

OVERVIEW OF NATIONAL AND REGIONAL TRADE SECRET SYSTEMS

EUROPEAN UNION

1. Sources of Law

The Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure of the European Parliament and of the Council of 8 June 2016 (the Directive) ¹ was adopted with its publication in the official journal of the European Union (on June 8, 2016) ² The Member States of the European Union (EU) should have implemented the Directive into national law by June 9, 2018.³ According to Article 1 of the Directive, EU Member States⁴ may provide a more far-reaching protection against unlawful acquisition, use or disclosure of trade secrets than that required by the Directive, whereby the interests of third parties expressly stated in the Directive⁵ need to be considered.

2. Definition of a Trade Secret

Article 2 of the Directive contains definitions of certain terms applied for the purpose of the Directive.

Following the precise wording of Article 39.2 of the TRIPS Agreement, Article 2(1) of the Directive defines a trade secret as 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;

3. Scope of Trade Secret Protection

Article 3 of the Directive describes lawful acts as to acquisition of trade secrets. Specifically, the following acts, among others, are considered lawful: (i) independent discovery or creation; (ii) observation, study or testing of a product that has been made available to the public or that is lawfully in possession of the acquirer; or (iii) any other practice which, under the circumstances, is in conformity with honest commercial practices.

Article 4 outlines unlawful acts. Among others, the acquisition of a trade secret without the consent of the trade secret holder⁶ is unlawful, if the acquirer accessed, appropriated, or

¹ Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0943>.

² This document aims to provide an overview (June 2024). It is not a complete review of the legal situation and case law. For further information, interested readers may consult: Nachtgrab, Kevin, The Trade Secrets Directive (July 15, 2019). *les Nouvelles - Journal of the Licensing Executives Society*, Volume LIV No. 3, September 2019, Available at SSRN: <https://ssrn.com/abstract=3420266>; Heinz Goddar and Melanie Müller in: *Trade Secrets Throughout the World, 2023 (Jager et al.)*, Chapter 12 The Competition Law of the European Union.

³ See Article 19(1) of the Directive.

⁴ According to its subheading, the Directive is with EEA (European Economic Area) relevance. This means that the Directive is also to be transposed into the national law of Iceland, Norway and Liechtenstein, see EEA Agreement, ANNEX XVII section 13.

⁵ See: Articles 3, 5, 6, 7(1), 8, 9(1) second paragraph, 9(3) and (4), 10(2), 11, 13 and 15(3) of the Directive.

⁶ According to Article 2(2) of the Directive, a trade secret holder means any natural or legal person lawfully controlling a trade secret.

copied any documents, objects etc. that are lawfully under the control of the trade secret holder and that contain the trade secret or from which the trade secret can be deduced. Further, any other conduct which, under the circumstances, is considered contrary to honest commercial practices is considered unlawful. The use or disclosure of a trade secret without the consent of the trade secret holder is considered unlawful if, for example, the trade secret has been acquired unlawfully or if the use or disclosure of the trade secret is made in breach of a confidentiality agreement or any other duty not to disclose the trade secret. The Directive does not expressly touch upon assigning or licensing trade secrets or define trade secrets as IP rights. The Directive does not confer an exclusive right to the trade secret holder to prevent the lawful use of a trade secret but only gives the means to apply for the measures, procedures and remedies provided for in the Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.⁷

4. Exceptions and Limitations

The Directive provides safeguards, limitations, and exceptions to trade secret protection.

For example, acquisition, use and disclosure of trade secrets for exercising the right of freedom of expression, for revealing misconduct or illegal activity, or for the purpose of protecting a legitimate interest recognized by the EU or national law, among others, are not deemed unlawful trade secret misappropriation (Article 5 of the Directive).

5. Civil Remedies

According to Article 6 of the Directive, EU Member States need to provide for the measures, procedures, and remedies necessary to ensure the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets. The measures need to be fair and equitable; not be unnecessarily complicated or costly or entail unreasonable time-limits or unwarranted delays; and be effective and dissuasive. Article 7 of the Directive further specifies that measures, procedures, and remedies provided for in the Directive shall be applied in proportionate manner, avoid the creation of barriers to legitimate trade in the internal market, and provides for safeguards against their abuse.

According to Articles 10 of the Directive, provisional and precautionary measures such as preliminary injunctions shall be available, whereby Article 11 of the Directive provides safeguards (such as proportionality and revocability considerations).

Articles 12 to 15 of the Directive regulate measures resulting from a decision on the merits of the case. Article 12 (injunctions and corrective measures) of the Directive outlines the measures against unlawful acquisition, use or disclosure of a trade secret.

For example, according to Article 12(1) of the Directive, the competent judicial authority may order appropriate (corrective) measures (including for example, the cessation, the prohibition of the use or disclosure of the trade secret, the destruction of the infringing goods).

Appropriate corrective measures must contain the recall of the infringing goods from the market (Article 12(2)(a)); depriving the infringing goods of their infringing quality (Article 12(2)(b)); and the destruction of the infringing goods or, where appropriate, their withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question (Article 12(2)(c)).

According to Article 13 of the Directive, in applying injunctions and corrective measures and assessing their proportionality, the judicial authorities of the Member States must take into account the specific circumstances of each case, where appropriate. They include, for example, the value of the trade secret, the measures taken to protect the trade secret, the conduct of the alleged infringer, the legitimate interests of the parties and third parties, the public interest and fundamental rights.

⁷ See Article 4(1) of the Directive.

According to Article 14 of the Directive, EU Member States must ensure that in the case the infringers knew or ought to have known that they were engaging in unlawful acquisition, use or disclosure of a trade secret, a damage claim is available for damages appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret.

6. Criminal Sanctions

The Directive does not regulate criminal sanctions.

7. Trade Secret Protection in Judicial Proceedings

Articles 9 (Preservation of confidentiality of trade secrets in the course of legal proceedings) and 15 (Publication of the decision) of the Directive address the protection of trade secrets in judicial proceedings.

According to Article 9, EU Member States shall ensure that persons participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or persons having access to documents which form part of those legal proceedings, are not permitted to use or disclose any trade secret or alleged trade secret which the competent judicial authorities have identified as confidential and of which they have become aware as a result of such participation or access. This obligation generally remains in force even after the end of the proceedings.⁸ Confidentiality measures shall include the restriction of access to documents and the corresponding records or transcript of the hearings, and restricting access to court hearings. A non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted, must be made available.⁹

8. Procedural Provisions

Competent Courts

The Directive does not regulate the competent courts in the EU Member States.

Burden of proof

It is up to the EU Member States to define the burden of proof according to their procedural laws.

Statute of limitation

Article 8 of the Directive regulates that EU Member States shall lay down rules on the limitation periods applicable to substantive claims and actions for the application of the measures, procedures and remedies provided for in this Directive. In particular, according to Article 8(1), EU Member States shall determine when the limitation period begins to run, the duration of the limitation period and the circumstances under which the limitation period is interrupted or suspended. The duration of the limitation period shall not exceed six years (Article 8(2)).

⁸ See Article 9(1) of the Directive.

⁹ See Article 9(2) of the Directive.