (a) Celgard had been unable to analyse the shipment from Senior to the UK Customer because Senior had instructed Celgard not to touch it and (b) Senior had served an exhibit (DG2) to one of its witness statements setting out the key to the code used in the shipping documents that accompanied that shipment which Senior had designated “external eyes only”, meaning that it could not be inspected by any representative of Celgard. Counsel for Celgard submitted that this did not comply with art.9(2) of the Trade Secrets Directive (implemented by [reg.10\(6\)](#) of the Regulations), which made it clear that at least one representative from each party had to be included in any confidentiality club (and such a confidentiality club had been established for this case). Be that as it may, counsel for Celgard submitted that not having access to the key to the code had made it difficult for Celgard to be specific about which trade secrets it relied upon.

43. As to point (iii), counsel for Celgard submitted that it would probably be able to provide better particulars once Celgard had been able to inspect DG2 and certainly once it had been able to analyse the shipment. Although he did not commit himself, he appeared to accept that further particulars should be provided before Senior was obliged to give disclosure of documents.

44. Counsel for Senior’s response to all of these points was to point out that Celgard plainly knew what information it claimed to be trade secrets and to argue that Celgard must have some idea as to which had allegedly been misused, otherwise the claim would be speculative. Furthermore, he made the point that the burden lay on Celgard to establish a serious issue to be tried, and it did not lie on Senior to show that there was no such issue: see *VTB Capital Plc v Nutritek International Corp* [2013] UKSC 5; [2013] 2 A.C. 337 at [90] (Lord Neuberger of Abbotsbury).

45. Counsel for Celgard's second main answer was to submit that Celgard had sufficiently particularised its case on the binder in para.9(4) of the Confidential Annex, and that that was sufficient for the purposes of establishing a serious issue to be tried. He pointed out that counsel for Senior had accepted before the judge that the binder was sufficiently identified, and that the judge had concluded, after reviewing the evidence, that Celgard had established serious issues to be tried as to whether use of the binder (or a binder with the properties of that binder) was a trade secret and as to whether Senior were using that binder (or one with equivalent properties).

46. Counsel for Senior's response to this submission was two-fold. First, he challenged the judge's conclusions with respect to the binder. Secondly, he submitted that, in any event, a claim in respect of the binder would not justify an injunction of the breadth that Celgard had sought and obtained.

47. In my judgment the judge was correct to conclude that Celgard had established a serious issue to be tried despite the failure of Celgard to particularise its trade secrets other than the binder at this stage. The case on the binder is adequately pleaded, and I do not accept either of the arguments advanced by counsel for Senior in relation to it. In the first place, neither is strictly open to Senior since neither was the subject of a ground of appeal. Secondly, neither argument is a good one \*22 anyway. Counsel for Senior rightly accepted that he could not ask this Court to review the judge's assessment of the evidence. That being so, there is no basis for impeaching his conclusion that it established serious issues to be tried in relation to the binder. As for the breadth of the injunction, as counsel for Senior accepted, the form of the injunction was plainly intended to ensure that Senior knew what it could not do and not to require the determination of issues arising at trial in order to establish whether or not it had been complied with (see *Staver Co Inc v Digitext Display Ltd [1985] F.S.R. 512* ). The scope of that injunction was a matter for the discretion of the judge, and no basis has been established for this Court to interfere with it.

48. Given that Celgard's case in relation to the binder is adequately pleaded and that Celgard has established a real prospect of success in relation to that case, it is not necessary for me to reach a conclusion with respect to Celgard's argument that it has given sufficient particulars of its other trade secrets at this stage. In my opinion, however, the argument has merit. I do not wish in any way to diminish the importance of proper particulars of trade secrets being provided in cases of this nature. What amounts to sufficient particularisation must depend on the circumstances of the individual case, however. Furthermore, a lesser degree of particularisation may be acceptable at the outset of a case than at later stages of the case. Still further, I accept that it is relevant to take into account the claimant's ability to provide further particulars, and the extent to which the claimant has been hampered by obstructiveness, or at least non-cooperation, on the part of the defendant. In the circumstances of the present case, I consider that Celgard has done enough for now, although it will undoubtedly have to give further particulars at a later stage.

49. I would add by way of a footnote that, as Popplewell LJ pointed out during the course of argument, Celgard does not appear to have a real of prospect of success in obtaining an injunction to restrain importation of infringing goods, or damages or an account of profits in respect of such importation, by virtue of its Vicarious Claim, as opposed to its Direct Claim, for a completely different reason. This is because, as presently formulated, the Vicarious Claim is solely concerned with Dr Zhang's disclosure of Celgard's trade secrets to Senior in China, and not with the subsequent use of those secrets by Senior to manufacture infringing goods, let alone to import them into the UK. Counsel for Senior sensibly accepted, however, that if Celgard was given permission to serve out in respect of the Direct Claim, it should also have permission in respect of the Vicarious Claim.

## **Applicable law**

50. Although, as noted above, Celgard's case on the merits assumes that the applicable law is English law, the issue as to what law is the applicable law was

debated by the parties as a factor in the assessment of the proper forum. Since it stands apart from the other factors, it is convenient to address it separately.

51. As the judge recorded in his judgment, it is common ground that Celgard’s claims fall within the scope of the Rome II Regulation. It is also common ground that the non-contractual obligation on which the claims are based arises out of an act of unfair competition within the meaning of [art.6](#) of the Regulation; and that [art.6\(2\)](#) applies because Celgard’s claims are concerned with an act of unfair competition affecting exclusively the interests of a specific competitor, namely \*23 Celgard. In such circumstances, [art.6\(2\)](#) provides that “Article 4 shall apply”. Article 4 applies even though it is concerned with the law applicable to a non-contractual obligation arising out of a tort/delict, and, as a matter of English law, claims for breach of equitable obligations of confidence are not claims in tort: see *Kitechnology BV v Unicor GmbH Plastmaschinen* [1995] F.S.R. 765 at p.777 (Evans LJ). Finally, it is also common ground that the applicable law will govern, among other things, “liability for the acts of another person”: see [art.15\(g\)](#) .

52. [Article 4\(1\) of the Rome II Regulation](#) provides:

“Unless otherwise provided for in this Regulation, the law applicable to a non-contractual obligation arising out of a tort / delict shall be the law of the country in which the damage occurs irrespective of the country in which the event giving rise to the damage occurred and irrespective of the country or countries in which the indirect consequences of that event occur.”

53. Although art.4(2) and (3) set out two exceptions to art.4(1) , neither party contended that either exception applies in the present case.

54. It can be seen from art.4(1) that the applicable law is the law of the country in which the damage occurs, not the country in which the event giving rise to the damage occurred or the country in which indirect consequences of that event occur. Thus the connecting factor is the direct damage caused by the wrongdoing: see recital (16) and *Lazar v Allianz SpA (C-350/14) EU:C:2015:802; [2016] 1 W.L.R. 835* .

55. Celgard’s case is that art.4(1) leads to English law being the applicable law because the direct damage caused by the wrongdoing it complains of has occurred (and will, if not restrained, continue to occur) in the UK, that being the country into which the infringing goods (namely the shipment to the UK Customer and any future shipments of the same separator) have been (and will be) imported, causing damage to Celgard’s market here.

56. The judge accepted Celgard’s case. Senior contends that he was wrong to do so, and that he should have concluded that the applicable law is Chinese law.

57. Counsel for Senior submitted that confidential information was intangible property and that damage to intangible property was located at the time and place it became irreversible. In support of this argument he relied upon the suggestion made by Andrew Dickinson in *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (OUP, 2008) at 4.68 that the country of damage was “where the confidentiality of the claimant’s information was first compromised and diluted by [the] defendant’s actions”. He also relied upon the similar suggestion made in Dicey, Morris and Collins, *The Conflict of Laws* , 15th edn (Sweet & Maxwell Ltd, 2012), at 35-016 (in a chapter edited by Professor Dickinson) that “[i]n misappropriation cases, it seems appropriate to locate damage at the place

where an asset (tangible or intangible) is taken from the claimant’s control”, a statement cited with apparent approval by Flaux J in *Fortress Value Recovery Fund I LLC v Blue Sky Special Opportunities Fund LP* [2013] EWHC 14 (Comm); [2013] 1 All E.R. (Comm) 973 at [68]. Finally, he relied upon the conclusion of Jonathan Hirst QC in *Ashton Investments Ltd v OJSC Russian Aluminium (Rusal)* [2006] EWHC 2545 (Comm) at [62] that, where confidential information was downloaded from a server in London, the damage occurred in London notwithstanding the fact that the information was transmitted almost instantly to Russia. \*24

58. I do not accept this submission, for a number of reasons. First, confidential information is not property: see *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch); [2012] R.P.C. 29 at [376] and the authorities cited. There is nothing in the Trade Secrets Directive to suggest that trade secrets should be treated any differently in this respect. On the contrary, recital (16) is explicit that “the provisions of this Directive should not create any exclusive right to know-how or information protected as trade secrets”. As noted above, this is one of the indications in the Directive that it does not create a species of intellectual property, but instead recognises a particular species of unfair competition. Moreover, it is precisely for this reason that [art.6 of the Rome II Regulation](#) applies, and hence [art.4](#) applies the *lex loci damni*. (If trade secrets were intellectual property, [art.8](#) of the Regulation would apply the *lex loci protectionis*.)

59. Secondly, *Fortress Value* was not a case concerning confidential information, but one concerning the business and assets of a partnership.

60. Thirdly, the issue in *Ashton Investments* was whether a claim for breach of confidence fell within what is now Practice Direction 6B para.3.1(11), not applicable law under [art.4\(1\) of the Rome II Regulation](#). Furthermore, the defendant did not dispute that confidential information stored on the server was property located in London, and as a result the relevant authorities were not cited.

61. Fourthly, although counsel for Senior argued that it was desirable to locate the direct damage caused by misuse of confidential information in a single country, that is contrary to the approach laid down by both [art.4](#) and [art.6](#) . This was the legislative intention: the European Commission’s Explanatory Memorandum accompanying the proposal for the Rome II Regulation stated at p.11 that the rule in what is now [art.4\(1\)](#)

“entails, where damage is sustained in several countries, that the laws of all the countries concerned will have to be applied on a distributive basis, applying what is known as ‘Mosaikbetrachtung’ in German law” .

Similarly, it stated at p.16 what is now [art.6](#) “provides for connection to the law of ... the market where competitors are seeking to gain the customer’s favour”. It went on to state that it was important that “only the direct substantial effects of an act of unfair competition” should be taken into account in international situations “since anti-competitive conduct commonly has impact on several markets and gives rise to the distributive application of the laws involved”.

62. Fifthly, the act of unfair competition which is the subject of Celgard’s Direct Claim is the importation into, and marketing in, the UK of infringing goods (as defined in reg.2 of the Regulations and art.2 of the Trade Secrets Directive ). That is the market which is affected by that act of unfair competition and that is where the direct damage is sustained. The fact that the infringing goods were manufactured in China is immaterial. I accept that, as counsel for Senior pointed out, this analysis does not apply to the Vicarious Claim. In itself, I do not consider that this matters, given that the Direct Claim is the main claim; but this point is connected with the point concerning [art.4\(5\)](#) of the Trade Secrets Directive considered below.



63. Sixthly, as counsel for Celgard submitted, this analysis is supported by the reasoning of Evans LJ in the *Kitechnology* case. He held that only direct damage was a “harmful event” within the meaning of art.5(3) of the Brussels Convention, and that the plaintiffs in that case could not show direct damage as a result of the alleged misuse of their confidential information. As he explained at p.780: \*25

“I for my part find it impossible to hold that the plaintiffs ... have shown that there has been an ‘harmful event’ in England, in the sense of damage directly caused to them here by the alleged activities of the defendants in Germany. There is no evidence that their commercial interests have suffered in England, as might be the case, for example, if the defendants were alleged to have imported into this country pipes or machinery which they had produced in breach of confidence in Germany or elsewhere.”

The distinction between direct and indirect damage which Evans LJ drew is the same distinction as applies in the context of [art.4 of the Rome II Regulation](#) , and his counter-example of importation into the UK of products manufactured elsewhere by misusing confidential information corresponds precisely to the present case.

64. Seventhly, as counsel for Celgard pointed out, the effect of Senior’s argument is that, where party A based in country X, which has weak trade secrets protection, misuses party B’s trade secrets to manufacture goods, and then puts the goods on the market in an EU country, the law of country X would apply to the exclusion of the law of the EU country. As counsel for Celgard submitted, this is an improbable result given that the Trade Secrets Directive is designed to strengthen protection against misuse of trade secrets “whether from within or from outside the Union” (recital (4)) and that it explicitly contemplates that measures should be granted which include “the prohibition of the importation of [infringing] goods into the Union” (recital (28)). Admittedly, the Rome II Regulation and the Trade

Secrets Directive are different pieces of legislation, but it seems unlikely that one should be interpreted in a way that undermines the objectives of the other unless this is mandated by the wording, which is not the case.

65. Although I do not accept the submission advanced by counsel for Senior, that is not the end of the matter, since it remains necessary to consider a question which was not addressed by either of the parties prior to the hearing before this Court, and was therefore not considered by the judge, which is the effect of art.4(5) of the Trade Secrets Directive . This makes importation of infringing goods an unlawful use of a trade secret “where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully within the meaning of paragraph 3”. One of the possibilities embraced by para.3 is (a), the person “having acquired the trade secret unlawfully”. But what law is to be applied to determine whether it was acquired “unlawfully”?

66. When asked this question, counsel for Senior’s response was that it was the law of the place where the trade secret was acquired (here China), and hence that art.4(5) read together with art.4(3)(a) was an implicit choice of law rule. Counsel for Celgard submitted that “unlawfully” must be given an autonomous interpretation, since these provisions did not refer to national law, and therefore the applicable law was EU law (which also amounts to treating them as implicit choice of law rule). In the alternative, he submitted that the applicable law for this purpose was that determined by the Rome II Regulation, here English law. Although he was not explicit, I understood him to contend that it did not matter whether the law applicable to this issue was EU law or English law, since the substantive content of the law would be essentially the same either way.

67. In my view, this is a very difficult question. It is one which may well have to be answered (for the Member States of the EU) by the Court of Justice of the European Union in due course, and it is one on which I would prefer to have had \*26 the benefit of more considered and detailed submissions. Fortunately, it is not necessary at this stage of the proceedings to reach a conclusion as to the correct answer. My provisional view is that the applicable law is that determined by the

Rome II Regulation. There is nothing in the Trade Secrets Directive to indicate that it is intended to include a choice of law rule; but that is the function of the Regulation. I am doubtful that EU law can be the applicable law given that (i) art.1(1) of the Directive is explicit that national law may, up to a point, confer more far-reaching protection, (ii) art.3(2) provides that the acquisition of a trade secret shall be considered lawful if it is required or allowed by national law and (iii) art.5(d) requires exceptions to protect interests recognised by national law. I am also doubtful, for the reasons explained above, that it is consistent with the objectives of the Directive to apply the law of the country of acquisition if that is different to the law which would be applied by the Regulation.

68. This still leaves the question of what law should be applied to the claim against Dr Zhang which forms the basis for the Vicarious Claim. As noted above, Celgard's case against Dr Zhang is not based on breach of the NDA, which is governed by the law of South (not North) Carolina (a case which would fall within art.4(3)(b) or (c) of the Trade Secrets Directive), even though it relies on the NDA as supporting its case that the trade secrets were confidential, but that he acted in breach of an equitable obligation (a case which falls within art.4(3)(a)). Given the way this claim is formulated, it is difficult to escape the conclusion that the law applicable to it is Chinese law, because the direct damage caused by Dr Zhang's disclosure of trade secrets to Senior, insofar as there was any, was sustained in China. This is unaffected by the fact that, as counsel for Celgard confirmed to the judge, Celgard only seeks relief in respect of the importation and marketing of infringing goods in the UK: that simply reflects the mismatch between the Vicarious Claim and the relief claimed by Celgard noted in [49] above. It would seem odd to apply different laws to Dr Zhang's disclosure of trade secrets on the one hand and Senior's acquisition of those secrets on the other hand, given that these are just different descriptions of the same act as a result of looking at it from different ends of the telescope. The answer to this may be, however, that it is simply a consequence of the way in which different claims involving different primary actors are framed, and that there is nothing wrong in Senior being held liable for its own actions even if it is not liable for the actions of Dr Zhang.

69. I therefore conclude that it is probable that the applicable law, at least in the case of the Direct Claim including the issue arising under art.4(5) of the Directive, is English law.

## Proper forum

70. The court will not give permission to serve the claim out of the jurisdiction “unless satisfied that England and Wales is the proper place in which to bring the claim”: see [CPR r.6.37\(3\)](#) . This means that Celgard must satisfy the court that in all the circumstances England “is clearly or distinctly the appropriate forum for the trial of the dispute, and that in all the circumstances the court ought to exercise its discretion to permit service of the proceedings out of the jurisdiction”: see *Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd* [2011] UKPC 7; [2012] 1 *W.L.R.* 1804 at [71] (Lord Collins of Mapesbury). \*27

71. The “dispute” for this purpose is not restricted to an analysis of the claim and the relief sought by the claimant: one must have regard to the totality of the dispute, including where necessary the defendant’s answer to the claim: see *Huawei Technologies Co Ltd v Conversant Wireless Licensing SARL* [2019] EWCA Civ 38 at [32]–[35] (Floyd LJ) and *Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd* [2020] UKSC 37; [2018] R.P.C. 20 at [94] (Supreme Court).

72. The factors involved in identifying the proper forum were conveniently summarised by Lord Briggs of Westbourne in *Lungowe v Vedanta Resources Plc* [2019] UKSC 20; [2019] 2 *W.L.R.* 1051 at [66]:

“The best known fleshed-out description of the concept is to be found in Lord Goff of Chieveley’s famous speech in the *Spiliada case* [1987] AC 460 , 475–484, summarised

much more recently by Lord Collins JSC in the *Altimo case* [2012] 1 WLR 1804 , para 88 as follows: ‘the task of the court is to identify the forum in which the case can be suitably tried for the interests of all the parties and for the ends of justice ...’. That concept generally requires a summary examination of connecting factors between the case and one or more jurisdictions in which it could be litigated. Those include matters of practical convenience such as accessibility to courts for parties and witnesses and the availability of a common language so as to minimise the expense and potential for distortion involved in translation of evidence. Although they are important, they are not necessarily conclusive. Connecting factors also include matters such as the system of law which will be applied to decide the issues, the place where the wrongful act or omission occurred and the place where the harm occurred.”

73. Senior accepts that the judge directed himself correctly as to the law, and that he considered the various connecting factors identified by the parties before concluding that England was the proper forum for the dispute. Senior also accepts that that was an evaluative conclusion which cannot be reconsidered by this Court unless Senior can demonstrate that the judge made an error of principle.

74. Senior contends that the judge did make two errors of principle. The first I have already addressed, namely in concluding that the applicable law was English law, and therefore a factor connecting the claim to this forum. As to that, I have concluded that the judge was probably right, at least in relation to the Direct Claim, which is the main claim.

75. Secondly, Senior contends that the judge erred in the way in which he characterised the dispute for the purposes of his consideration of the proper forum.

The judge characterised the dispute at [74] as “whether Senior’s efforts to compete with Celgard for the UK Customer’s business in England are tainted by the use of Celgard’s trade secrets in the product sought to be sold”. Senior submits that it should be characterised as a dispute concerning the manufacture of battery separators by Senior in China, allegedly using Celgard’s trade secrets disclosed by Dr Zhang in China. Senior argues that the judge was distracted by Celgard’s limitation of its claim to remedies for acts done in the UK, when those acts were a minor part of the alleged wrongdoing, the principal part of which occurred in China, and involved Chinese witnesses and documents. Celgard could and should bring a claim for unfair competition in China. That would give Celgard substantial justice because, if that claim was successful, Celgard could obtain both an injunction \*28 to restrain manufacture in China, which would cut off the supply of infringing goods at source, and damages.

76. In support of this argument, counsel for Senior relied upon the decision of this Court in *Harrods (Buenos Aires) Ltd (No.2), Re* [1992] Ch. 72; [1991] 3 W.L.R. 397 . In that case Ladenimor SA, a company incorporated in Switzerland, owned 49% of the shares in the subject company, which was incorporated in England, but whose business was carried on exclusively in Argentina and whose central management and control was exercised in that country. 51% of the shares were owned by Intercomfinanz SA, another company incorporated in Switzerland. Ladenimor alleged that the affairs of the English company were being conducted in a manner unfairly prejudicial to it and brought a petition under ss.459 and 461 of the Companies Act 1985 for an order that Intercomfinanz purchase its shares in the English company, alternatively an order that the English company be wound up compulsorily under the Insolvency Act 1986 . By statutory rules the English company was a necessary party to the proceedings. The registrar having given permission pursuant to RSC Order 11, r.1, the petition was served on Intercomfinanz out of the jurisdiction. Intercomfinanz applied for orders that the registrar’s order and service of the petition be set aside and that the petition be stayed on the ground that Argentina was a more appropriate forum for the trial of the issues raised. Harman J held that it was “blindingly obvious” that England was the proper forum for the claim, because it concerned the regulation of an English company. The Court of Appeal (Stocker and Bingham LJJ, Dillon LJ dissenting) allowed Intercomfinanz’s appeal.

77. As counsel for Senior pointed out, the majority held that Harman J had fallen into error because his characterisation of the dispute had pre-empted the answer as to the appropriate forum. Moreover, he had wrongly focused on the remedy claimed by Ladenimor, and in particular the remedy of an order for a buy-out, it being common ground that that remedy would not be available if Ladenimor brought a claim in Argentina and the court applied Argentinian law (as it appears to have been assumed it would do). When one considered the dispute, however, it was all about what had been done in Argentina, and that was where the witnesses (who mainly spoke Spanish) and the documents (which were in Spanish) were. Thus the connecting factors pointed overwhelmingly to Argentina being the appropriate forum. The remedies available to Ladenimor in Argentina went to the question of whether it could obtain substantial justice there. The non-availability of the remedy of a buy-out did not lead to the conclusion that Ladenimor could not obtain substantial justice in Argentina, because it could obtain damages and an order for winding up.

78. In my judgment the reasoning in the *Harrods* case does not show that the judge wrongly characterised the dispute in the present case. The judge did not pre-empt the identification of the appropriate forum by characterising the dispute in a way that only admitted of one answer to that question. Nor did he focus on the remedies claimed by Celgard. Rather, he focused on the substance of the dispute raised by Celgard's main claim, the Direct Claim. As he correctly concluded, that is a dispute about whether Celgard's UK market for battery separators has been (or would be, if not restrained) damaged by the importation into, and marketing in, the UK of what are alleged to be infringing goods. Thus the location of the wrongful acts and of the loss, as well as the probable applicability of English law, point to England as being the appropriate forum. It is quite true that, as the judge recognised, the \*29 question of whether the goods are infringing goods depends on what was done in China, which involves Chinese documents and witnesses, although the judge considered it probable that Dr Zhang himself had good enough English to give evidence without the assistance of an interpreter. But the dispute also involves American documents and witnesses, because they will speak to whether the information relied upon by Celgard qualifies as trade secrets. Moreover, Senior

had chosen to use two English-speaking expert witnesses based outside China (one in Massachusetts and one in Paris).

79. Furthermore, I accept the submission of counsel for Celgard that the judge’s characterisation of the dispute is supported by the subsequent decision of the Supreme Court in the *Unwired Planet* case. The Supreme Court held that, where the court would otherwise have jurisdiction over claims concerning the infringement and validity of European patents (UK) which are essential to compliance with a telecommunications standard (“standard-essential patents”), it makes no difference that the claimant seeks an injunction to restrain infringement of the patents unless the defendant enters into a global (as opposed to United Kingdom) licence of an international portfolio of patents (including the UK patents) which is compliant with the claimant’s undertaking to the relevant standards setting organisation to license the patents on fair, reasonable and non-discriminatory (FRAND) terms. The Supreme Court rejected a similar argument to that advanced by Senior in the present case for the following reasons:

“95. The question how the dispute should be defined has been the main bone of contention between the parties, both in this court and in the courts below. Is it, as the appellants say, in substance a dispute about the terms of a global FRAND licence, or is it, as the respondent maintains, both in form and in substance about the vindication of the rights inherent in English patents, and therefore about their validity and infringement, with FRAND issues arising only as an aspect of an alleged contractual defence? Thus far the respondent has had the better of that argument, both before the judge and the Court of Appeal. At the heart of the analysis which has thus far prevailed is the recognition that the owner of a portfolio of patents granted by different countries is in principle entitled to decide which patents (and therefore in which country or countries) to seek to enforce, and cannot be compelled to enforce patents in the portfolio granted by other countries merely because a common FRAND defence to the



enforcement of any of them raises issues which might more conveniently be determined in another jurisdiction than that which exclusively regulated the enforcement of the chosen patents.

96. Were it necessary to choose between the rival characterisations of the substance of the dispute, we would have agreed with the choice made by the courts below. But we think, like the judge, that there is a compelling reason why the appellants must fail on this issue which would apply even if the appellants' characterisation had been correct, so that the dispute was in substance about the terms of a global FRAND licence. A challenge to jurisdiction on forum conveniens grounds requires the challenger to identify some other forum which does have jurisdiction to determine the dispute. Even in a case where permission is required to serve out of the jurisdiction, so that the burden then shifts to the claimant to show that England is the more *\*30* appropriate forum, that still requires there to be another candidate with the requisite jurisdiction. In the present case, China is the only candidate which the appellants have put forward. ...

97. After hearing extensive expert evidence, the judge found that the Chinese courts do not, at present, have jurisdiction to determine the terms of a global FRAND licence, at least in the absence of agreement by all parties that they should do so. Even in the event of such an agreement, he described the prospect that the Chinese courts would embark on the exercise as no more than speculative. Notwithstanding the admission of fresh evidence on this issue, the Court of Appeal reached the same conclusion. ...

98. We therefore agree with the judge that the forum conveniens challenge falls at this first hurdle ...”

80. As can be seen, the Supreme Court concluded that China was not an available forum to try the dispute even as characterised by Huawei, and therefore Huawei's challenge fell at the first hurdle. Celgard contends that the same is true of the dispute in the present case (and that the judge so found at [113]), but it is not necessary to consider that contention. It is sufficient to note that the Supreme Court was clear that it would, if necessary, have upheld the lower courts' characterisation of the dispute.

81. Counsel for Senior submitted that the present case was to be distinguished from the *Unwired Planet* case on the grounds that patents are territorial, and that patents covering different territories are independent property rights, whereas this is not true of trade secrets. I do not accept this submission. It is quite true that information not only is not property, but also has no *situs*. It does not follow that legal rights to control information have no *situs*. Celgard's claims in the present case, and in particular the Direct Claim, involve its rights under the applicable law, which I have concluded is probably English law. Those are distinct legal rights from any rights which Celgard may have under Chinese law. I accept that rights in respect of trade secrets do not stand in precisely the same position as patents, because patents are registered rights which are inextricably connected with the country in which they are registered, whereas that is not true of rights in respect of trade secrets. Furthermore, I accept that that is a difference which may well be relevant to questions of jurisdiction, just as the difference between rights in respect of trade secrets and intellectual property rights is relevant to which provision of the Rome II Regulation is applicable. What I do not accept is that this difference means that the judge erred in his characterisation of the dispute for the purposes of considering the proper forum.

## **Conclusion**

82. For the reasons given above, I would dismiss this appeal.

Popplewell LJ:

83. I agree.

Davis LJ:

84. I also agree with the judgment of Arnold LJ. **\*31**

85. On the issue of *forum non conveniens* , I saw force in the arguments of Mr Abrahams by reference to the *Harrods ( Buenos Aires )* case: particularly in circumstances where Celgard has elected to include the Vicarious Claim in these proceedings. But on the whole I think that the answer is to be found in what was said in the *Unwired Planet* case; and I do not think that Celgard is required to be treated, in effect, as having made direct claims of a kind which it in fact has elected not to make in the present proceedings. **\*32**

#### Footnotes

- 1 *Celgard, LLC v Shenzhen Senior Technology Material Co Ltd* [2020] EWHC 2072 (Ch) , reported at [2020] F.S.R. 37, Ch D (Trower J).
- 2 *Shenzhen Senior Technology Material Co Ltd v Celgard, LLC* [2020] EWHC 2072 (Ch); [2020] F.S.R. 37 , Ch D at [59].
- 3 *Shenzhen v Celgard* [2020] F.S.R. 37 at [22] and [83]–[93].
- 4 *Shenzhen v Celgard* [2020] F.S.R. 37 at [112].
- 5 *Harrods (Buenos Aires) Ltd (No.2), Re* [1992] Ch. 72; [1991] 3 W.L.R. 397 , CA.