



Welcome!

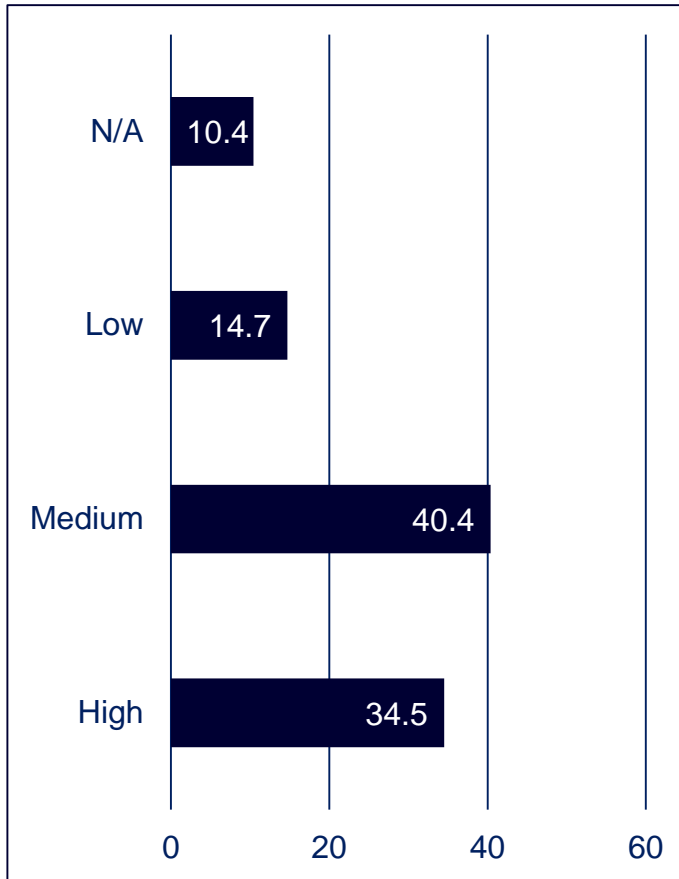


Action required – The New EU Trade Secrets Directive

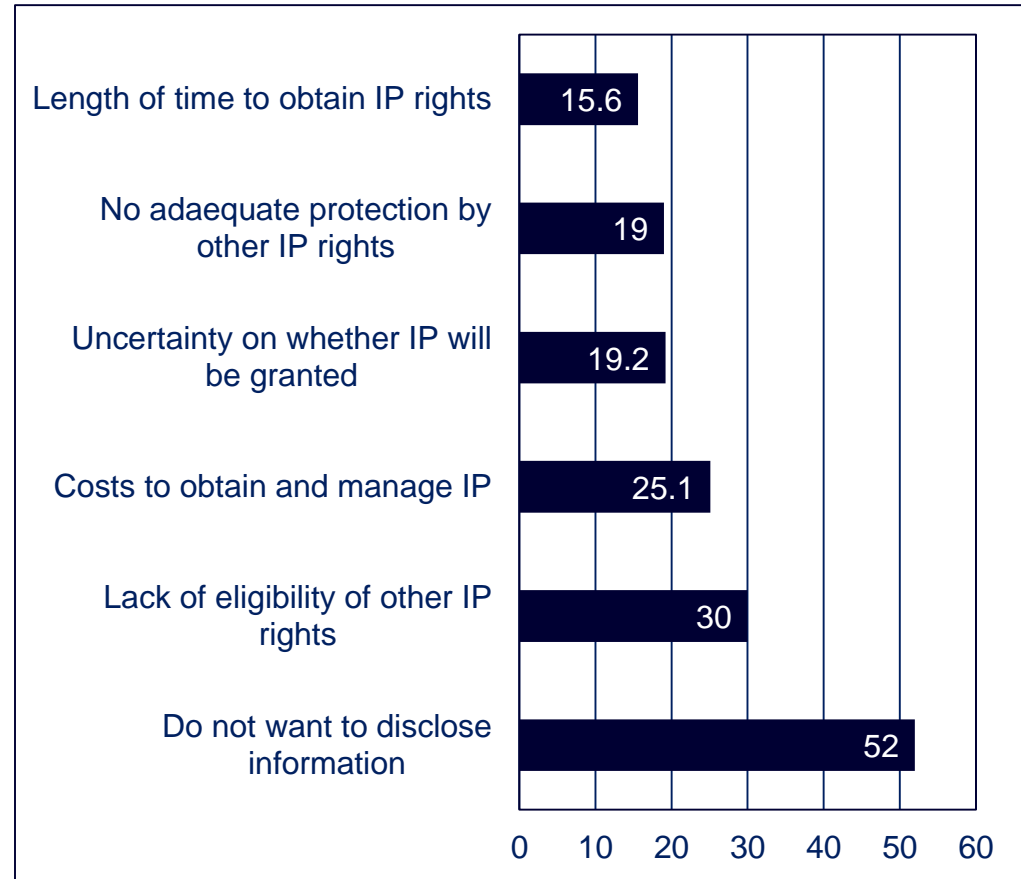
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I. Introduction – Why the EU took action

Importance of trade secret (TS) protection in general*



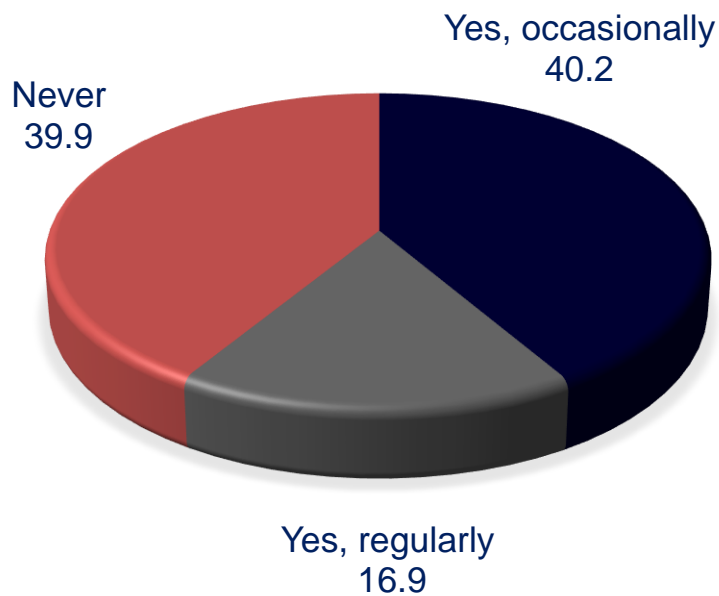
Importance of TS for competitiveness



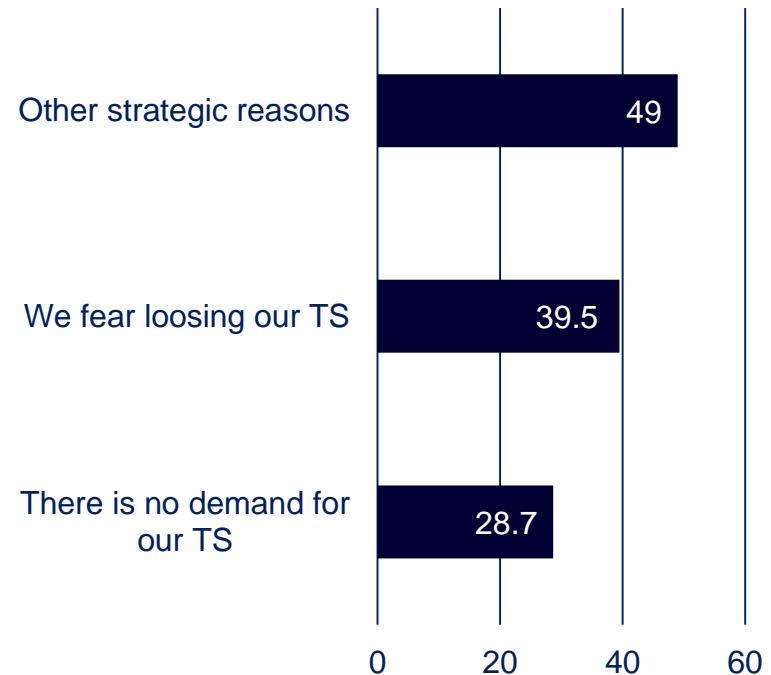
Why TS protection instead of IP rights?

Importance of trade secret exchange with others

Do you share trade secrets with others?



Why don't you share TS with others?



Status quo in Europe

- The law in relation to trade secrets in the EU is a **patchwork** (See, MARKT/2010/20/D).
 - Sweden implemented specific Act on the protection of trade secrets.
 - **Germany**, Poland, Spain, Austria, et al. rely on **unfair competition law**.
 - Italy and Portugal have provisions re trade secrets in their Codes of Industrial Property.
 - The Netherlands apply tort law principles.
 - UK and Ireland rely on common law of confidence and contract law.
- **No uniform definition of a trade secret.**
- No consistency in **civil law remedies**.
 - Injunctive relief is not available in every Member State.
 - Inconsistent and (partially) insufficient provisions on damages.
- No protection of **confidentiality in civil proceedings**.

Reasons for harmonization

- **Preventing legal fragmentation** in the internal market.
- Giving **incentives for** innovation-related **cross-border activities** (such as R&D-cooperation or production cooperation).
- **Avoiding** inefficient allocation of capital on protection **measures to compensate for insufficient legal protection.**
- Providing an **overall deterrent effect** against unfair competitors.

II. Fundamentals of the EU Trade Secrets Directive

Article 1 – Subject matter and scope

Directive (EU) 2016/943 of the European Parliament and 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 (**EUTSD**).

- **Minimum harmonization:** Member states are entitled to provide for more far-reaching protection, as long as
 - compliance with Art. 3, 5, 6, Art. 7(1), Art. 8, Art. 9(1) 2nd subpara., Art. 9(3) and (4), Art. 10(2), Art. 11, 13 and Art. 15(3) EUTSD is ensured.
=> *de facto* **full harmonization** to a large extent.
- **Transposition period** until 9 June 2018.
- *Nota bene:* Art. 1(2)(b) EUTSD allows for '**Whistleblowing**' [See, Art. 5(a) EUTSD].

Article 2 – Definitions

- Recitals (14): “trade secret” = know-how, business information and technological information.
- Art. 2(1): Definition of “trade secret” => identical to Art. 39(2) TRIPS:
 - (1) ‘trade secret’ means information which meets all of the following requirements:
 - (a) it is secret in the sense that it is **not, as a body** or in the **precise configuration and assembly** of its components, **generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question**;
 - (b) it has **commercial value** because it is secret;
 - (c) it has been subject to **reasonable steps** under the circumstances, by the person lawfully in control of the information, **to keep it secret**.
- Art. 2(2) to (4): Def. of ‘trade secret holder’, ‘infringer’ and ‘infringing goods’.

Article 3 – ‘White list’ of lawful conducts

- **Independent discovery or creation**
 - Recitals (16): no absolute right to know-how or information protected as trade secret *per se*, but protection against misappropriation.
- **Reverse engineering** => important ‘game changer’ for German law
 - Analyzed product must have been **lawfully acquired**.
 - Reverse engineering does not render trade secret obvious yet, unless result was published.
- **Any other practice in conformity with honest commercial practice.**

Article 4 – ‘Black list’ of unlawful conducts

- **Acquisition** of a trade secret without consent of the holder,
 - carried out **against honest commercial practice**,
 - e.g. unauthorized access or misappropriation.
- **Use** or **disclosure** without consent of the holder by a person who,
 - acquired the trade secret unlawfully,
 - is in breach of a confidentiality agreement or contractual duty to limit the use of the trade secret.
- **No willfulness or negligence required** => but see Art. 13(3) (obtainment in good faith).
- **Production, offering etc. of infringing goods** in bad faith or due to negligence [see Art. 4(5)].
- Art. 4(4): **indirect infringement** = Acquisition, use or disclosure of a trade secret if the person knew (or ought to have known) that it was unlawfully obtained by a third person.

Art. 6 and 7 – General provisions for legal measures and abuse of process

- All legal redress against unlawful acquisition, use and disclosure shall:
 - be fair and equitable;
 - proportionate;
 - not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays; and
 - be effective and dissuasive.
- Member states shall ensure measures against **manifestly unfounded legal proceedings in bad faith**;
 - including award of damages.
 - Contradiction to German principle of privileged recourse to legal actions.

Art. 10 to 15 – Legal remedies and measures

Implementation of regulation scheme of the **EU Enforcement Directive**

- **Injunctions and corrective measures**
 - Cessation or prohibition of use or disclosure.
 - Prohibition of production, offering etc. of infringing goods.
 - Destruction of
 - documents, objects, electronic files etc. containing or embodying trade secrets;
 - infringing goods.
 - Recall and seizure of infringing goods.
- **Damages**
 - Willful or negligent infringement.
 - Lost profit, infringer's profit or reasonable license.

Art. 10 to 15 – Legal remedies and measures

- **Provisional and precautionary measures** (Art. 10 EUTSD)
 - Deposition of a guarantee may bail out infringing use.
 - Court may order security deposition from applicant.
 - Unjustified provisional measures cause liability for damages.

Preserving confidentiality in court proceedings

- **The problem:**
 - A trade secret ceases to exist if it is publically disclosed.
 - *See also*, Art. 11(3)(b) and Art. 13(2): revocation of legal measures.
 - The trade secret shall **not be revealed to the opponent / competitor**.
 - Enforcement of a trade secret in civil proceedings has to meet the **standards of a fair trial** (Art. 6 ECHR):
 - Statement of the trade secret in the complaint.
 - **Public hearing**.
 - Oral hearing.
 - Equal access to evidence, documents, hearings.
 - Public promulgation of the judgement.
 - The paradox: **Plaintiff either loses the TS or the law suit!**

Art. 9 – Measures to preserve confidentiality

- Does Art. 9 EUTSD provide a solution?
 - Prohibition to use and disclose => also after legal proceedings have ended.
 - Restriction of access to documents.
 - Exclusion from oral hearings.
 - Non-confidential (blackened) version of the judgment.
- However, at least the **respective lawyers** (or other representatives) and **one natural person from each party** shall have full access to documents, oral hearings and the confidential version of the judgment.

III. Consequences and effects

What is going to change

- Trade secrets protection will become **more IP-like**.
 - Liability does not require 'unfair intention' anymore.
 - Liability under civil law needs to be disconnected from criminal offences.
 - Alignment with Enforcement Directive will strengthen enforceability.
 - However, no absolute right, but protection against misappropriation.
- **Reverse engineering** will limit scope of protection.

What action is required?

- Holders are required to prove **establishment of protection measures**.
- Measures need to be 'reasonable under the circumstances'.
- What should be done?
 - **Identification of trade secrets:** What is worth protecting?
 - **Information management:** Who needs to know what?
 - **Physical access restriction / control.**
 - **Contractual limitations.**
 - NDA.
 - Contractual limitations of the use of trade secrets, including limitation of reverse engineering.
 - No-compete agreements.
- When should the protection measures be installed? => **Now!**

Thank you very much for your attention!

Questions? – Please contact me

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