

OVERVIEW OF NATIONAL AND REGIONAL TRADE SECRET SYSTEMS

UNITED KINGDOM

1. Sources of Law

The United Kingdom (UK) has a long tradition of protection against breach of confidence, which has historically been achieved through the equitable doctrine of confidence as developed by the common law, known as the “law of confidence”.¹ Under the UK legal framework, trade secrets are protected under two parallel regimes; by the common law of confidence, and by statute under the Trade Secrets (Enforcement) Regulations (TSER).² TSER came into force in 2018 and implemented the EU Trade Secrets Directive, whereby references to other areas of law, such as trade union law, are dealt with under separate legislation. The TSER transposed only of the provisions of the EU Trade Secrets Directive that were not expressly covered by UK law and aimed to ensure harmonization of the EU Directive's implementation across the UK's jurisdictions.³ Breaches of trade secret protection can be enforced through civil litigation. Certain conduct regarding trade secrets (or confidential information) may also be subject to criminal penalties under the relevant UK legislation.

Many aspects of European Law that was in force prior to December 31, 2020 were implemented in national law by means of the European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020 and implementing regulation.⁴ The UK has committed under the UK-EU Trade and Cooperation Agreement to protect trade secrets from unlawful acquisition, use, or disclosure on terms that mirror many of the provisions of the EU Trade Secrets Directive.⁵

2. Definition of a trade secret

The TSER provide a statutory definition of trade secrets. According to regulation 2 of the TSER, a trade secret is defined as information which:

- 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; and
- has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

In addition, while TSER provide specific protection to information that is considered as trade secret according to regulation 2 of the TSER, certain other information may be protected by the law of confidential information⁶.

¹ 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: Pierce, Jennifer, Trade Secret Directive - United Kingdom (July 16, 2019) *les Nouvelles* - Journal of the Licensing Executives Society, Volume LIV No. 3, September 2019, Available at SSRN: <https://ssrn.com/abstract=3420844>; Toby Bond and Louise Sargeant in Trade Secrets throughout the World (Jager *et. al.*), 2023, Chapter 39.

² Available at: <https://www.wipo.int/wipolex/en/legislation/details/18044>.

³ it is to be noted that also with the Implementation of the EU Trade Secret Law Directive, there are still some differences in judicial basis for the protection of trade secrets under Scottish and English law, see Toby Bond and Louise Sargeant, *loc. cit.*, § 39:2.

⁴ See with further details, Toby Bond and Louise Sargeant in Trade Secrets Throughout the World (2022), Chapter 39: United Kingdom, § 39:1.

⁵ *Ibid.* with further details.

⁶ The categories of such other information capable of protection from unlawful use or disclosure were defined by case law with reference to whether the information had the “necessary character of confidence”, see with further details and references: Toby Bond and Louise Sargeant, *loc. cit.*, § 39:3, § 39:4, § 39:17, § 39:18.

3. Scope of trade secret protection

According to regulation 3 par. (1) of the TSER, the acquisition, use or disclosure of a trade secret is unlawful where such act constitutes a breach of confidence in confidential information. In addition, courts may provide wider protection as provided for in the TSER in respect of the unlawful acquisition, use or disclosure of a trade secret, provided that the safeguards referred to in Article 1 of the EU Trade Secrets Directive are met.⁷ For example, provisions in employment contracts that entitle the employer to require an employee to not to attend the workplace during the period of notice of termination of employment whilst the individual is still an employee (so-called “garden leave”), including the prohibition on being engaged with any other business, have been successfully enforced.⁸

4. Exceptions

Article 5 of the EU Directive (i.e., exception to trade secret protection for acts related to, amongst others, exercising the right to freedom of expression and information and whistleblowing) are not expressly implemented in the TSER. The UK Government was of the opinion that UK common law and current UK legislation, including the Human Rights Act 1988 and Trade Union and Labour Relations (Consolidation) Act 1992, the European Convention on Human Rights and the public interest exception in common law, already included equivalent safeguards.⁹

Further, overriding public interest has been interpreted by case law. Courts have identified cases of fraud or dishonest conduct, cases involving the public safety and wellbeing, cases concerned with the liberty of the subject as well as cases of just cause as factual non-exhaustive circumstances from which a sufficient public interest may be recognized.¹⁰

5. Civil remedies

The TSER explicitly regulates civil remedies as to trade secret misappropriation, supplementing the common law remedies. Regulation 14 of the TSER mirrors Article 12 of the EU Trade Secret Directive. Accordingly, in case of unlawful acquisition, use or disclosure, a court may order the following measures:

- the cessation of, or (as the case may be) the prohibition of, the use or disclosure of the trade secret;
- the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes;
- the adoption of corrective measures with regard to the infringing goods, including, where appropriate,
 - o recall of the infringing goods from the market;
 - o depriving the infringing goods of their infringing quality;
 - o destruction of the infringing goods or their withdrawal from the market,¹¹ provided that the withdrawal does not undermine the protection of the trade secret in question;¹²
- the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret, or where appropriate, the delivery up to the applicant of all or part of that document, object, material, substance or electronic file.¹³

Regulation 16 of the TSER provides compensation instead of order under regulation 14 TSER.

⁷ See Regulation 3, par. (2) and (3) TSER.

⁸ See with reference to case law, Toby Bond and Louise Sargeant, *loc. cit.*, § 39:27.

⁹ See with further details: Toby Bond and Louise Sargeant, *loc. cit.*, § 39:9.

¹⁰ *Ibid.* with further details, § 39:10 to § 39:15.

¹¹ See also Regulation 14 par. (2) TSER.

¹² Regulation 14 par. (1) (c) TSER, regulation 14 par. (3) TSER.

¹³ Regulation 14 par. (1) (d) TSER, regulation 14 par. (3) TSER.

Regulation 17 of the TSER, which is similar to Article 14 of the EU Trade Secret Directive, provides a damage claim in case of trade secret misappropriation by an infringer, who knew or should have known that the trade secret was unlawfully acquired, used, or disclosed.¹⁴

The damage calculation needs to be particularly based on factors, such as:

- negative economic consequences, including any lost profits, which the trade secret holder has suffered, and any unfair profits made by the infringer; and
- elements other than economic factors, including the moral prejudice caused to the trade secret holder by the unlawful acquisition, use or disclosure of the trade secret.¹⁵

Where appropriate, a court may award damages based on the royalties or fees, which would have been due had the infringer obtained a license to use the trade secret in question.¹⁶

As interim measures, a court may order against the alleged infringer to:

- cease or, as the case may be, prohibit the use or disclosure of the trade secret on a provisional basis;
- prohibit producing, offering, placing on the market or using infringing goods, or the importation, export or storage of infringing goods for those purposes;
- seize or deliver up the suspected infringing goods, including imported goods, so as to prevent the goods entering into, or circulating on, the market.¹⁷

6. Criminal sanctions

There is no general criminal offence of trade secret misappropriation in the UK. However, certain conduct regarding a trade secrets may attract criminal penalties if the specific facts or circumstances of a case demonstrate the elements of an offence under a relevant criminal legislation. For example, misappropriation of a trade secret might also be reviewed under the Data Protection Act 2018 if it involves unlawful acquisition of personal data, or it may constitute an offence under the Computer Misuse Act 1990 if a trade secret is obtained through unauthorized access to computer material.¹⁸

Furthermore, the National Security Act 2023¹⁹ deals with the misappropriation of trade secrets in the context of industrial espionage by a foreign government and criminalizes the unauthorized acquisition, copying, recording or retention of a trade secret or the disclosure or granting of access to a trade secret in certain circumstances. According to section 2 of the National Security Act, the maximum penalty is 14 years imprisonment and/or a fine. It is to be noted that the definition of the term “trade secrets” in Section 2(2) of the National Security Act²⁰ slightly differs from the definition of a trade secret in regulation 2 of the TSER.

7. Trade secret protection in judicial proceedings

With regulation 10, the TSER contain a specific provision on the preservation of confidentiality of documents which form part of the proceedings. A court may, for example, restrict access to any document containing a trade secret or alleged trade secret submitted

¹⁴ Regulation 17 par. (1) TSER.

¹⁵ Regulation 17 par. (2) TSER.

¹⁶ Regulation 17 par. (3) TSER.

¹⁷ Regulation 11 (1) TSER with further details in paragraphs (2) to (8).

¹⁸ See with further details Toby Bond and Louise Sargeant, *loc. cit.*, §39:19.

¹⁹ <https://www.legislation.gov.uk/ukpga/2023/32/enacted/data.pdf>.

²⁰ Section 2(2) of the National Security Act states that “trade secret” means any information, document or other article which:

- is not generally known by, or available to, persons with knowledge of or expertise in the field to which it relates,
- has actual or potential industrial, economic or commercial value which would be, or could reasonably be expected to be, adversely affected if it became generally known by, or available to, such persons, and
- could reasonably be expected to be subject to measures to prevent it becoming generally known by, or available to, such persons (whether or not it is actually subject to such measures).

by the parties or third parties, in whole or in part, to a limited number of persons²¹. It may also restrict access to hearings, when trade secrets or alleged trade secrets may be disclosed, to a limited number of persons. In addition, a court may order similar restrictions regarding access to the record or transcript of those hearings.

Where such restrictions are imposed, a court may make available to a person, who is not one of the limited number of persons, a non-confidential redacted version of any judicial decision. Regulation 10 par. (7) of the TSER provides factors that courts need to take into account in assessing proportionality of these measures for preservation of confidentiality of trade secrets.

8. Procedural provisions

Regulation 2 of the TSER defines that “court” in the TSER means:

- in England and Wales, a County Court hearing centre where there is also a Chancery District Registry or the High Court (as provided for in rule 63.13 of the Civil Procedure Rules 1998(a));
- in Scotland, the sheriff or the Court of Session; and
- in Northern Ireland, a county court or the High Court.

The National Security Act also provides provisions regarding competent (judicial) authorities.

Regulations 4 to 9 of the TSER provide provisions regarding the time limitation of trade secret misappropriation proceedings. In general, the time limit for bringing an action regarding unlawful acquisition/use or disclosure of a trade secret and for the application of measures, procedures and remedies provided for under the TSER is six years for England, Wales, Northern Ireland and five years for Scotland, starting from the later of either the unlawful acquisition, use or disclosure that is the subject of the claim ceases or the day of knowledge of the trade secret holder.²²

²¹ According to regulation 10 par. (6) of the TSER, the number of persons must be no greater than necessary to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and must include, at least, one individual from each party and the lawyers or other representatives of those parties to the proceedings.

²² See regulations 4 to 6 TSER.