



fieldfisher

IP Seminar

Trade secrets directive

16 May 2017

Belgium | China | France | Germany | Italy | Netherlands | UK | US (Silicon Valley) | fieldfisher.com

Context

- *"Economists agree that companies, irrespective of their size, value trade secrets at least as much as all other forms of IP".*
- *"Trade secrets are particularly important to SMEs and start-ups as these often lack specialised human resources and financial strength to pursue, manage, enforce and defend IPRs".*
- *"competitors are free, and should be encouraged, to develop and use the same, similar or alternative solutions, thus competing in innovation, but are not allowed to cheat, steal or deceive in order to obtain confidential information developed by others"*

Context

- 2012 : Public consultation
 - 40% of EU companies would refrain from sharing trade secrets with other parties because of fear of losing the confidentiality of the information through misuse or release without their authorisation.
 - the fragmented legal protection within the EU does not guarantee a comparable scope of protection and level of redress within the Internal Market, thus putting trade-secret based competitive advantages, whether innovation-related or not, at risk and undermining trade secret owners' competitiveness.

Context

- 28 Nov. 2013 : proposal for a Directive (2013/0402)
 - Harmonisation: minimum level of protection
 - civil remedies against unlawful acquisition, use and disclosure
 - civil procedure (to ensure that the rights can be properly enforced)
 - criminal sanctions are not in scope
- 8 June 2016 : Directive 2016/943
 - Implementation by 9 June 2018

Scope

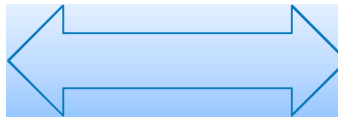
- “Trade secret” is any information which
 - Is **secret** (ie not – as a body or in the precise configuration and assembly of its components – generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question);
 - Has **commercial value** because it is secret;
 - Has been subject to **reasonable steps** under the circumstances, by the trade secret holder, to keep it secret.
 - Cf Article 39.2 TRIPS (“undisclosed information”)

Scope

- Trade secret holder :

Lawfully controls a trade secret;

(incl. licensee)



- Infringer :

Unlawfully acquired, used or disclosed a trade secret

- Infringing goods :

design, characteristics, production process, marketing, significantly benefits from unlawful acquisition, use or disclosure of trade secrets

Scope

LAWFUL (art. 3)

UNLAWFUL (art. 4)

NOT UNLAWFUL (art. 5)

ACQUISITION

USE

DISCLOSURE

Lawful

- Acquisition
 - Independent discovery/creation
 - Observation, study, reverse-engineering
 - Exercise of workers' right to information and consultation
 - Any practice in conformity with honest practices
- Acquisition, use or disclosure
 - Required or allowed by the law

Unlawful

- Acquisition
 - Unauthorised access or copying, theft, bribery, deception
 - Anything contrary to honest commercial practices
- Use or disclosure
 - Trade secret acquired unlawfully
 - Breach of contract limiting the disclosure (or secrecy duty)
 - Breach of contract limiting the use
- Acquisition, use or disclosure
 - If, when acquired, used or disclosed, the person knew or ought to know was unlawful
 - Producing, distributing or handling product = use if the person knew or ought to know was unlawful

Not Unlawful

- No remedy if acquisition, use or disclosure
 - Freedom of expression
 - Whistle blowing
 - Disclosure by workers to their representatives
 - Protecting a legitimate interest recognized by national or EU law

"Trade secrets bill could stifle journalists"

"how the European Trade secrets Directive will silence tax whistleblowers"



NO TO THE NEW
LAWS ON
**TRADE
SECRETS**

General procedural principles

- Procedures and remedies must:
 - Be fair and equitable,
 - Not be too complex, costly or long,
 - Be effective and dissuasive,
 - Be proportionate (prevent abuses),
 - Avoid barrier to legitimate trade,
 - Punish manifestly unfounded or bad faith claims
- Limitation period : max. 6 years

Confidentiality in court proceedings

- Member States must ensure that
 - Parties, lawyers, court officials, and any person involved in the proceedings are not permitted to use or disclose trade secrets
 - Courts (ex officio or at the request of a party) may :
 - Limit access to documents to certain persons;
 - Restrict access to hearings (and transcripts);
 - Make redacted versions of the decisions

Provisional measures

- Member States must ensure that courts may issue provisional
 - Injunctions against use or disclosure
 - Injunctions against the production or sale of infringing products
 - Seizure of infringing products
 - Lodging of a guarantee (to continue the use)
- Conditions : reasonable evidence to satisfy the court with a sufficient degree of certainty
 - Trade secret exists and belongs to applicant
 - Unlawful acquisition, use or disclosure

Provisional measures

- Courts must consider, amongst other factors :
 - Value of the TS
 - Efforts to protect the TS
 - Way in which the TS was acquired
 - Impact of the measures on the parties (balance of interests)
 - Public interest
- Lodging of a guarantee may be required
- Measures stop unless proceedings on the merits started within max 31 days
- Appropriate compensation if there had been no unlawful acquisition, use or disclosure

Measures on the merits

- Injunctions and corrective measures
 - Injunctions against use or disclosure
 - Corrective measures
 - Product recall from the market
 - “Repairing” the products
 - Destruction or where appropriate confiscation or donation
 - In principle : at the expense of the infringer and without prejudice to damages

Measures on the merits

- Damages
 - Infringer who knew or ought to have known : actual prejudice
 - Take into account :
 - Negative economic consequences, incl. lost profits;
 - Unfair profits;
 - Other relevant elements (moral prejudice).
 - Alternatively : lost royalties
 - Attention : definition of “infringing products”

Damages : Vestergaard Frandsen v Bestnet



- VF producer of long-lasting insecticidal bed nets used in fight against Malaria
- Bestnet hired a consultant who developed insecticidal product for VF
- Consultant found to have misappropriated confidential information
- Court of Appeal (UK) :
 - damages are recoverable in respect of products which do not embody a misuse of confidential information, but which are derived from a misuse of confidential information

Implementation

- Next year (by 9 June 2018)
- Current law - sporadic
 - Employment Contract Law (Article 17) (only employees)
 - Criminal Code Article 309 (only “manufacturing secrets”)
 - Unfair trade practices (requires the exploitation – Brussels 7 November 2013)
 - No descriptive seizure (but ex parte extreme urgency proceedings possible)
- FOD Economie is working on a draft law (Parliamentary question Aug. 2016)
- Should bring more structure / legal certainty / more protection