

# EU Trade Secrets Legislation Progress, but...

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# An “Interface” Subject-Matter

- Intellectual Property Law
- Criminal Law
- Competition Law
- Employment Law

## EU Directive in a Nutshell

- Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (“**Directive**”)
- Partial Harmonization
- Deadline for adoption by Member States: **9 June 2018**

# No Intellectual Property Right

- „Enforcement Directive“ not applicable – but: Directive stipulates measures similar to those set forth in Enforcement Directive.
- Consider protection of trade secrets vs. patents
  - duration
  - costs
  - enforcement

# Requirements for Protection as a Trade Secret

The information is

- a) 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) has commercial value because it is secret; (actual/potential value?)
- c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

(= Art 39 TRIPS)

# Meaning of “reasonable steps under the circumstances”

- Interpretation by the courts, ultimately by the European Court of Justice.
- Requirements to depend on the kind of information, its value, development costs and risk of disclosure.

## “Reasonable Steps”

- Technical measures (IT security; physical access restrictions);
- Organizational measures (corporate guidelines);
- Contractual measures (non-disclosure agreements; obligations not to compete).

# Exceptions from Protection

- Reverse engineering (permissible unless contractually agreed otherwise; Member States can restrict ability of parties to prohibit reverse engineering);
- revealing misconduct, wrongdoing or illegal activity for the purpose of protecting the general public interest („whistleblowing“);
- exercising the right to freedom of expression and information as set forth in the Charter of Fundamental Rights of the EU, including respect for the freedom and pluralism of the media;
- any other practice which, under the circumstances, is in conformity with honest commercial practices.

# Misappropriation

- Unlawful acquisition = unauthorized 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; or any other conduct which, under the circumstances, is considered contrary to honest commercial practices;
- Unlawful use or disclosure = whenever carried out, without the consent of the trade secret holder, by a person who is found to have acquired the trade secret unlawfully, breached a confidentiality agreement or any other duty not to disclose the trade secret, or a contractual or any other duty to limit the use of the trade secret;

## Misappropriation (cont'd)

Distinction:

- “direct” infringement does not require intent or negligence;
- “indirect” infringement, i.e. the acquisition, use or disclosure of a trade secret obtained from another person constitute misappropriation only if the acting person knew or ought to have known that the other person used or disclosed the secret unlawfully.

# Remedies

Member States shall ensure the availability of

- provisional measures; and
- permanent measures;

preventing or prohibiting the unlawful use or disclosure. Remedies include injunctions, seizure, blocking importation, damages, fees and costs.

- The courts of the Member States shall undertake a comprehensive proportionality check when granting such measures.
- Damages calculated as in IP infringement cases (actual damage or infringer's profit or hypothetical license fee).
- Limitation period not to exceed six years.

## Selected Aspects

- What kind of information can be a trade secret?
- **How to identify, and then how to „register“ trade secrets within (or outside?) the company?**
- How to maintain the secrecy of information in collaborative R&D environments?
- **Who owns the information if it is created in a collaborative process?**
- **Enforcement of trade secrets: how to maintain the secrecy of information in judicial proceedings which are, in principle, public?**

# Selected Aspects

- How to identify, and then how to „register“ trade secrets within (or outside?) the company?
  - Identify, categorize and label information;
  - „make“ it the property of the company;
  - Register? If so, **avoid reverse conclusion.**

# Selected Aspects

- **Who owns the information if it is created in a collaborative process?**
  - Patent: community of part owners.
  - A trade secret is not a property right – can we apply similar rules?

## Selected Aspects

- **How to maintain the secrecy of information in judicial proceedings which are, in principle, public?**
  - Directive: At least one representative of each party, in addition to the parties' lawyers, may attend hearings.
  - Member States may impose stricter protection of confidentiality (*in camera* proceedings; „black box“ proceedings).