

Exchange on Anti-Unfair Competition Law and Trade Secrets

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Presentation



Laure has more than 10 years' experience advising clients on all aspects of industrial and intellectual property. She is leading the IP/IT department in Luxembourg and is part of CMS IP/TMC practice group.

Her practice spans both contentious and non-contentious matters in relation to trademarks, patents, designs, copyright, unfair competition and image's right. She also has substantial experience in the areas of IP portfolio management, anti-counterfeiting and customs notably in Latin America, Africa and Middle East countries.

Top rankings in
2016
M&A League
Tables
(by deal count)

#1 Europe
(Bloomberg)

Acritas
Sharplegal
Top 20
Global brand
Ranking

#3 Global
(Bloomberg
Up to USD
500m)



Awards and rankings:

- Top ranked in Chambers Europe 2018
- Legal500 EMEA – Leading firm 2017
- IFLR 1000 – Top Tier Firm 2016
- JUVE Awards 2017 – Law Firm of the year
- Client Choice 2017

Global footprint:

- 150 IP lawyers
- In **73 offices** across **42 countries**

Summary

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- II. Evidence and burden of proof
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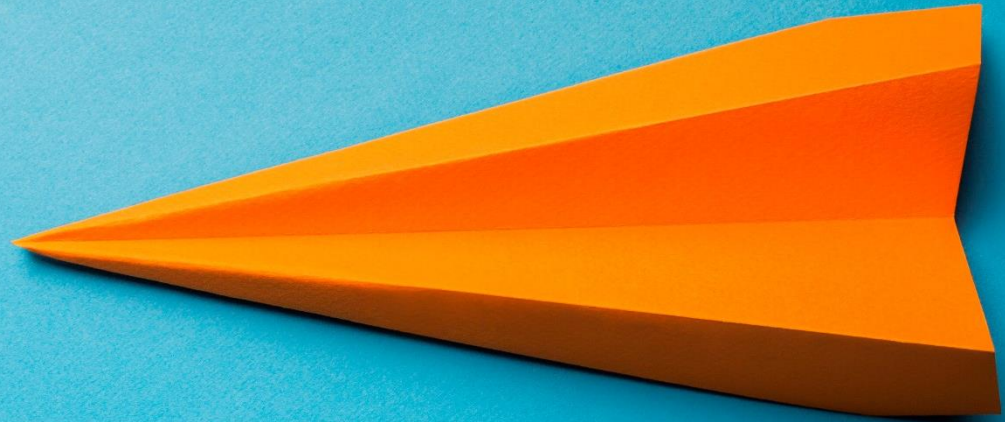
Introduction



Trade secrets have commercial value even when no protection through IP rights is possible → a need for protection

Considerable differences → fragmentation of the EU internal market v. global deterrent effect

Directive UE 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure with a transposition date on June 9th 2018.



Part 1: Validation of trade secrets and Court action

- I. Definition
- II. Evidence and burden of proof
- III. Procedural rules
- IV. How to secure trade secrets within a company ?

I. Definition – Before the Directive 2016/943 (1/2)

- No formal definition → defined by the case-law and refers to information having the following characteristics:
 - Known by a limited number of persons who want to keep it secret;
 - Concerns a commercial or industrial company;
 - Disclosure may damage its owner
- No specific regulation but:
 - Criminal law → material element and moral element (malicious intent)
 - Civil liability → general obligation towards anyone to repair damages caused by his/her fault (misconduct + injury + causal link)
 - Unfair competition law → most relevant for litigation between competitors

→ Not effective as there were no adequate measures to protect trade secrets and to prove violations.

I. Definition – After the Directive 2016/943 (2/2)

Formal definition:

- Secret as not known to persons within the circles that normally deal with the kind of information in question;
- Has a commercial value because it is secret;
- Has been subject to reasonable steps to be kept secret by the person lawfully in control of the information.

- Covered: trade-secret, commercial information and technological information
- Not covered: common knowledge, experience and competencies obtained by a worker in the ordinary course of business

II. Evidence and burden of proof

➤ **The claimant (owner or licensee) has to prove the evidence of trade secret**

- Confidentiality clause with penalties in the event of breach
- Non-competition clause with a limit in time and geography
- NDA with the definition of confidential information
- Arbitrage procedure to secure confidentiality
- i-Dépot (BOIP) : digital safe deposit box to secure trade secrets and know-how → prove the existence of a creation / confidential information at a certain date v. IP rights.

III. Procedural rules – Before the Directive 2016/943 (1/3)

- No specialised courts : civil, commercial or criminal chamber of the District court (“Tribunal d’Arrondissement”) → Court of Appeal (civil, commercial or criminal chamber) → Court of Cassation
 - Administrative proceeding: Competition Council → Administrative Tribunal
- Civil proceeding : no ad hoc measures to protect trade secrets during litigation but the parties can file a request for closed hearings (*a particularly valuable asset losing value once public*) → decision at the entire discretion of the Court
- Criminal proceeding : no ad hoc measures but decision to conduct closed hearings may be granted by the Court
- Administrative proceeding : request to remove confidential information or omit references if necessary or to protect parties’ rights

III. Procedural rules – After the Directive 2016/943 (2/3)

➤ To prevent or seek redress in case of the illicit appropriation, use or disclosure of a trade secret. *Have to initiate legal proceedings in front of the District Court, Commercial Chamber, leading to a decision on the merits of the case within 1 month from the service of the order.*

- Provisional and precautionary measures (ordonnance de référé / interim order, District Court) :
 - Cessation or prohibition of the use or disclosure of the trade secret on a provisional basis
 - 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
 - Seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.
- Court will evaluate such request :
 - Is there a trade secret
 - Is the applicant the trade secret holder
 - Has the trade secret been acquired unlawfully, being unlawfully used or disclosed, or unlawful acquisition, use or disclosure of the trade secret is imminent.

III. Procedural rules – After the Directive 2016/943 (2/3)

- And its proportionality :
 - Value of the trade secret
 - Measures taken to protect the trade secret
 - Impact of the unlawful use or disclosure of the trade secret
 - Legitimate interest of the parties
 - Impact of the granting / rejection of the measures
 - Public interest
 - ...
- Penalty payment can be imposed to any person who fails or refuses to comply with any measures adopted pursuant to a Court decision. The sanction shall be effective, proportionate and dissuasive v. punitive damages.
- The Court may subordinate the continuation of the claimed illicit use of a trade secret to the provision of guarantees to ensure compensation for the trade secret holder.

IV. How to secure trade secrets within a company?

Step 1

Identify
information
and resources
of the
company
Who, What,
How

Step 2

Classify the
data
Public,
sensitive,
critical,
strategic

Step 3

Implement
tools to secure
trade secrets

i-Dépot,
blockchain,
encryption,
confidentiality
agreement ...

Step 4

Appoint
someone in
the company
responsible to
manage trade
secrets

Part 2: Acquisition, use and disclosure of trade secrets – Lawful v. Unlawful

- I. Lawful situation
- II. Unlawful situation
- III. Civil Proceeding and measures resulting from a decision on the merits of the case
- IV. Confidentiality of trade secrets in the course of legal proceedings

I. Lawful

1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:

- (a) independent discovery or creation;
- (b) observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret;
- (c) exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices;
- (d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.

II. Unlawful (1/2)

1. Whenever carried out by: **HOW**

- (a) *unauthorised 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;
- (b) any other conduct which, under the circumstances, is considered *contrary to honest commercial practices*.

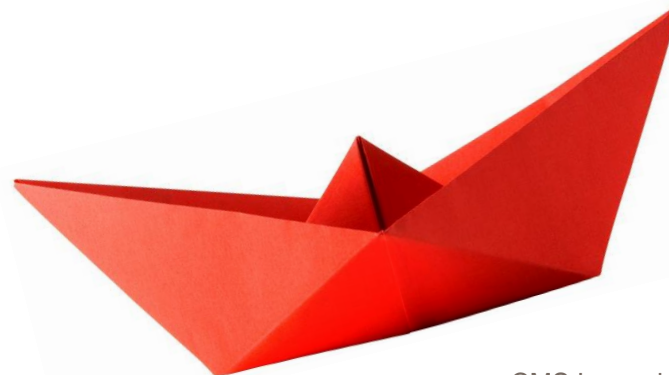
2. Whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions: **WHO**

- (a) having acquired the trade secret unlawfully;
- (b) being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;
- (c) being in breach of a contractual or any other duty to limit the use of the trade secret.

II. Unlawful (2/2)

4. The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, *to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully.*

5. The *production, offering or placing on the market* of infringing goods, or the *importation, export or storage* of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, *to have known that the trade secret was used unlawfully.*



III. Civil Proceeding and measures resulting from a decision on the merits of the case (1/2)

- The Court may, at the request of the applicant, order one or more of the following measures against the infringer in case of unlawful acquisition, use or disclosure of a trade secret:
 - Cessation of, or prohibition of, the use or disclosure of the trade secret;
 - Prohibition of the production, offering, placing on the market or use of the infringing goods for those purposes;
 - Adoption of the appropriate corrective measures with regard to the infringing goods;
 - 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 those documents, objects, materials, substances or electronic files.
- Limitation period to substantive claims and actions for the application of the measures, procedures and remedies : 2 years from the reasonable knowledge of the unlawful act and identity of the infringer. V. up to 6 years in the Directive

III. Civil Proceeding and measures resulting from a decision on the merits of the case (2/2)

- The corrective measures referred hereabove shall include:
 - Recall of the infringing goods from the market;
 - Depriving the infringing goods of their infringing quality;
 - Destruction or withdrawal from the market (to the owner or charitable org).
- The Court should take into account the proportionality of the measures requested.
- Damages:
 - Option 1= take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused.
 - Option 2 = lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due had the infringer requested authorisation to use the trade secret.

IV. Confidentiality of trade secrets in the course of legal proceedings

- Preservation of the confidentiality during the legal proceeding and after it has ended for court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of trade secrets.
 - Except if the alleged trade secret is not meeting the requirements to be considered as such by a final Court decision.
 - Except if, over time, the information becomes generally known among or readily accessible to persons within the industry = becoming public
- Specific measures necessary to preserve the confidentiality can be taken, upon reasoned request by any party or ex-officio by the judge:
 - Restricting access to documents
 - Restricting access to hearings
 - Making available non-confidential version of judicial decision
- Publication of the legal decision can be requested by any of the Party only if it contributes to stop the infringement.

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Part 4: EU Case study

I. Evidence required to prove trade secrets misappropriation / infringement

- Demonstrate the alleged violation is enough
 - Existence of a trade secret
 - Infringement
 - Unlawful activity of the defendant

- Case Court, Bulgaria N° 1033: employer submitted employment contract, termination notice, employer's authorisation towards the defendant to access the company's register with customer's personal data, executed declaration of confidentiality and loyalty, witness statement of correspondence with the previous employer who became shareholder of a competitor → declaration of confidentiality void as, according to the practice of the Supreme Court, the prohibition of performing competitive activities after the termination of the employment contract is invalid + no trade secrets infringement proven.

II. Cross-border issues - Recognition and enforcement of foreign courts' decision

- Case Court, Milan N° 323: Claimant was a German-based company and its Italian subsidiary and defendant was a Dutch-based company and its Italian subsidiary, with an application filed in the Court of Milan.
- The Claimant claimed that an injunction decision issued by the German Court was also binding the Italian Court.
- Court of Milan: no cross-border nature of the preliminary injunction and seizure applications → entitled to conduct an autonomous evaluation of the conduct that occurred on Italian territory.
- The claimant did not allege the existence of cross-border facts and circumstances.

III. Remedies – Injunctions and damages (1/2)

- Example of cease and desist remedies
 - Limited in time in Belgium, Bulgaria, Cyprus, Denmark..
 - Permanent interim injunctions in the UK
- Court of Appeal Montpellier, France – Decision N° 13/05047
 - Several employees were found to have breached the employer's trade secrets and the Court ordered to cease the exploitation of any products, established a penalty of 100.000 EUR per day of each infringement, ordered the destruction of all documents illicitly acquired and the decision was published in 10 professional journals, French or foreign (at the expense of the defendants).



III. Remedies – Injunctions and damages (2/2)

- Method of the calculation of damages based on the reasonable royalties that the claimant would have been paid if the trade secret had been licensed = Austria, Denmark, Germany, Hungary, Netherlands, UK
- Principle of discrepancy (comparing the trade secrets owner's economic situation before and after the infringement) = Greece
- Compensation of damages related to IP proceedings in jurisdictions where trade secrets are considered IPRs = Italy, Finland and Portugal
- Claiming non-material damages (*moral damages*) = Bulgaria, Czech Republic, Netherlands, Hungary, Portugal, Greece, France, Italy, Luxembourg...
 - Factors to determine non-material damages in Hungary: gravity of the infringement, degree of responsibility, impact of the infringement on the aggrieved person...



Thank you for your attention!

Should you have any additional questions regarding Anti-Unfair Competition Law and Trade Secrets or any other related topics. Please do not hesitate to contact:



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