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**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

**In the Matter of
CERTAIN BONE CEMENTS AND
BONE CEMENT ACCESSORIES**

Investigation No. 337-TA-1175

COMMISSION OPINION

The Commission has determined to affirm, with modifications, the presiding administrative law judge’s (“ALJ”) final initial determination (“FID”) that there has been no violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, by reason of misappropriation of trade secrets, false advertising, or tortious interference. The Commission takes no position on the FID’s domestic industry and injury findings. This opinion sets forth the Commission’s reasoning in support of its determination.

I. BACKGROUND

A. Procedural History

On September 17, 2019, the Commission instituted this investigation based on a complaint filed by Zimmer, Inc. and Zimmer US both of Warsaw, Indiana (collectively, “Zimmer Biomet” or “Complainants”). 84 Fed. Reg. 49764 (Sept. 23, 2019). The complaint accuses the respondents of violating section 337(a)(1)(A)(i) by the importation or sale in the United States of certain bone cements and bone cement accessories by reason of the misappropriation of trade secrets, false advertising, or tortious interference, the threat or effect of which is to destroy or substantially injure an industry in the United States or to prevent the establishment of such an industry. FID at 1; 19 U.S.C. § 1337(a)(1)(A)(i). The named respondents are Heraeus Medical GmbH of Wehrhein, Germany (“Heraeus Germany”) and

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Heraeus Medical LLC of Yardley, Pennsylvania (“HMUS”) (collectively, “Respondents”). 84 Fed. Reg. 49764. The Office of Unfair Import Investigations (“OUII”) is also named as a party. *Id.*

The ALJ held an evidentiary hearing from October 26-30, 2020. FID at 5.

On February 11, 2021, the presiding ALJ issued the FID finding that Respondents did not violate section 337. The FID finds that the Commission has subject matter, personal, and *in rem* jurisdiction. *Id.* at 22. Specifically, the FID finds that Respondents did not contest that the accused products were imported into the United States. *Id.* at 21. The FID further finds that a domestic industry (“DI”) exists. *Id.* at 95-98. The FID also finds that Zimmer failed to prove substantial injury or threat thereof to an industry in the United States. *Id.* at 98-104.

As to the trade secret misappropriation claim, Complainants asserted various categories of commercial trade secrets, which they presented as TS 10, 11, 15, and 28 at the evidentiary hearing. The FID finds that TS 10, 15, and 28 are trade secrets, but that TS 11 is not a trade secret. *Id.* at 23-43. The FID further finds that Respondents did not misappropriate any trade secret, did not engage in false advertising, and did not tortiously interfere with Complainants’ contracts or prospective business relationships. *Id.* at 43-88.

On February 23, 2021, Complainants petitioned for review of the majority of the FID’s findings.¹ Complainants did not petition for review of the FID’s findings on importation,

¹ Complainants’ Petition for Review of the Initial Determination (Feb. 23, 2021) (“Comp. Pet.”).

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jurisdiction, and whether TS 11 is a trade secret. On March 3, 2021, Respondents and OUII filed responses to Complainants' Petition.²

On March 15, 2021, Respondents filed a submission on the public interest pursuant to Commission Rule 210.50(a)(4) (19 C.F.R. § 210.50(a)(4)).³ Complainants and OUII did not file a submission on the public interest. The Commission received no filings in response to its Federal Register notice calling for public interest comments. *See* 86 Fed. Reg. 12029-30 (Mar. 1, 2021).

On April 12, 2021, the Commission determined to review the FID in part. 86 Fed. Reg. 20200-2 (Apr. 16, 2021). Specifically, the Commission determined to review the FID's findings and conclusions as to:

- (1) the alleged misappropriation of the asserted trade secrets, including the finding that Respondents independently developed their own data compilation;
- (2) Respondents' alleged tortious interference with Complainants' prospective business advantages; and
- (3) domestic industry and injury.

Id. The Commission determined not to review the remaining findings in the FID, including the FID's findings of no false advertisement. *See* FID at 58-81. The Commission requested briefing regarding several issues, as follows:

- (A) When evaluating the misappropriation of a trade secret, identify and discuss the proper legal standard for wrongful disclosure or use of a trade secret that is a compilation. Please consider whether any particular amount of disclosure or use is required to support a finding of misappropriation, *i.e.*, de minimis, substantial, or the entirety of the trade secret compilation. Discuss whether there are any differences in the application of the

² Respondents' Response to Complainants' Petition for Review of the Initial Determination (March 3, 2021) ("Resp. Reply"); Office of Unfair Import Investigations' Response to Complainants' Petition for Review of the Initial Determination (March 3, 2021) ("OUII Reply").

³ Respondents' Statement on the Public Interest (March 15, 2021).

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legal standard for disclosure or use if a trade secret compilation includes publicly available information.

(B) Given the legal standard identified in response to (A), please analyze the alleged disclosure and use of TS 10, 15, and 28.

(C) Please discuss and provide a timeline detailing the background and development of Heraeus Medical LLC from 2017 through 2018, including the dates that relevant employees were hired, the relevant employees' positions, the dates of alleged disclosures and/or use of TS 10, 15, and 28, and the dates and relevant facts regarding Respondents' interactions with third parties.

(D) What criteria should the Commission apply to determine whether activities related to meeting FDA requirements constitute activities of a "mere importer"? For example, should one criterion be that the activities are required to be performed in the United States or that the activities differ from those that a wholly domestic company would perform? Please apply the appropriate criteria to the facts of this investigation. Are any of Complainants' FDA-related activities different from what a wholly domestic company would need to undertake? Which, if any, of a Complainants' FDA activities could be conducted abroad?

86 Fed. Reg. at 20201.

On April 30, 2021, the parties filed their opening written submissions on the issues under review and on remedy, public interest, and bonding.⁴ The parties filed replies on May 7, 2021.⁵

B. The Parties

Complainants Zimmer, Inc. and Zimmer U.S., Inc. are related companies and subsidiaries of parent company Zimmer Biomet Holdings, Inc. FID at 7. Zimmer Biomet Holdings, Inc. was created in 2015 as a result of a merger between Zimmer Holdings, Inc. and Biomet, Inc. *Id.*

⁴ Complainants' Brief to the Commission on Issues Under Review, Remedy, and Bonding (Apr. 30, 2021) ("CBr."); Respondents' Opening Brief on Commission's Notice to Review-in-Part the Final Initial Determination (Apr. 30, 2021) ("RBr."); Opening Submission of the Office of Unfair Import Investigations in Response to the Commission's April 12, 2021 Notice (Apr. 30, 2021) ("OUIIBr.>").

⁵ Complainants' Reply Brief to the Commission on Issues Under Review, Remedy, and Bonding (May 7, 2021) ("CBr. Reply"); Respondents' Response to Complainants' and Staff's Briefs on the Commission's Notice to Review-in-Part the Final Initial Determination (May 7, 2021) ("RBr. Reply"); Reply Submission of the Office of Unfair Import Investigations Pursuant to the Commission's April 12, 2021 Notice (May 7, 2021) ("OUIIBr. Reply").

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Biomet, Inc. was the distributor of Respondents' PALACOS products in the United States from 1996 to 2006, and Zimmer Surgical, Inc. was contracted to distribute the PALACOS products in the United States from 2005 through 2018. *Id.* Complainants are currently responsible for the marketing, distribution, and sales of Zimmer Biomet's bone cements and bone cement mixing and delivery accessories sold in the United States. *Id.* Complainants also manufacture some accessory products, such as Allen Plugs, mixing bowls, mixing systems, centralizers, poly plugs, restrictor plugs, medullary plugs, bone prep kits, curettes, spacer molds, and cement restrictors, in facilities in Warsaw, Indiana and Dover, Ohio. *Id.* at 91-92.

Respondent Heraeus Germany is the successor-in-interest to Heraeus Kulzer GmbH and Kulzer & Co. GmbH, which originally developed Heraeus's bone cements. Heraeus Germany is now responsible for designing, developing, and manufacturing certain PALACOS bone cements and accessory products. *Id.* at 8. HMUS is Heraeus Germany's U.S. affiliate and, since the beginning of 2018, has been responsible for promoting and distributing the PALACOS products in the United States. *Id.* HMUS imports and sells the accused PALACOS bone cements and accessory products in the United States. *Id.*

C. The Asserted Trade Secrets

The three relevant trade secrets are:

Asserted Trade Secret 10 ("TS 10") – Quarterly reports constituting a list of customers, by territory, who purchased Heraeus cements from Zimmer Biomet in that quarter, the full names and delivery addresses of those customers, the types and quantities of the Heraeus cements delivered to those customers, and the prices charged to those customers for the Heraeus cements delivered, as supplied by

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Zimmer Biomet to Heraeus between October 1, 2015, and December 31, 2018, pursuant to, and during the term of, the 2012 Agreement[.]⁶ [(citations omitted)].

Asserted Trade Secret 15 (“TS 15”) – Customer lists related to the sale of PALACOS or bone cement accessory products constituting a compilation of Zimmer Biomet’s bone cement customer identification information (*see* Columns F, G, or H), customer contact information (*see* Columns I, J, K), and one or more of the following: territory names (*see* Columns C, R), product identification information (*see* Columns P, Q, or Z), product quantity (*see* Column S), actual sales price (*see* Column T), average sales price (calculated from actual sales price and quantity sold), and revenue (*see* Column U). [(citations omitted)].

Asserted Trade Secret 28 (“TS 28”) – The compilation of invoice-level sales data, sourced from Zimmer Biomet’s sales of PALACOS between October 1, 2015[,] and January 1, 2018, that is maintained on, and accessible through, Zimmer Biomet’s PROS system, and exported as [REDACTED] (citations omitted)].

FID at 8-9; JX-309C at 1-2.⁷ The FID notes that TS 15 and 28 include information regarding the Mid-Atlantic region of the United States. *Id.* at 46.

In their prehearing and post-hearing briefs, Complainants combined TS 15 and TS 28 into a single asserted trade secret “compris[ing] customer lists related to the sale of PALACOS or bone cement accessory products, including the Excel file named ‘For Peterson.’” *Id.* at 9. Complainants’ analysis and arguments also discussed TS 15 and TS 28 as though they were a single trade secret. The FID and this opinion, therefore, treat TS 15 and TS 28 as a single asserted trade secret (“TS 15/28”). *Id.*

⁶ The U.S. Distribution and Supply Agreement dated January 1, 2012 (“2012 Agreement”) (*see* JX-204C, Section 2.4(c)), obligated Zimmer to [REDACTED] FID at 23. Under the 2012 Agreement, Zimmer also had to [REDACTED] *Id.*

⁷ As noted above, the FID finds that TS 11 is not a protectable trade secret, and Complainants did not seek review of that finding. FID at 39.

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D. The Products at Issue

The products at issue are bone cements and bone cement accessory products. Bone cements are used in hip and knee joint surgeries to help anchor the implanted joint prosthesis to the patient's bone. Complaint at ¶ 19. The technical characteristics of bone cements are not at issue in this investigation.

1. Accused Products

Complainants accused the following Heraeus products: PALACOS R, PALACOS R+G, PALACOS FAST R+G, PALACOS LV, PALACOS LV+G, PALACOS MV, PALACOS MV+G, PALACOS R pro 75, PALACOS R+G pro 75, PALACOS Pro nozzle short, PALACOS Pro nozzle medium, PALAMIX uno, PALAMIX duo, PALABOWL, PALAMIX nozzle slim, PALAMIX nozzle medium, PALAMIX nozzle medium, PALAMIX cement gun, PALAMIX vacuum pump, PALAMIX vac hose, and the COPAL exchange G. FID at 10.

2. Zimmer Biomet's Domestic Products

Complainants relied on the following products to satisfy the domestic industry requirement: Biomet Bone Cement R ("BBCR") and Refobacin Bone Cement R ("RBCR") (collectively, "ZB cements"), and a number of accessory products, including plugs, mixing equipment, prep kits, centralizers, and spacer molds. *Id.* As stated above, Zimmer Biomet manufactures some accessory products, such as Allen Plugs, mixing bowls, mixing systems, centralizers, poly plugs, restrictor plugs, medullary plugs, bone prep kits, curettes, spacer molds, and cement restrictors, in the United States. *Id.* at 91-92

II. COMMISSION REVIEW OF THE FINAL ID

When the Commission reviews an initial determination, in whole or in part, it reviews the determination *de novo*. *Certain Soft-Edged Trampolines and Components Thereof*, Inv. No. 337-TA-908, Comm'n Op. at 4 (May 1, 2015). With respect to the issues under review, "the

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Commission may affirm, reverse, modify, set aside or remand for further proceedings, in whole or in part, the initial determination.” 19 C.F.R. § 210.45(c). The Commission also “may take no position on specific issues or portions of the initial determination,” and “may make any finding or conclusions that in its judgment are proper based on the record in the proceeding.” *Id.*; see also *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421, 1423 (Fed. Cir. 1984).

III. ANALYSIS

The Commission’s findings, conclusions, and supporting analysis follow. The Commission affirms and adopts the FID’s findings, conclusions, and supporting analysis that are not inconsistent with the Commission’s opinion.

A. Trade Secret Misappropriation Issues Under Review

The FID finds that TS 10 and TS 15/28 are trade secrets. FID at 23-43. The FID further finds that there was no misappropriation of any of the asserted trade secrets. *Id.* at 54. The Commission determined to review the FID’s trade secret misappropriation findings. 86 Fed. Reg. at 20201. On review, the Commission affirms the FID’s findings that Respondents did not misappropriate TS 10 or TS 15/28, but with the modified analysis below.

1. The FID’s Trade Secret Misappropriation Findings

The FID finds that TS 10 and TS 15/28 are trade secrets. FID at 23-43. The FID further finds that there was no misappropriation. *Id.* at 54.

a. FID’s Findings Regarding TS 10

For TS 10, the FID finds that Complainants shared the Quarterly Reports with Heraeus Germany under Sections 2.4(c) and 3.1 of the 2012 Agreement, which required Complainants to provide Quarterly Reports and forecasts to Heraeus Germany. *Id.* at 45; JX-204C. The FID further finds that Heraeus Germany was required to [REDACTED]

[REDACTED] *Id.*

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The FID finds that Respondents did not wrongfully disclose TS 10 to third parties. *Id.* at 47. The FID first notes that, because TS 10 is a compilation, “it is the secrecy of the claimed trade secret *as a whole* that is determinative.” *Id.* (quoting Restatement (Third) of Unfair Competition § 39, cmt. f (1995) (emphasis in FID)). The FID finds that “since Complainants relied on a specific ‘comprehensive compilation of customer-specific prices’ to establish the existence of a protectable trade secret, ‘evidence showing anything less than the use of the comprehensive compilation’ is not sufficient for Zimmer Biomet to carry its burden of proving misappropriation.” *Id.* at 47-48 (quoting OUII Post-Hearing Br.⁸ at 37 n.31). The FID further finds that Complainants failed “to present evidence that the entire compilation (or even a majority of information within the compilation) that makes up TS 10 was ever disclosed to any party” and concludes that Respondents did not misappropriate TS 10. *Id.* at 48. In addition, the FID also analyzes why Complainants’ specific allegations fail to show misappropriation of TS 10. *Id.* at 48-52.

b. FID’s Findings Regarding TS 15/28

The FID finds that TS 15/28 was exported when James “Worth” Burns, who was Complainants’ Director of Enterprise Solutions for the Southeastern United States, left Zimmer on December 15, 2017, to become HMUS’s Regional Sales Director of the Mid-Atlantic. *Id.* at 45-46. Mr. Burns exported TS 15/28 and saved the file, named “For Peterson,”⁹ on a USB drive that he took with him when he left Zimmer. *Id.* The FID finds that Mr. Burns violated his employment agreement with Complainants when he took the file. *Id.*

⁸ Commission Investigative Staff’s Initial Post-Trial Brief (Nov. 13, 2020) (“OUII Post-Hearing Br.”).

⁹ A “Mr. Peterson” worked for Zimmer and was responsible for Zimmer’s Mid-Atlantic region. JX-328C (Burns) at 208:7-209:25.

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The FID, however, rejects Complainants' allegations that Mr. Burns used the "For Peterson" file to perform his duties for Respondents and that Respondents are "liable for Mr. Burns' action because he was acting within the scope of his employment." *Id.* at 46. The FID notes that Complainants did not present any evidence showing that Respondents hired Mr. Burns in order to obtain TS 15/28. *Id.* Rather, the FID finds that the evidence shows Respondents had no knowledge of the "For Peterson" file. *Id.* For example, the FID finds that, although Mr. Burns sought employment with Respondents and had been responsible for PALACOS sales in the southeastern part of the United States while employed by Complainants, Respondents did not become aware of Mr. Burns' actions regarding the "For Peterson" file until later litigation in Indiana. *Id.* at 46-47.

Accordingly, the FID finds that Complainants' forensic evidence fails to prove misuse of TS 15/28 by HMUS. *Id.* at 53-54.

c. FID's Findings Regarding Heraeus' Independent Development Affirmative Defense

Heraeus asserts as a defense to trade secret misappropriation that they independently developed their customer lists and pricing. *Id.* at 56. The FID agrees and credits the testimony of Heraeus's witnesses who testified that HMUS spent independent time and effort developing a customer targeting database primarily from the Centers for Medicare & Medicaid Services ("CMS") data and that HMUS was able to independently develop a targeting database after approximately two weeks of work using less than \$7,000. *Id.* The FID dismisses Complainants' arguments that the testimony was incredible speculation. *Id.*

2. Complainants' Petition, Respondents' Response, and OUII's Response

a. Complainants' Petition

Complainants asserted that the FID correctly concludes that TS 10 and 15/28 are

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protectable trade secrets but errs in finding no misappropriation. Comp. Pet. at 5. Specifically, Complainants asserted that the FID makes two material errors: (i) legal error in applying an incorrect legal standard for misappropriation; and (ii) fact errors, including the FID's finding that "evidence showing anything less than the use of the 'comprehensive compilation' is not sufficient for [Complainants] to carry [their] burden of proving misappropriation" and the finding that Complainants failed to meet the incorrect legal standard. *Id.* at 5-6.

Regarding the legal standard, Complainants argued that the FID allegedly uses a "heightened standard for 'use' that departs from the uniform federal standard for misappropriation." *Id.* at 6. They asserted that there should be a low bar for improper use of a trade secret. *Id.* at 6-7.¹⁰ Complainants further argued that the "[a]cquisition or disclosure of a trade secret alone (without use) can constitute misappropriation." *Id.* at 7.

Regarding the FID's alleged factual errors, Complainants argued that the FID should not have considered the compilation nature of the trade secrets and errs in relying on the lack of disclosure of the entire compilation that makes up TS 10. *Id.* at 9 (citing FID at 48). Complainants further argued that the FID also errs in finding that none of Respondents' uses rose to the level of "use of the entire compilation," even though the users possessed and manipulated the entire compilation. *Id.* at 10.

Complainants argued there is no dispute that Mr. Burns misappropriated TS 15/28 by improper acquisition, but the FID erroneously finds that Mr. Burns' misappropriation should not be attributed to HMUS and that there was insufficient evidence of misuse. *Id.* at 26-28 (citing

¹⁰ Complainants cite the following for support: Restatement (Third) of Unfair Competition § 40, cmt. c; 4 Milgrim on Trade Secrets § 15.01(d) ("a trade secret can be unlawfully used in whole or in part or in some variation of the original to benefit the defendant in direct or indirect ways"); and *Crawler Cranes*, Comm'n Op. at 64.

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FID at 45-46). Complainants also argued that the FID errs in finding there was insufficient evidence that HMUS misappropriated TS 15/28. *Id.* at 28-29; FID at 6.

b. Respondents' Response to Complainants' Petition

Respondents argued that the FID correctly concludes that Complainants did not prove misappropriation. Resp. Reply at 5-32. Respondents asserted that Complainants advocated for a double standard – relying on the compilation of TS 10 to prove it is a trade secret and then arguing there is misappropriation for an “insubstantial portion” of the full compilation. *Id.* at 5-7. Respondents contend that the FID rightly concludes that, “because Zimmer fail[ed] to present evidence that the entire compilation (or even a majority of information within the compilation) that makes up TS 10 was ever disclosed to any party, Zimmer has not shown that TS 10 was misappropriated.” *Id.* (citing FID at 48).

Respondents argued that Complainants are wrong that disclosure of an insubstantial portion of an asserted trade secret constitutes misappropriation. *Id.* Respondents further argued that the FID's findings are supported by the evidence and that the FID uses the correct legal standard. *Id.*

Regarding TS 15/28, Respondents argued that Complainants ignore the large number of findings that support the FID's conclusion that HMUS did not misappropriate TS 15/28. *Id.* at 25 (citing FID at 46-47). Respondents argued that there is no evidence that Mr. Burns used any information in the “For Peterson” file during his employment at HMUS. *Id.* Respondents further argued that the FID correctly finds that there is no evidence any information was transferred to any HMUS file or that the “For Peterson” file was saved onto HMUS's computer

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systems. *Id.* at 26 (citing FID at 54; Tr. (Vaughn¹¹) at 408:10-15, 409:21-24). Respondents concluded that the FID properly finds that Complainants failed to prove misappropriation of TS 15/28. *Id.* at 27.

c. OUII's Response to Complainants' Petition

OUII argued that the FID applies the correct legal standard and the FID's findings of fact are supported by the record evidence. OUII Reply at 4-14. Regarding the legal standard, OUII noted that Complainants previously acknowledged that determining "improper use of a trade secret is a flexible inquiry." *Id.* at 6 (citing CIB¹² at 50). OUII also noted Complainants' repeated argument that asserted TS 10 should be evaluated "as a whole" when considering whether it meets the requisite value and secrecy requirements for protectability. *Id.* at 7. "Here, Complainants argued and the ALJ agreed that the fact that it is a comprehensive compilation of customer-specific sales data is what sets asserted TS 10 apart from smaller portions of information that are readily available from public sources." *Id.* at 8. Accordingly, OUII concluded that the FID correctly analyzes whether there was disclosure or use of the entire compilation of TS 10 and not just a portion, which might have been readily known or readily ascertainable on its own. *Id.*

OUII argued that Complainants confuse a wrongful taking, which is an element of trade secret misappropriation, with an ultimate finding of trade secret misappropriation. *Id.* at 11-12. OUII further argued that the FID correctly refuses to impute Mr. Burns' wrongful taking of the "For Peterson" file to Respondents. *Id.* at 12. Finally, OUII argued that Complainants cannot

¹¹ James D. Vaughn is Zimmer Biomet's expert witness on computer forensic examination and forensic industry evidence preservation best practices. Comp. Pet. at xi.

¹² Complainants' Post-Hearing Brief (Nov. 13, 2020) ("CIB").

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establish that Heraeus misappropriated TS 15/28 because there is simply no credible evidence that anyone at Heraeus, including Mr. Burns, actually used the “For Peterson” file. *Id.* OUII concluded that the FID correctly finds that the weight of the evidence indicates Heraeus did not take or use TS 15/28.

3. Legal Standard for Misappropriation

The parties mostly agree on the standard for trade secret misappropriation, in particular in the context of this investigation, which concerns compilation trade secrets that include public information in part. Comp. Pet. at 10; Resp. Reply at 5-11; OUII Reply at 6-8. The parties, however, disagree on the amount of disclosure or use required to find misappropriation. *Id.*

Respondents frame the issue in terms of the amount of use or disclosure that is sufficient to show misappropriation by arguing that at least a “substantial” portion of the asserted trade secrets must be used or disclosed to prove misappropriation of the trade secret. RBr. at 6-11. OUII, on the other hand, frames the issue of misappropriation as turning upon what information is found to qualify as a trade secret. In OUII’s view, the question is not what *portion of a* compilation trade secret must be disclosed to constitute misappropriation; rather, the question is if complainant establishes a trade secret based on the entirety of information comprising a compilation, whether it can then establish misappropriation by showing anything less than disclosure of the compilation (which is the entirety of the information comprising the compilation). OUII Br. at 7-8. In the context of the present investigation, OUII points out that Complainants repeatedly argued that TS 10 should be evaluated “as a whole” when considering whether it meets the requisite value and secrecy requirements for protectability as a trade secret (which is not surprising given that portions of the information comprising TS 10 are ascertainable from a variety of sources). In OUII’s view, because Complainants succeeded in arguing that the characteristics of TS 10 (*i.e.*, that it is a comprehensive compilation) shield the

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asserted trade secret from being publicly known or readily ascertainable, “demonstrating ‘substantial’ use of the trade secret should involve demonstrating that most, if not all, of the compilation trade secret was used.” *Id.* For the reasons stated below, the Commission finds that Complainants must show that Respondents’ use or disclosure of TS 10 and TS 15/28 was substantial to establish a violation of section 337 based on trade secret misappropriation.

Misappropriation of trade secrets “is a method of unfair competition defined by the common law.” *Certain Rubber Resins & Processes for Manufacturing Same*, Inv. No. 337-TA-849, Comm’n Op., 2014 WL 7497801, at *4 (Feb. 26, 2014) (“*Rubber Resins*”). The elements of misappropriation of trade secrets are as follows:

- (1) a protectable trade secret exists (*e.g.*, that is (a) of economic value, (b) not generally known or readily ascertainable, and (c) that the complainant has taken reasonable precautions to maintain its secrecy);
- (2) the complainant is the owner of the trade secret;
- (3) the complainant disclosed the trade secret to respondent while in a confidential relationship or that the respondent wrongfully took the trade secret by unfair means; and
- (4) the respondent has used or disclosed the trade secret causing injury to the complainant.

Certain Botulinum Toxin Prods., Processes for Manufacturing or Relating to Same, and Certain Prods. Containing Same, Inv. No. 337-TA-1145, Comm’n Op. at 8, 52-55, 2021 WL 141507 (Dec. 16, 2020); *see also Rubber Resins*, 2014 WL 7497801, at *5.

While the Commission has not explicitly articulated whether a complainant must show “any use” or “substantial use” of a trade secret to prevail, prior Commission decisions align with the “substantial use” standard. *See Crawler Cranes*, Comm’n Op. at 61-62 (May 6, 2015) (finding misappropriation despite incomplete “use” of a trade secret where thirteen of the twenty-two features were included in the accused product); *Rubber Resins*, 2014 WL 7497801,

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at *27 (finding misappropriation where respondents’ “process for manufacturing the accused tackifiers use, *substantially use*, and are substantially derived from Complainant’s trade secret, *i.e.*, the combination of the 17 aspects of Complainant’s process.” (emphasis added)); *Certain DC-DC Controllers and Prods. Containing Same*, Inv. No. 337-TA-698, Enforcement ID at 94-99 (June 8, 2012) (finding overwhelming evidence of the extent of the similarities between the accused products and complainant’s design documents and files), *unreviewed in pertinent part* by Notice (Aug. 9, 2012); *Certain Processes for the Manufacture of Skinless Sausage Casings & Resulting Product*, Inv. No. 337-TA-148/169, ID, 1984 WL 273789, at *101 (July 31, 1984), *unreviewed by* Comm’n Op. (Jan. 1, 1984) (finding, where complainant’s technology was not publicly disclosed or otherwise available, that respondent’s technology “is so close in structural details to that of [Complainant’s] that the conclusion [of misappropriation] is compelled”).

Determining whether there is “substantial” use or disclosure depends on the facts concerning the nature of the trade secret and particularly what information is actually protectable as a trade secret. *See* Restatement (Third) of Unfair Competition § 39, cmt. f (for trade secrets that are compilations, “it is the secrecy of the claimed trade secret as a whole that is determinative”).

In the case of a compilation trade secret that includes in part publicly known or readily ascertainable information, the collected information derives value from keeping the whole compilation secret. *Id.* However, for both compilation and non-compilation trade secrets, the unauthorized use or disclosure of the trade secret must be “substantial” to qualify as misappropriation. *Id.*, § 40, cmt. c (“[U]se of any substantial portion of the secret is sufficient to subject the actor to liability.”); *Penalty Kick Mgmt. Ltd. v. Coca Cola Co.*, 318 F.3d 1284, 1293 (11th Cir. 2003) (finding liability for trade secret misappropriation “if the plaintiff can show that

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the defendant (1) disclosed information that enabled a third party to learn the trade secret or (2) used a ‘substantial portion’ of the plaintiff’s trade secret to create an improvement or modification that is ‘substantially derived’ from the plaintiff’s trade secret”); 4 Milgrim on Trade Secrets § 15.01(1)(d)(vi) (“Defendant need not appropriate every feature of plaintiff’s trade secret to be a wrongful user, substantial appropriation is actionable (unless it is the result of proven independent development)[.]”).

The FID finds that “since Complainants relied on a specific ‘comprehensive compilation of customer-specific prices’ to establish the existence of a protectable trade secret, ‘evidence showing anything less than the use of the comprehensive compilation’ is not sufficient for Complainants to carry [their] burden of proving misappropriation” and that “because [Zimmer Biomet] fails to present evidence that the entire compilation (or even a majority of information within the compilation) that makes up TS 10 was ever disclosed to any party, [Zimmer Biomet] has not shown that TS 10 was misappropriated.” FID at 48. Complainants disagree with the FID’s finding and allege that case law supports their position that disclosure or use of any portion of TS 10 and TS 15/28 is sufficient to find misappropriation. CBr. at 4-12. However, the cases Complainants cite¹³ either involve circumstances where the court found the entirety of

¹³ As OUII notes, many of Complainants’ cited cases are preliminary injunction decisions, which use a different legal standard than the standard of proof for Complainants to establish a section 337 violation. OUIIBr. Reply at 5, n.2; *compare Farmers Ins. Exch. v. Steele Ins. Agency Inc.*, 2013 WL 2151553, at *10 (E.D. Cal. May 16, 2013) (moving party is “not required to prove that misappropriation actually occurred [but must] only make a clear showing that misappropriation likely occurred”) *with Certain Bone Cements, Components Thereof & Prods. Containing the Same (“Bone Cements (I)”)*, Inv. No. 337-TA-1153, Comm’n Op. at 6-7 (Jan. 12, 2021) (proving misappropriation of trade secrets requires: (1) the existence of a process that is protectable as a trade secret (*e.g.*, that is (a) of economic value, (b) not generally known or readily ascertainable, and (c) that the complainant has taken reasonable precautions to maintain its secrecy); (2) that the complainant is the owner of the trade secret; (3) that the complainant

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the trade secret had been used or disclosed or where the misappropriation turned on the nature of the protectable trade secret information contained in a customer list or database and the defendants' use of that trade secret information within the list or database. Thus, the cases Complainants cite actually support the requirement that at least "substantial" disclosure or use of the asserted trade secret is necessary for liability and confirm that whether a use or disclosure is "substantial" depends on facts of the case and the actual protectable trade secret.

In *Crawler Cranes*, the Commission determined that the full trade secret (concerning dealer discounts and profit margins for the Manitowoc crawler crane), and not just a portion as Complainants contend, was used to prepare a presentation to respondents' management, to develop a competing product, and to develop the respondent's pricing and dealer discount strategies. *Crawler Cranes*, Comm'n Op. at 65. Further, in *MAI Sys. Corp.*, the Ninth Circuit evaluated misappropriation based on the nature of the trade secret information in a customer database and the defendant's use of that secret information. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 521-22 (9th Cir. 1993). The court found MAI's Customer Database to be a protectable trade secret, which MAI argued was "a valuable collection of data assembled over many years that allows MAI to tailor its service contracts and pricing to the unique needs of its customers[.]" *Id.* at 521. The court affirmed the district court's summary judgment that Peak misappropriated MAI's Customer Database, because Peak solicited new business from MAI's customers using the individual entries of customer information within MAI's Customer

disclosed the trade secret to respondent while in a confidential relationship or that the respondent wrongfully took the trade secret by unfair means; and (4) that the respondent has used or disclosed the trade secret causing injury to the complainant).

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Database, which constituted the valuable trade secret information;¹⁴ the court did not hold that use of an insubstantial portion of a trade secret was sufficient for misappropriation. *Id.* at 522 (“The Customer Database has potential economic value because it allows a competitor like Peak to direct its sales efforts to those potential customers that are already using the MAI computer system.”); *see also MAI Sys. Corp. v. Peak Computer, Inc.*, No. 92-1654-R, 1992 WL 159803, at *16 (C.D. Cal. Apr. 14, 1992) (“[T]he evidence strongly suggests that [Peak] has attempted to appropriate for itself the valuable information in [MAI’s] Customer Database,” including that Peak’s customer database is very similar to MAI’s Customer Database, and Peak’s database identified whether the customer is a MAI customer).

Similarly, the Second Circuit in *North Atlantic Instruments* analyzed misappropriation of specific data in a compilation customer list based on the nature of the protectable trade secret information contained in that customer list and the defendants’ use of that secret information. *North Atlantic Instruments v. Haber*, 188 F.3d 38, 44-45 (2d Cir. 1999). The court affirmed the district court’s finding that the identities of individual engineers who purchased North Atlantic’s customized electronic technology and their contact information within North Atlantic’s customer list were trade secrets. *Id.* In contrast to the “needle-in-the-haystack character of the search for the handful of engineers in companies of 100,000 employees who might have a use for one of North Atlantic’s customized products,” the court affirmed the finding that certain other information within the customer list, such as company names, could be readily ascertained from public information and thus was not a protectable trade secret. *Id.* at 44-45. In assessing misappropriation, the court considered the defendants’ use of the entirety of the particular

¹⁴ In *MAI Sys. Corp.*, the identification of and details regarding each customer is valuable, and the value does not come from the entire database as a whole, as Complainants argued and the FID finds, in the present investigation. *Id.* at 511, 521-522.

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information found to constitute trade secrets, *i.e.*, the individual engineer identities and their contact information, rather than the use of an insubstantial portion of a compilation, as Complainants argue. *Id.* at 47 (considering “whether the defendants’ use of a trade secret – specifically the list of client contacts – was in breach of a duty [not to compete with the former employer].”). Likewise, in *Paz Sys. Inc.*, the court held that the defendant was using Paz’s customer/design database trade secret because the individual pieces of data within the database constituted the protectable trade secret and the defendant was using all of the data. *Paz Sys. Inc. v. Dakota Group Corp.*, 514 F. Supp. 2d 402, 406, 408 (E.D.N.Y. 2007).

Complainants also rely on cases where the actionable misappropriation involved the defendant’s use of specific customer information that was not readily ascertainable and otherwise unknown, which is distinguishable from Complainants’ asserted trade secrets that comprise whole compilations made up in part of publicly-available or readily ascertainable information. *Surgidev Corp. v. Eye Tech., Inc.*, 648 F. Supp. 661, 680-96 (D. Minn. 1986) (finding that certain types of customer information are not readily ascertainable such that the use of that secret information to solicit plaintiff’s customers is sufficient to establish disclosure or intent to disclose the putative trade secrets); *Abernathy-Thomas Eng’g Co. v. Pall Corp.*, 103 F. Supp. 2d 582, 600-601 (E.D.N.Y. 2000) (finding that while “it is unclear on the present record exactly how much of Abernathy’s customer information was supplied to Fluid Flow,” evidence of some disclosure of otherwise unknown customer information, which would have taken substantial time and effort to develop, was sufficient for a jury to find that the trade secrets had been misappropriated). Accordingly, while the Restatement and numerous decisions support that disclosure or use of the trade secret information must be substantial for liability, Complainants’

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cited cases do not support their argument that an “insubstantial portion” or “slight” use or disclosure is sufficient to demonstrate misappropriation. CBr. at 10, 13.

In sum, both the Restatement (Third) of Unfair Competition and case law require that disclosure or use of the asserted trade secret must be substantial in order to subject the actor to liability, regardless of whether the trade secret is a compilation or not. Here, Complainants successfully urged the ALJ to find that the entirety of Zimmer’s compilations of information contained in TS 10 and TS 15/28 constituted protectable trade secrets owing to the nature of these compilations. FID at 34-35; 40-42. Accordingly, having relied upon the entirety of these compilations as their asserted trade secrets, Complainants were required to show that Heraeus’s use or disclosure of the entirety of these compilations was substantial. The Commission finds that the FID applies the correct legal standard for misappropriation consistent with the Commission’s prior precedents and the court cases discussed above, wherein misappropriation was determined based on whether the unauthorized use or disclosure was substantial given the nature of the protectable trade secrets at issue. *See, e.g.*, FID at 47 (“An actor is liable for using the trade secret with independently created improvements or modifications if the result is substantially derived from the trade secret.”).

4. Analysis of Alleged Disclosure and Use of TS 10

Complainants alleged that Respondents wrongfully disclosed TS 10 to third parties ([REDACTED]) and to Mr. Devin Childers¹⁵ and HMUS. FID at 45, 47-52. Under the “substantial use” standard discussed above, and with the additional analysis

¹⁵ As explained below, Mr. Childers was hired in September 2017 as Heraeus Germany’s U.S. country manager and he later became HMUS’s general manager.

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below, the Commission affirms the FID's finding that Complainants failed to show that Respondents misappropriated TS 10.

a. Analysis of Alleged Disclosures of TS 10 to Third Parties

The FID states two independent reasons for finding no misappropriation of TS 10 with respect to third parties [REDACTED]. FID at 47-50. First, the FID finds that “since Complainants relied on a specific ‘comprehensive compilation of customer-specific prices’ to establish the existence of a protectable trade secret, ‘evidence showing anything less than the use of the comprehensive compilation’ is not sufficient for Complainants to carry its burden of proving misappropriation” and because Complainants have failed “to present evidence that the entire compilation (or even a majority of information within the compilation) that makes up TS 10 was ever disclosed to any party, Zimmer has not shown that TS 10 was misappropriated.” *Id.* at 47-48. Second, the FID finds that Heraeus Germany was entitled to share “Confidential Information” with “[REDACTED]” [REDACTED]” *Id.* at 49-50. The FID further finds that the 2012 Agreement permitted the disclosure to the third parties. *Id.* The Commission affirms the FID's findings that the 2012 Agreement authorized Heraeus Germany to share confidential information with its agents and representatives and that the disclosures to third parties were authorized disclosures. The Commission also affirms the FID's findings that Complainants failed to prove misappropriation, with the supplemental analysis described below concerning the first finding.

With respect to the first reason for the FID's finding of no misappropriation (as described above), under the proper legal standard, Complainants needed proof of at least “substantial” use or disclosure of TS 10 to constitute wrongful use or disclosure. *Crawler Cranes*, Comm'n Op. at 61-62; Restatement (Third) of Unfair Competition § 40, cmt. c. TS 10 is comprised of Quarterly

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Reports, which include spreadsheets of information. FID at 8. The FID found that the compilation of the quarterly reports as a whole is the protectable trade secret and cited testimony of Complainants' witnesses that "emphasized and relied on the fact that the asserted trade secrets are compilations of data, rather than individual data points." *Id.* at 34-35.¹⁶ Here, the Complainants' evidence does not show that Respondents substantially disclosed the TS 10

¹⁶ For example, when opining on the trade secret during direct examination, Complainants' expert, Dr. Blanchard, testified that TS 10 was not readily ascertainable due to its voluminous nature:

Q. How hard would it be for a competitor to properly acquire or duplicate Trade Secret 10 data?

A. Yeah, I think it would be very, very difficult, frankly, if not impossible to recreate the data that's embodied in Trade Secret 10.

Q. Why is that?

A. Well, in order to do that, someone would have to go speak with each and every customer. They would have to speak to each and every surgeon or hospital system in the United States, many of whom aren't Palacos users or wouldn't have been Palacos users, find out if they use Palacos, find out if the Palacos users, how much they were using and how much they were paying for it. So, A, that would take a very, very long time, and a large number of resources to do that, and, B, you would have to make an assumption that they would tell you that information. And I think in most cases they wouldn't, because they are under confidentiality to not provide that information to someone who asks.

Tr. (Blanchard) at 195:10-196:3; *see also id.* at 205:4-11 ("Q. Let's talk about Palacos customers. Could a supplier easily acquire or duplicate a list of Palacos customers from industry sources? A. No, they couldn't. Again, I think the only way you could recreate that list would be to go out and query every hospital that does total joints and expect them to give you their confidential information and give it to you truthfully."). Additionally, Dr. Blanchard also emphasized the customer-specific nature of the compilation when she discounted generic, publicly available bone cement price data because it was not "customer specific." *See id.* at 203:25-204:18 ("... private databases gather their data by, again, having members provide data to them, but they provide that data under the guise that it won't be disclosed according to customer-specific and product-specific information. So they roll the data up and they provide it back to their members or people who pay for the data in an aggregated format, not in a customer-specific format, and it's typically presented back in sort of ranges or percentiles . . .").

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compilation, which constitutes the trade secret (FID at 34-35), to [REDACTED]

[REDACTED]

Heraeus Germany provided its consultant, [REDACTED], with three charts identifying Heraeus's top twenty customers grouped by "All Palacos," "Palacos R+G/LV+G (Genta Only)," and "Major Total Joint Replacement," categories. The charts also included the customer names and addresses as well as the total sales value, quantity, and average sales price for each customer. CX-1488C, at 2-5; FID at 48-49. In its briefing to the Commission, Complainants argued that through this disclosure of the summary charts to [REDACTED], Heraeus misappropriated TS 10 because these charts were "derived from entire compilations of TS 10 data[.]" CBr. at 13. Complainants argue that the disclosure was substantial because "Heraeus disclosed to [REDACTED] information comprising and derived from the entirety of TS 10." CBr. at 25 (citing Ex. A at 1; CX-1358C; CX-1296C; CX-1594C; CX-1595C). None of these cited documents, however, prove that the chart information was "comprising and derived from the entirety of TS 10" as Complainants contend.¹⁷ Aside from attorney argument, Complainants cite no documentary or testimonial

¹⁷ One portion of Dr. Blanchard's testimony exemplifies the analytical divergence between the subject matter that Complainants claimed as a trade secret and the far narrower subject matter that they relied on in arguing that Respondents misappropriated TS 10:

Q. Well, but for purposes of determining whether misappropriation of a compilation trade secret -- that Trade Secret 10 has occurred, it's your position that Complainants don't need to show use or disclosure of the entire compilation, right?

A. Again, I think it's situational. It's pretty situationally dependent, so I think it depends.

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evidence to back up their claim that the charts provided to [REDACTED] comprised or were derived from the entire compilation that makes up TS 10. *Id.* at 14.¹⁸ Given Complainants' argument that the charts provided to [REDACTED] were from "the entirety of TS 10," Complainants failed to cite any evidence or expert testimony analyzing data from each of the TS 10 Quarterly Reports, which list thousands of rows of customer and sales information, to prove this point. *See, e.g.,* CX-2093C (containing over 3,700 rows of information). Moreover, the FID notes that Complainants' expert testified that she was unaware of any evidence showing substantial disclosure of TS 10 to any third party. *ID* at 48. Thus, Complainants failed to prove that the charts supplied to [REDACTED] were a substantial unauthorized use or disclosure of TS 10. *Id.*; FID at 48-49.

The information that Heraeus Germany presented to [REDACTED], a surgical supplier, consisted of estimates concerning the number of customers (regardless of the amount of product they purchased) and the number of customers that would make significant purchases (*e.g.*, high-volume purchasers). *See* CX-3261C at slide 8 (indicating that, in 2016, there were "[REDACTED] [REDACTED] [REDACTED]" and that "[REDACTED] [REDACTED] [REDACTED]"); *Tr.* (Petermann) at 775:8-18; JX-320C (Williamson) at 158:2-159:1; JX-334C (Petermann) at 98:13-17; *see* FID at 49-50. [REDACTED] received the same statistics

Q. Well, you've opined 30 minutes ago, 45 minutes ago on what you call use of Trade Secret 10 information that only involved little pieces of the information, correct, in terms of the disclosure?

A. It involved pieces of information from the full disclosure that could not have been obtained or would have been useful without using the full dataset.

Tr. (Blanchard) at 253:13-254:1.

¹⁸ For instance, Complainants did not demonstrate that Heraeus improperly disclosed a Quarterly Report file, which might have established wrongful disclosure of the entire secret compilation.

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provided to [REDACTED]. JX-139C at 16 (“[REDACTED]
[REDACTED],” and that “[REDACTED]”); CIB at 60; *see also*
FID at 49-50. In its briefing to the Commission, Complainants made the same arguments with
respect to [REDACTED] and [REDACTED] as it did for [REDACTED], without supporting evidence to
prove that Heraeus made unauthorized substantial uses or disclosures of TS 10 to [REDACTED]
[REDACTED] as discussed above. CBr. at 13-16. The Commission affirms the FID’s
conclusion that the information given to [REDACTED], Heraeus’ marketing
partner, was neither precise nor substantial enough to “enable[] another to learn the trade secret.”
FID at 50 (citing Restatement (Third) of Unfair Competition § 40, cmt. c). The Commission
affirms the FID’s findings concerning [REDACTED]. *Id.* at 49-50.

In sum, we agree with the FID that Complainants failed to prove that the information
shared with [REDACTED] was a substantial use or disclosure of TS 10.
Accordingly, the Commission has determined to affirm, with the supplemental analysis
discussed above, the FID’s finding that Complainants did not prove that Respondents’ disclosure
to third parties, [REDACTED], amounted to misappropriation of TS
10. Moreover, as noted above, the Commission affirms the FID’s findings that the disclosures
made to third parties were authorized under the 2012 Agreement.

b. Analysis of Alleged Disclosure of TS 10 to Mr. Childers and HMUS

The FID finds that: (1) the transmission of information from TS 10 to Mr. Childers was
allowed under the 2012 Agreement; and (2) Complainants failed to prove that HMUS’s
employees alleged use of TS 10 was either wrongful or substantial use. FID at 50-52.

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i. Mr. Childers, as U.S. Country Manager, Was Allowed Access to the Quarterly Reports Under the 2012 Agreement

Complainants alleged that information from TS 10 was wrongfully disclosed to Mr. Childers, and allegedly thereby to HMUS, on three occasions in fall 2017. Comp. Pet. at 11 (citing FID at 50-51). Complainants' arguments assume that Mr. Childers was originally hired and served only as the general manager of HMUS, but they fail to consider that Mr. Childers was initially hired for the position of U.S. country manager for Heraeus Germany. CBr. at 27-28; Resp. Reply at 13-14. Complainants do not dispute that Heraeus Germany's U.S. country manager was allowed access to the Quarterly Reports under the 2012 Agreement. *See* Comp. Pet. at 11-14.¹⁹ Thus, the dates on which information from the Quarterly Reports was disclosed and the position that Mr. Childers occupied on those dates are important to the analysis of whether the disclosures to Mr. Childers were unauthorized. In addition, Complainants mischaracterized the FID as finding "that Heraeus was allowed to disclose TS 10 data to HMUS," whereas the FID actually finds that Heraeus Germany was allowed to disclose TS 10 to Mr. Childers, Heraeus Germany's U.S. country manager. *Compare* Comp. Pet. at 11 *with* FID at 50-51.

The FID finds that "when Heraeus Germany sent the Quarterly Reports to Mr. Childers, he was Heraeus Germany's U.S. country manager" but does not state precisely when Mr. Childers transitioned from Heraeus Germany's U.S. country manager to HMUS's general manager. FID at 50-51. For the reasons discussed below, the Commission agrees with the FID that Mr. Childers was first hired in September 2017 as Heraeus Germany's U.S. country manager

¹⁹ Further, Complainants previously sent the Quarterly Reports directly to Mr. Tom Stafford, the U.S. country manager prior to Mr. Childers. *See* CX-1567C.

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and served in that position through at least December 2017, and thus Mr. Childers was permitted access to the Quarterly Reports in fall 2017 pursuant to the 2012 Agreement. *Id.*

HMUS was incorporated in June 2017. Tr. (Petermann) at 793:25-794:4; FID at 8. Mr. Childers received a formal offer letter from Heraeus Germany on July 27, 2017, and he accepted on July 31, 2017. CX-2142C. Mr. Childers started as Heraeus Germany's U.S. country manager in September 2017. *See* Tr. (Petermann) at 757:4-17; 778:9-17; Tr. (Childers) at 849:6-14, 883:6-9; JX-320C (Williamson) at 41:17-25; JX-311C at 64; JX-311C at 85. Also in September 2017, Respondents made the decision to sell PALACOS directly to customers in the United States, but HMUS was not yet up and running. Tr. (Petermann) at 778:18-779:5, 780:24-781:1.

Ms. Nicole Petermann, Heraeus Germany's Co-President, testified that sending the Quarterly Reports to Mr. Childers in fall 2017 was following Heraeus Germany's practice of sharing the same analyses with Mr. Childers' predecessor as U.S. country manager, Tom Stafford. FID at 51 (citing Tr. (Peterman) at 756:23-757:17). The transmission of the Quarterly Reports to Heraeus Germany's U.S. country manager, including Mr. Childers, was not misuse of the trade secret, but was allowed under the 2012 Agreement. *Id.* (citing JX-204C at 34).

Even in December 2017, Mr. Childers was still the U.S. country manager. Tr. (Childers) at 849:6-14, 886:24-887:10; JX-320C (Williamson) at 41:17-25; *see also* FID at 50-51. HMUS was not yet up and running in September 2017. Tr. (Petermann) at 780:24-781:1. Mr. Childers testified that he did not know the exact date that he transitioned from the U.S. country manager to HMUS's general manager. Tr. (Childers) at 887:2-10. However, Mr. Childers further testified that at least on December 6, 2017, he still had the title of U.S. country manager. *Id.* at 911:24-912:12. His testimony is corroborated by a December 6, 2017 email from Mr. Childers with a signature block, "Devin Childers CFA, Country Manager US, Heraeus Medical"). CX-

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369C.²⁰ Given that the three disclosures to Mr. Childers occurred during the time period when he was employed as the U.S. country manager for Heraeus Germany, Complainants failed to show that these disclosures were not authorized under the 2012 Agreement.

The Commission affirms, with modified reasoning above, that Complainants failed to show the disclosure of Quarterly Reports to Mr. Childers constituted misappropriation of TS 10.

ii. Complainants' Forensic Evidence Does Not Prove That HMUS Employees Misused TS 10

The FID finds that other alleged misuse of TS 10 by HMUS is not supported by Complainants' forensic evidence, which the FID finds is speculative. FID at 51-52. To prove improper use of TS 10 by HMUS, Zimmer presented forensic evidence that a "PALACOS Customers USA File" was saved on HMUS employees' computers and opened on a number of dates. *Id.* at 51. However, the FID finds that the forensic evidence "shows no more than that certain files were opened, saved, and sent to others." *Id.* Further, the FID credits the testimony of Heraeus employees in finding that they did not rely on data from TS 10 in their work. *Id.* ("By contrast, Heraeus employees testified (both during the evidentiary hearing and by deposition) that they did not rely on information obtained from Zimmer Quarterly Reports."). The FID further credits the testimony of HMUS employees and evidence that HMUS spent considerable time and effort developing its own customer targeting database primarily from CMS data. *Id.* at 52.

Complainants argued that there is ample circumstantial evidence that proves HMUS used TS 10 in 2017 and 2018, and the FID allegedly errs in finding this evidence is speculative. Comp. Pet. at 15-23. According to Complainants, the FID fails to consider forensic evidence

²⁰ The Commission notes that Complainants, who bear the burden on misappropriation, have not shown when Mr. Childers began his tenure as HMUS's general manager.

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and documents that establish the TS 10 files were purposefully modified, and these modifications show how the data was being used. *Id.* at 16.

The Commission disagrees that the FID failed to consider Complainants' arguments and forensic evidence, as is clear from the FID's findings. FID at 51-52. Further, the Commission agrees with the FID's findings that Complainants' evidence "shows no more than that certain files were opened, saved, and sent to others." *Id.* at 52. With their forensic evidence in hand, Complainants had the opportunity to question the HMUS employees in depositions and at the hearing to ascertain whether HMUS employees wrongfully used TS 10. Complainants failed to elicit testimony to prove their theory of liability, however. The Commission also does not disturb the FID's findings that Heraeus employees credibly testified that they did not rely on information obtained from the Quarterly Reports. *Id.* (citing JX-339C (R. Kolbe Dep.) at 44-47; JX-335C (Cruz Dep.) at 59-60, 80-81; Tr. (Childers) at 870:17-871:4; Tr. (Webb) at 972:10-973:1). Accordingly, the Commission affirms the FID's finding that Complainants' forensic evidence of alleged use of the TS 10 Quarterly Reports by HMUS does not prove misappropriation of TS 10.

5. Analysis of Alleged Disclosure and Use of TS 15/28

The Commission adopts, without modification, the FID's analysis and findings that Complainants did not show that Respondents misappropriated TS 15/28. FID at 45-47, 53-54. Accordingly, the Commission affirms that there was no misappropriation of TS 15/28.

6. Analysis of Respondents' Independent Development of HMUS's Customer Targeting Database

The FID finds that Respondents independently developed their customer lists and pricing, which is an affirmative defense to trade secret misappropriation. FID at 56. The FID credits the testimony of Respondents' witnesses who testified that HMUS spent independent time and effort

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developing a customer targeting database primarily from CMS data and that HMUS was able to independently develop a targeting database after approximately two weeks of work using less than \$7,000. *Id.* The FID dismisses Complainants' arguments that the testimony was uncredible speculation. *Id.*

Complainants argued that Mr. Webb, HMUS Vice President of Marketing and Education, who developed HMUS's customer targeting database, had access to files containing TS 10 data. Comp. Pet. at 31. Complainants further argued that the FID mischaracterizes evidence that Mr. Webb received input from others who had access to TS 10 data as mere speculation. *Id.* at 32. Complainants argued that there is "a heavy burden" in proving independent development and a "clean room" approach must be established. *Id.* at 30-32 (citing *Bone Cements (I)*, ID at 53 (May 6, 2020) ("engaging in some independent development is not enough to establish independent development as a legal defense")).

Respondents argued that Complainants do not, and cannot, contradict or rebut Mr. Webb's detailed explanation as to the steps he used to create the customer targeting database without use of information from the TS 10 Quarterly Reports, or any other Zimmer Biomet information. RBr. Reply at 27 (citing Tr. (Webb) at 952:7-981:4). As OUII noted, the phrase "clean room" does not appear in the *Bone Cements (I)* ID, and both OUII and Respondents agreed that the case law does not support requiring proof of a "clean room." OUII Reply at 14-15 (citing *Bone Cements (I)*, ID); Resp. Reply at 32, 39-40.²¹

²¹ As a leading treatise notes, "clean room" development can be "a particularly fact intensive matter." See 1A MILGRIM ON TRADE SECRETS App. 7A: Independent (Clean Room) Development (2021). Here, the evidence Heraeus has presented is sufficient to "withstand scrutiny in the specific circumstances" of this investigation. *Id.*

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The evidence of record supports the FID's finding that Respondents independently developed their customer targeting database. Mr. Webb, who never worked for Complainants, developed Respondents' customer targeting database. Tr. (Webb) at 952:25-954:15. Mr. Webb developed the database using information from publicly available sources. FID at 56; Tr. (Webb) at 954:7-955:6, 956:6-10; JX-53C (targeting database); JX-52C (cover email attaching targeting database); Tr. (Webb) at 971:22-972:9, 969:7-21. Mr. Webb alone kept and maintained access to the master database. Tr. (Webb) at 970:7-23. Mr. Webb credibly testified that he did not include any information from Complainants or any third party's proprietary information. Tr. (Webb) at 972:10-15. Thus, the evidence of record supports the FID's findings that HMUS's database was not created using TS 10. FID at 56. Based on this evidence, the FID correctly finds that HMUS did not rely on TS 10 in creating its own customer targeting database. *Id.*

Moreover, Complainants failed to analyze the facts under even the stringent "clean room" standard they argued should govern. Comp. Pet. at 30-32. Indeed, Complainants described all the ways the HMUS database is materially different from TS 10. *Id.* at 33-34. As noted in *Bone Cements (I)*, if the independently created improvements or modifications are "substantially derived from the trade secret" then there is liability. *Bone Cements (I)*, ID at 51. Here, however, Complainants appear to admit that the HMUS database is materially different from, and therefore not substantially derived from, TS 10.

Accordingly, the Commission adopts and affirms, with the additional analysis above, the FID's findings that Respondents independently developed their own customer targeting database.

B. Tortious Interference With Prospective Business Advantages Issues Under Review

Alleged violations of section 337(a)(1)(A) predicated on non-statutory causes of action, such as tortious interference, may be brought under principles of federal common law. *See*

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TianRui, 661 F.3d at 1327-28. To prove a claim for tortious interference with a prospective economic advantage, a complainant is required to show “[1] that it had a reasonable expectation of economic advantage, [2] which was lost as a direct result of [the respondent’s] malicious interference, and [3] that it suffered losses thereby.” *Avaya Inc., RP v. Telecom Labs, Inc.*, 838 F.3d 354, 382-83 (3d Cir. 2016).²²

1. Summary of the FID’s Tortious Interference Findings

Before the ALJ, Complainants alleged that Respondents committed tortious interference in two ways: (1) Respondents induced their employees to use Complainants’ confidential and trade secret information to sell PALACOS bone cement in the United States; and (2) Respondents tortiously interfered with Complainants’ prospective economic advantage. FID at 82. The FID finds that Complainants failed to prove either of these allegations. *Id.* at 81-88.

More specifically, Complainants alleged that Respondents interfered with Complainants’ “prospective economic advantage to convert existing customers [to Zimmer’s own bone cement products] in three ways: (i) by refusing to supply [Complainants’] affiliate (Zimmer Surgical, Inc.) with PALACOS in breach of the Distribution Agreement, (ii) by using [Complainants’] trade secret and confidential information, and (iii) by falsely advertising about [Complainants’] right and ability to sell PALACOS and the superiority of PALACOS over RBCR.” *Id.* at 84. The FID notes that Complainants modified their tortious interference allegations from interference with existing contracts to interference with prospective advantage,²³ but under both

²² Because the parties have principally framed their arguments around *Avaya*’s three-factor test, the Commission will use that test to assess Complainants’ allegations.

²³ Under the theory presented in their pre-hearing brief, Complainants argued that Respondents interfered with Complainants’ existing contracts for PALACOS. *See*

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theories, Complainants rely on the same three sources of interference: (i); (ii); and (iii). *Id.* at 85.

The FID finds that allegations (ii) and (iii) fail for the same reasons that Complainants' underlying trade secret and false advertising claims fail, respectively. *Id.* at 84-85; *see also* FID at 58-81 (finding no false advertising). The FID further finds no proof of interference or injury (allegation (i)). *Id.* at 85-88. In particular, the FID finds that Complainants offered no evidence that Respondents knew of any specific contracts that Complainants had with specific customers or any specific contractual details. *Id.* at 86. The FID further finds no proof of interference because Complainants provided no evidence connecting the alleged breach of the 2012 Agreement to any prospective business relationships – “no expert evidence, no internal [Zimmer Biomet] documents or communications, and no customer statements or testimony.” *Id.*

Regarding alleged injury related to allegation (i), the FID finds that Complainants failed to identify any clause in the 2012 Agreement or any evidence that establishes a time for Complainants to introduce their own cements. *Id.* at 87-88. Accordingly, the FID finds that Complainants failed to prove that Respondents' alleged tortious interference was the proximate cause of any injury. *Id.*

2. Analysis of Alleged Tortious Interference with Prospective Economic Advantage

Because the Commission affirms the FID's findings that there was no misappropriation or false advertising, Complainants' allegations (ii) and (iii) fail for the same reasons that those

Complainants' Pre-Hearing Brief (Sept. 25, 2020) (“CPrHB”) at 134-138. In their post-hearing brief, Complainants argued interference with Complainants' attempts to convert their current PALACOS customers to Zimmer's ZB cements customers. CIB at 96-98. Complainants did not preserve their pre-hearing argument regarding the alleged interference with existing PALACOS customer contracts, and that argument is waived. CPrHB at 134-138; CIB at 96-98; Order No. 2 at Ground Rule 13.1 (Sept. 23, 2019).

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underlying claims fail. FID at 84-85. The Commission also affirms, under a modified analysis explained below, the FID's finding that Complainants failed to prove the tortious interference in allegation (i). *Id.* at 85-88.

A claim of tortious interference with prospective business or economic advantage requires a complainant to prove that the complainant had a reasonable expectation of economic advantage, which is lost as a direct result of the respondent's malicious interference causing the complainant to suffer losses. *Avaya*, 838 F.3d at 382 (explaining "what is actionable is the luring away, by devious, improper and unrighteous means, of the customer of another") (internal quotations and citations omitted). This standard applies to Complainants' allegations of tortious interference with prospective business economic advantages. *Id.*; *see also* FID at 16, 81-82. The parties agree that this is the correct standard. Comp. Pet. at 61; Resp. Reply at 67-68; OUII Reply at 31-32. Thus, while the FID analyzes the existence and knowledge of a contract, analysis of an existing contract is not necessary for allegations of tortious interference with a prospective economic advantage. *See* FID at 86.

For Complainants' allegation (i), they argued that Respondents' refusal to supply PALACOS to Zimmer Biomet after July 2018 was unjustified and qualifies as "wrongful means" and unfair competition because it was allegedly a breach of the 2012 Agreement. CIB at 98-99. Complainants asserted that they had a reasonable expectation of the prospective economic advantage of transitioning a substantial portion of PALACOS customers to purchase their ZB cements after Respondents elected mutual non-exclusivity on January 2, 2018 based on the strength of Complainants' relationships with PALACOS customers and other competitive advantages. *Id.* at 97. Complainants alleged that Respondents' refusal to supply PALACOS to

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Zimmer Biomet after July 2018 reduced the time agreed to in the 2012 Agreement that Zimmer Biomet had to introduce its own cements to customers. *Id.* at 98-102.

Respondents and OUII argued that Complainants' evidence is insufficient to prove tortious interference because: (1) Complainants did not prove they had a reasonable expectation of transitioning PALACOS customers to its ZB cements; (2) Respondents' alleged withholding of PALACOS supply was not malicious interference; and (3) Complainants failed to prove any losses. Resp. Reply at 66-72; OUII Reply at 31-34. Also, as OUII pointed out, Respondents' decision to withhold PALACOS supplies at the end of 2018 is insufficient to establish a claim for interference with prospective economic advantage. *See, e.g., Cavaliere-Conway v. L. Butterman & Assocs.*, 992 F. Supp. 995, 1012 (N.D. Ill. Jan. 28, 1998) ("It is also well-established that 'the tortious interference allegedly committed by the defendant must be directed toward a third party – not the plaintiff.'" (quoting *Silk v. City of Chicago*, 1997 WL 790598, at *19-20 (N.D. Ill. Dec. 17, 1997))).

The FID's findings of fact support the conclusion that there was no tortious interference with prospective business advantages. FID at 84-88. Specifically, the FID notes that Complainants rely on two pieces of evidence: (1) an email between two Heraeus executives which states that "[i]f [Zimmer Biomet has] more time for conversion, they will convert more customers to [RBCR];" and (2) the testimony of Respondents' expert on Swiss law. *Id.* at 87 (citing CX-1320C at 1; JX-363C (Rohm²⁴ Dep.) at 120:1-9). The FID finds that Complainants failed to explain or provide evidence as to how Respondents' conduct "decreased [Complainants'] time to transition its customers to the ZB Cements" or exactly how that transition time was affected. *Id.* at (citing CPrHB at 98). The FID also finds that the testimony

²⁴ Dr. Patrick Rohn was Respondents' expert on Swiss law. FID at 87.

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of Respondents' expert on Swiss law, who opined that it was commercially reasonable for Respondents to consider potential loss of market share in deciding to refuse Complainants' firm orders, did not demonstrate tortious interference and actually undermined Complainants' case. *Id.* (citing JX-363C (Rohn Dep.) at 120:1-9). The FID observes that Complainants cite no other evidence connecting the alleged breach of the 2012 Agreement to any prospective business relationships – no expert evidence, no internal Zimmer Biomet documents or communications, and no customer statements or testimony. *Id.*

The FID further finds that Complainants failed to prove that Respondents' alleged tortious interference was the proximate cause of any alleged injury. *Id.* at 88. The FID finds that the email upon which Complainants rely regarding their alleged time frame to introduce their own bone cements does not discuss any “agreed” time that was not met as a result of Respondents' conduct. *Id.* The FID also finds that Complainants failed to provide an injury analysis for tortious interference separate from that of trade secret misappropriation and false advertising. *Id.*

Accordingly, the Commission adopts and affirms the FID's findings that Respondents did not tortiously interfere with Complainants' prospective business relationships, but under *Avaya*'s legal standard for tortious interference with prospective business advantage and with the modified analysis above.

C. Domestic Industry and Injury Issues Under Review

The Commission determined to review the FID's DI and injury findings. 86 Fed. Reg. at 20201. On review, the Commission has determined to take no position on the FID's DI and injury findings. FID at 88-104; *Beloit*, 742 F.2d at 1423. The Commission affirms the FID's findings that there was no misappropriation, no tortious interference, and no false advertising.

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Because the Commission has affirmed these findings, taking no position on the FID's DI and injury findings does not affect the Commission's finding of no violation of section 337.

IV. CONCLUSION

For the reasons set forth above, the Commission determines that Complainants have not established a violation of section 337 by Respondents by reason of misappropriation of trade secrets, false advertising, or tortious interference. Accordingly, the Commission terminates the investigation with a finding of no violation of section 337.

By order of the Commission.



Lisa R. Barton
Secretary to the Commission

Issued: July 9, 2021

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **COMMISSION OPINION** has been served via EDIS upon the Commission Investigative Attorney, **Megan Wantland, Esq.**, and the following parties as indicated, on **July 9, 2021**.



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