



## **2nd Pan-European LESI Young Members Event, Paris Trade Secret Directive - Roundtable**

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# Trade Secrets in national Law

**Figure 4 – The fragmentation of the legal protection (selected measures)**  
 Source of data: Baker & McKenzie (2013).

<b>Selected measures</b>	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Definition of trade secret in civil law legislation																											
Availability of injunctions against third party in good faith																											
Injunctions not limited in time																											
Availability of orders on destruction of TS/resulting goods																											
Calculation of damages based on fair royalty fee																											
Performing rules on preservation of secrecy (civil proceedings)																											
Sufficient criminal legislation																											

*N.B. A blank cell means that the measure concerned is not provided for in national legislation*

## Directive proposal

- The Commission submitted the draft proposal on 28 November 2013 regarding the protection of trade secrets against their unlawful acquisition, use and disclosure, within the context of flagship initiative "Innovation Union", one of the pillars of the "EU 2020 strategy"
- The Economic and Social Committee delivered its opinion on 25 March 2014
- The European Data Protection Supervisor delivered its opinion on 12 March 2014
- Council took position on the draft-Directive on 26.05.2014 with an amended version
- The European Parliament has not started the discussions yet.

## Main features

- a minimum harmonization of the different civil law regimes, whilst allowing member states to apply stricter rules;
- the establishment of common principles, definitions and safeguards, in line with international agreements, as well as the measures, procedures and remedies that should be made available for the purpose of civil law redress;
- a limitation period of six years for claims or bringing actions before courts;
- the preservation of confidentiality in the course of legal proceedings, while ensuring that the rights of the parties involved in a trade secret litigation case are not undermined;

## Directive: main changes in comparison to initial proposal

- the need for a minimum harmonization, allowing Member States to apply stricter measures (Article 1),
- the unlawful acquisition use and disclosure of trade secrets (Article 3) where the presentation of the cases of unlawful conduct have been simplified and clarifications have been added in Article 4 on the lawful acquisition of trade secrets,
- the limitation period now extended to six years (Article 7),
- the preservation of confidentiality in the course of legal proceedings (Article 8) where the new wording strikes the balance between the protection of trade secrets and the right of the parties to a fair trial,
- the possible delivery of infringing goods to charitable organisation, provision which is no longer compulsory in the compromise (Article 11.3),
- Damages and the protection of employees (Article 13)

## Minimum harmonization (Article 1)

- Member States may provide, in compliance with the provisions of the Treaty, for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than that required in this Directive, provided that compliance is ensured with:
  - Article 4 (lawful acquisition)
  - Article 5 (general obligations for proceedings: fairness)
  - Article 6(1) (being proportionate, no barriers to legitimate trade)
  - Article 7 (limitation period)
  - Article 8 in parts - (confidentiality in legal proceedings)
  - Article 9(2) (continuation of alleged infringement by way of security)
  - Article 10 (concrete obligations for provisional and precautionary measures)
  - Article 12 (scope of injunctions)
  - Article 14(3) (proportionality in the publication of judicial decisions)

## Definitions: trade secrets / infringing goods

- Definition trade secret (Article 2 (1)):
  - 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
  - has commercial value because it is secret
  - has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret
- 'infringing goods' means goods whose design, quality, functioning, manufacturing process or marketing significantly benefits from trade secrets unlawfully acquired, used or disclosed.

## Definitions: Unlawfulness (primary infringers)

- Requirement for measures: unlawful acquisition, use or disclosure of trade secrets
- Criteria for unlawfulness:
  - Unlawful acquisition: a) unauthorised access to, copying or appropriation of any documents (...), 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.
- Unlawful use or disclosure: a) have acquired the trade secret unlawfully
- b) breach of a confidentiality agreement or any other duty
- Note that for “primary infringers” (e.g. the one that takes steps to acquire the information, the one that breaches a confidentiality duty) no intention or gross negligence criteria is required

## Definitions: Unlawfulness (third parties)

- For passive receivers of information (third parties) a knowledge criterion is required in Article 3 para. 4 and 5:
- Unlawful acquisition/use/disclosure: when a person knew/should have known that the trade secret was obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully
- Unlawful handling (i.e. production, offering/placing on the market or import/export/storage of infringing goods for those purposes) of infringing goods: when the person carrying out such activities knew/should have known that the trade secret was used unlawfully

## Definitions: Unlawfulness (exceptions)

- Some exceptions to unlawfulness (Article 4 – paragraph 1):
  - independent discovery or creation
  - observation, study, disassembly or test of a product being lawfully available if possessor is free to from any legally valid duty to limit the acquisition of the trade secret (reverse engineering)
  - any other practice which, under the circumstances, is in conformity with honest commercial practices
  
- In very special cases any measures are to be dismissed (Article 4 paragraph 2):
  - Exercise freedom of expression and information (lit. a)
  - in case of whistleblowing (lit. b)

## Limitation period (Article 7)

- limitation: Duration of limitation periods for substantive claims or bringing actions for the application of the measures shall not exceed six years.

## confidentiality in the course of legal proceedings (Article 8)

- Proceedings relating to unlawful acquisition, use or disclosure of a trade secret:
  
- No permission for
  - parties, their representatives, court officials, witnesses, experts and any other person participating in the legal proceedingsto use/disclose any trade secret
  - which competent judicial authorities have identified as confidential
  - and of which they have become aware as a result of such participation

## **confidentiality in the course of legal proceedings (Article 8)**

- Judicial authorities shall be empowered to take necessary measures to preserve the confidentiality of a trade secret.
  
- At least:
  - restrict access to any document containing (alleged) trade secrets, provided that at least one person from each party, its lawyer and court officials are given full access to such document
  - restrict access to hearings (corresponding records), when (alleged) trade secrets may be disclosed, provided that at least one person from each party, its lawyer and court officials are given full access to such hearing
  - making available to third parties a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed

## Measures in case of infringement

- Preliminary measures (Article 9)
  - Limited to cease and desist claims
  - Need to institute proceedings leading to a decision on the merits (Article 10 para 3)
- Permanent measures:
  - Injunction (Article 11 paragraph 1)
  - Recall of infringing goods (Article 11 paragraph 2 lit b)
  - Depriving the infringing goods of their infringing quality (Article 11 paragraph 2 lit c)
  - Destruction/Withdrawal of infringing goods (Article 11 paragraph 2 lit d)
  - Destructions of any material which contains or implements the trade secret (Article 11 paragraph 2 lit e)
  - Damages (Article 13)
  - Publication of judicial decision (Article 14)

## provisional and precautionary measures (Article 9)

- Possibility of preliminary measures against the infringer
  - cessation/prohibition of the use/disclosure of the trade secret on a provisional basis
  - prohibition to produce, offer, place on the market or use infringing goods, or import, export or store infringing goods for those purposes
  - seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into or circulation within the market.
- Alternative: making the continuation of the alleged unlawful use/disclosure subject to the lodging of guarantees for the compensation of the trade secret holder.
- Procedural rules for granting preliminary measures (Article 10)

## measures resulting from a decision on the merits

- Injunction (judicial authorities “may order”), Article 11:
  - cessation/prohibition of the use/disclosure of the trade secret;
  - prohibition to produce, offer, place on the market or use infringing goods, or import, export or store infringing goods for those purposes;
  - adoption of the appropriate corrective measures with regard to the infringing goods
    - recall of the infringing goods from the market
    - destruction of the infringing goods or their withdrawal from the market
    - destruction of documents, etc. containing or implementing the trade secret
  
- Procedural Rules (Article 12)

## measures resulting from a decision on the merits

- Damages (Article 13)
  - from infringer who knew or ought to have known that he or she was engaging in unlawful acquisition/use/disclosure of a trade secret
  - damages appropriate to the actual prejudice suffered as a result of the infringement
    - lost profits,
    - unfair profits made by the infringer
    - moral prejudice caused to the trade secret holder by the unlawful acquisition/use/disclosure of the trade secret
    - Lump sum, based on notional license
  
- Publication of judicial decisions (Article 14)