



Brussels 10 January 2019

# CHINA - STATE ADMINISTRATION OF MARKET REGULATION

## The Trade Secrets Directive

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DG for Internal Market, Industry, Entrepreneurship and SMEs  
F3 - Intellectual property and Fight against Counterfeiting

## Preliminary remarks

- The Directive does not deal with criminal sanctions. Member States are free to have or not criminal law provisions on misappropriation of trade secrets
- The Directive harmonises the laws of Member States on civil law redress against misappropriation of trade secrets
- Misappropriation means: acquisition, use or disclosure of the trade secret in cases where:
  1. There is no consent of the trade secret holder
  2. And there is breach of law, breach of contract or use of dishonest means
- The Directive grants the possibility of getting civil law redress such as injunctions, compensation and seizure of goods

## Preliminary remarks

- The Directive does not give businesses any right to refuse to give or disclose information on the grounds that such information is a trade secret.

A – If there is a **legal obligation** of providing such information:  
**companies will still have to comply**

B – If there is **no legal obligation** of providing such information:  
**companies can do as they please**  
the Directive does not grant them with a right to refuse disclosure,  
Companies do not need any such right

## EU Directive 2016/943 on trade secrets

### **1. Definition of trade secrets and of *right holder* as in TRIPS**

2. Misappropriation
3. Civil law measures and remedies
4. Protection of the information disclosed to the court
5. Exceptions and safeguards

## 1. Definitions (as in 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;

(2) 'trade secret holder' means any natural or legal person lawfully controlling a trade secret;

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### **2. Misappropriation**

3. Civil law measures and remedies

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## Misappropriation

Clarification - The following conducts are lawful:

- a. Acquisition, use or disclosure when required or allowed by law
- b. Independent creation
- c. Reverse engineering
- d. Acquisition by any other honest means

## Article 3 - lawful acquisition, use and disclosure

### **Lawful acquisition, use and disclosure of trade secrets**

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.



Unlawful acquisition

## Article 4 Unlawful acquisition

No consent from the trade secret holder + use of dishonest means



## Article 4 Unlawful acquisition

No consent from the trade secret holder + use of dishonest means

Knowledge that the person passing the trade secret is doing so unlawfully



## Article 4 Unlawful acquisition

### No consent from the trade secret holder + use of dishonest means

2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:
- (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.

### Knowledge that the person passing the trade secret is doing so unlawfully

4. The acquisition, of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition 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 within the meaning of paragraph 3.

# Unlawful Disclosure

## Article 4 Unlawful disclosure

i. Disclosure is unlawful if acquisition was unlawful

ii. Disclosure in breach of contract or law



## Article 4 - Unlawful disclosure

i. Disclosure is unlawful if acquisition was unlawful

ii. Disclosure in breach of contract or law

iii. Knowledge that the person that passed the trade secret did so unlawfully



## Article 4 - Unlawful disclosure

Disclosure is unlawful if acquisition was unlawful

Disclosure in breach of contract or law

3. The disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

- (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;

Knowledge that the person that passed the trade secret did so unlawfully

4. The disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the 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 within the meaning of paragraph 3.



Unlawful use

## Article 4- Unlawful use

### Use is unlawful if acquisition was unlawful

3. The use of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

(a) having acquired the trade secret unlawfully;

### Use in breach of contract or law

(c) being in breach of a contractual or any other duty to limit the use of the trade secret.

### Knowledge that the person that passed the trade secret did so unlawfully

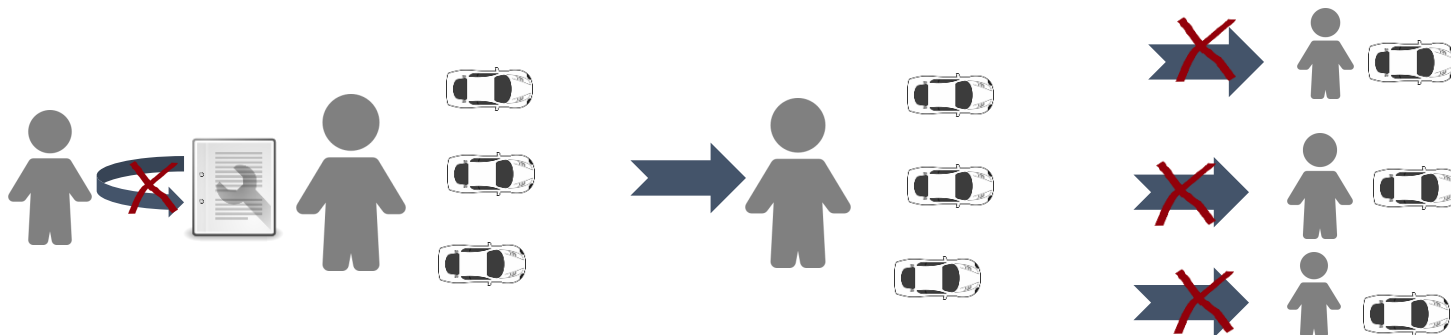
4. The use of a trade secret shall also be considered unlawful whenever a person, at the time of the use, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.

### Trading tainted goods

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 within the meaning of paragraph 3.

## Article 4 - Unlawful use

### Trading tainted goods



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## Articles 10 and 11

### Provisional and precautionary measures

- Cessation/prohibition of the use or disclosure of the information
- 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
- Alternative measure: financial guarantees by the defendant  
at the request of the defendant the Court may authorise continuation of use of the information while the legal action takes place subject to the lodging of guarantees intended to ensure the compensation of the plaintiff.

## Articles 12 to 15

### Measures resulting from a decision on the merits

- Cessation/prohibition of the use or disclosure of the information
- 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
- Corrective measures with regard to the infringing goods:
  - recall of the infringing goods from the market
  - depriving the infringing goods of their infringing quality
  - destruction of the infringing goods or, where appropriate, their withdrawal from the market
- Destruction or delivery up of documents and objects

Alternative measure to the above: pecuniary compensation for further use

- Damages
- Publication of judicial decisions
- No Criminal measures established by EU law. **However, many Member States have criminal sanctions**

## Some additional definitions

- (4) 'infringing goods' means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

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## Article 9

### Legal proceedings and confidentiality

Parties, lawyers, court officials, witnesses, experts and any other person participating in the proceedings or having access to documents are not permitted to use or disclose information acquired through the participation or access to documents.

Requirements:

1. Duly reasoned application by the interested party
2. Identification by judicial authorities as confidential

PLUS specific measures: limiting access to documents and hearings

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- VI. Exceptions and safeguards**

## Article 5

### Exceptions

Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

- (a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
- (b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;
- (c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;
- (d) for the purpose of protecting a legitimate interest recognised by Union or national law.

## Article 8

### Limitation period

#### *Article 8*

#### **Limitation period**

1. Member States shall, in accordance with this Article, 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.

The rules referred to in the first subparagraph 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.

2. The duration of the limitation period shall not exceed 6 years.

## Other safeguards

### Provisional and precautionary measures

subject to the lodging of adequate security to ensure compensation of necessary

Factors to take into account (a) the value and other specific features of the trade secret; (b) the measures taken to protect the trade secret; (c) the conduct of the respondent in acquiring, using or disclosing the trade secret; (d) the impact of the unlawful use or disclosure of the trade secret; (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties; (f) the legitimate interests of third parties; (g) the public interest; and (h) the safeguard of fundamental rights

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WHAT IS OUT OF SCOPE OF THE DIRECTIVE?  
some clarifications

## Article 1(1) what is out of scope?

Free speech, regulatory and transparency duties

2. This Directive shall not affect:

- (a) the exercise of the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
- (b) the application of Union or national rules requiring trade secret holders to disclose, for reasons of public interest, information, including trade secrets, to the public or to administrative or judicial authorities for the performance of the duties of those authorities;
- (c) the application of Union or national rules requiring or allowing Union institutions and bodies or national public authorities to disclose information submitted by businesses which those institutions, bodies or authorities hold pursuant to, and in compliance with, the obligations and prerogatives set out in Union or national law;
- (d) the autonomy of social partners and their right to enter into collective agreements, in accordance with Union law and national laws and practices.

## Preliminary remarks

- The Directive does not give businesses any right to refuse to give or disclose information on the grounds that such information is a trade secret:
  - A - There is a **legal obligation** of providing such information:  
**companies will still have to comply**
  - B - There is **no legal obligation** of providing such information:  
**companies can do as they please**  
the Directive does not grant them with a right to refuse disclosure,  
Companies do not need any such right



## Article 1(2) what is out of scope? Experience and skills of employees

3. Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees. In particular, in relation to the exercise of such mobility, this Directive shall not offer any ground for:

- (a) limiting employees' use of information that does not constitute a trade secret as defined in point (1) of Article 2;
- (b) limiting employees' use of experience and skills honestly acquired in the normal course of their employment;
- (c) imposing any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.

# Further information

Visit our website for background information:

[http://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/index\\_en.htm](http://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/index_en.htm)



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