

TRADE SECRETS

Plamen IVANOV | Vitória ALVES
April, 2024

AGENDA

45'
Presentation

1. WHAT IS A TRADE SECRET
2. THE IMPORTANCE OF TRADE SECRETS
3. TRADE SECRETS THEFT
4. LEGAL FRAMEWORK
5. CASE LAW
6. DETAILED CASE STUDIES
7. BEST PRACTICES

10'
Q&A

TRADE SECRETS

WHAT IS A TRADE SECRET?

A trade secret is a **valuable** piece of **information** for an enterprise that is treated as **confidential** and that gives that enterprise a **competitive advantage**.

To qualify as a trade secret, the information must be:



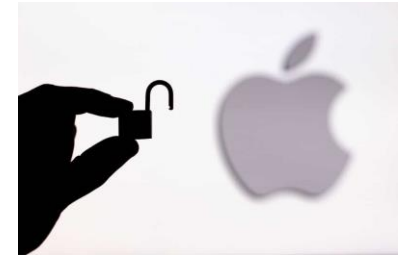
commercially valuable because it is secret;



known only to a **limited group of persons**; and



subject to **reasonable steps taken** by the rightful holder of the information to keep it secret.



WHAT IS A TRADE SECRET?

TECHNICAL

types of technical information such as manufacturing processes; technical drawings and designs; prototypes; inventions (non-patentable or non-patented); technical know how; formulae; recipes; genetic materials; fragrances.

- Unpatented inventions;
- Clinical trial or product test data;
- Formulae/unpublished recipes;
- Computer source code;
- Manufacturing methods/processes.

COMMERCIAL

customer and supplier information; business strategies and plans; business models; cost and pricing information; marketing plans; take-over (business acquisition) plans; new product or service launch plans; information about employees, their skills or teams they work in.

- Customer/client databases;
- Employee team details;
- Cost/pricing/discount information;
- New product/service plans/proposals;
- Business methods.

THE IMPORTANCE OF TRADE SECRETS

Innovative firms choose to protect innovations using trade secrets – as complementary and supplementary to other forms of protection.

Trade secrets offer better protection than patents for process innovations.

Trade secrets are important in rapidly evolving industries and where cumulative protection is important.

Significant particularly to SMEs



does not provide the exclusive right (only patents and utility models can provide this type of protection)

once made public, anyone may have access to it

more difficult to enforce, sell or license (due to its secret nature)

may be patented by someone else who developed the relevant information by legitimate means



PARTICULARLY IMPORTANT TO SMEs




A joint study by EUIPO and the European Patent Office (EPO) found out that IP rights are a significant factor in the success of European startups

(10.2 times more likely to successfully secure funding)

-  **competitive edge**
-  **protection at a minimal cost**
-  **long term**
-  **it is an asset**
-  **agility**

TRADE SECRETS THEFT

Some of the impacts of trade secret theft include:

- ☆☆☆ loss of customers and business opportunities
-  loss of investment in R&D
-  negative impact on innovation
-  reputational damages
-  negative impact on the business worth

and are stimulated by...

- + lack of awareness
- + wider online exposure of companies
- + slow paced policy makers
- + increased globalization of markets
- + development of new technologies

TRADE SECRETS CYBER THEFT PREVENTION TOOL KIT

FYI...

On March 19, 2024, the European Commission adopted a Recommendation to Combat Counterfeiting offline and online and to enhance the enforcement of IP rights.

Key tools proposed by the Commission in its Recommendation, especially addressed to SMEs, include a **Cybertheft Prevention Toolkit**, that aims to provide awareness-raising materials and trainings, and will be developed by the Commission. This will help SMEs prevent or react to cyber-attacks (e.g. hacking) against trade secrets.


The tool kit will include, in particular, business **guides for five sectors**: Defense, Biotechnology, Transport, Energy and Semiconductors.

The toolkit will be presented in a workshop scheduled for 24 April.

LEGAL FRAMEWORK

TRADE SECRETS IN THE EUROPEAN UNION

ARTICLE 39 OF THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

- Members shall protect undisclosed information in the course of ensuring effective protection against unfair competition, as provided in Article 10bis of the Paris Convention (1967).
Does not refer to it as a trade secret! 
- Natural and legal persons shall have the possibility to prevent information from being disclosed to, or acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

1

IS SECRET (NOT GENERALLY KNOWN OR ACCESSIBLE)

2

HAS COMMERCIAL VALUE BECAUSE IS A SECRET

3

HAS BEEN SUBJECT TO REASONABLE STEPS TO KEEP IT A SECRET

TRADE SECRETS DIRECTIVE (Directive 2016/943)

≡ DEFINITION OF TRADE SECRETS

The Directive defines ‘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**;

TRADE SECRETS DIRECTIVE (Directive 2016/943)



REMEDIES PROVIDED BY THE DIRECTIVE

- 1 cessation or prohibition of use or disclosure of a trade secret
- 2 prohibition of production, offering, placing on the market, or use of infringing goods
- 3 adoption of appropriate corrective measures, such as recall or destruction of the infringing goods
- 4 seizure of infringing goods

STUDY: TRADE SECRETS LITIGATION TRENDS IN THE EU

FYI...



TRADE SECRETS LITIGATION TRENDS IN THE EU



THE STUDY

➔ Presents a quantitative analysis of trade secrets litigation trends in the EU.

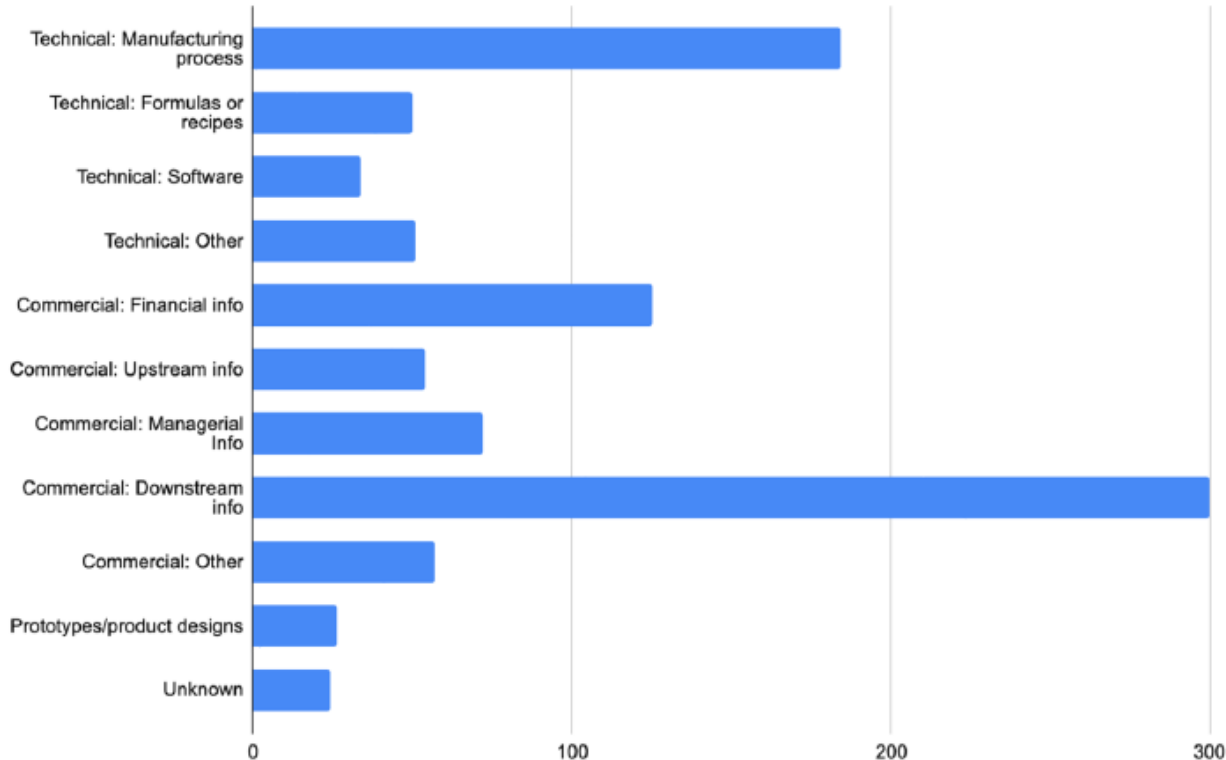
➔ Presents a qualitative analysis of trade secrets litigation trends as they relate to the TSD.

➔ Presents a case-law collection.

CASE LAW

QUANTITATIVE TRENDS

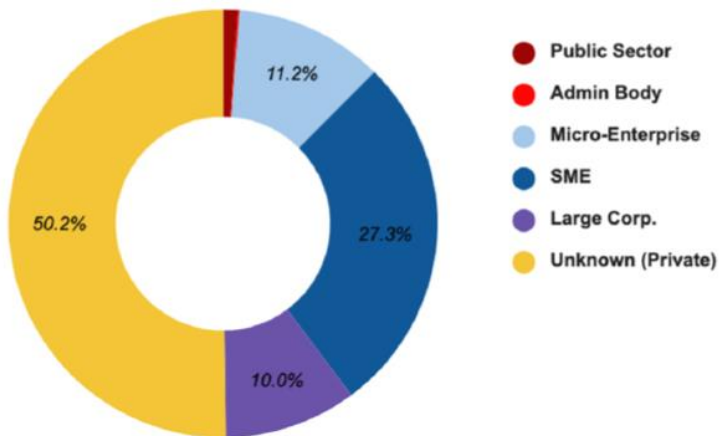
Type of Trade Secret



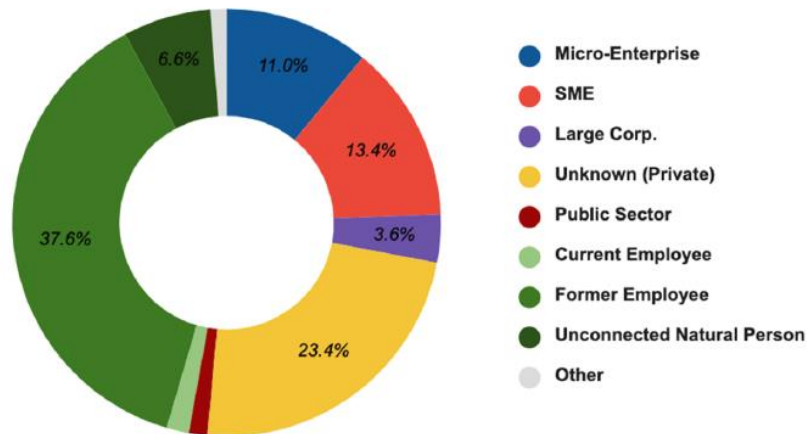
MOST COMMONLY
enforced Trade Secret is
**Downstream
Commercial Info**
(e.g., distribution methods,
advertising strategies,
marketing data, customer
lists).

QUANTITATIVE TRENDS

Claimant Profile



Defendant Profile



TSD ART 2: DEFINITION OF TRADE SECRETS

TRADE SECRET

SECRET

- In precise **configuration/assembly of components**
- Not generally known among / readily accessible to persons within the circles that normally deal with kind of info

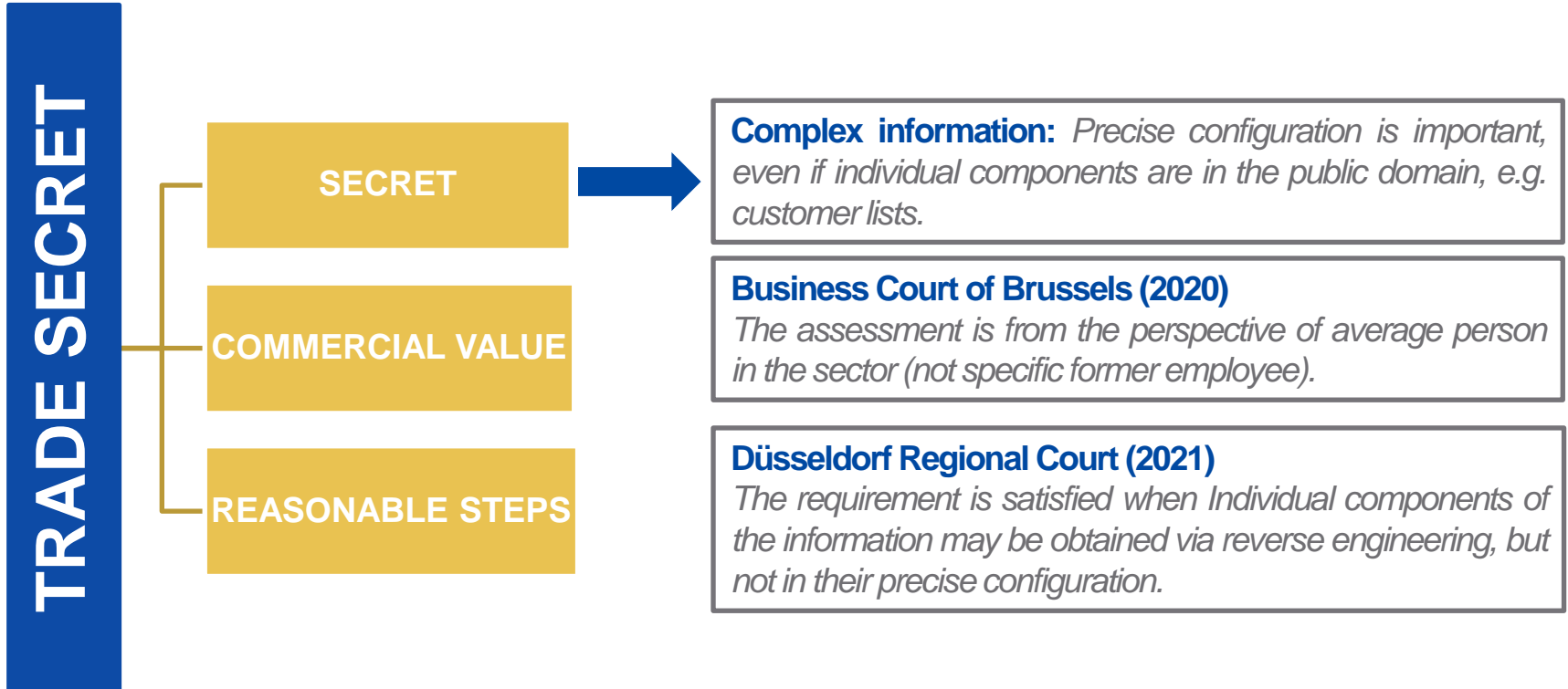
COMMERCIAL VALUE

- Commercial value is due to **secrecy**

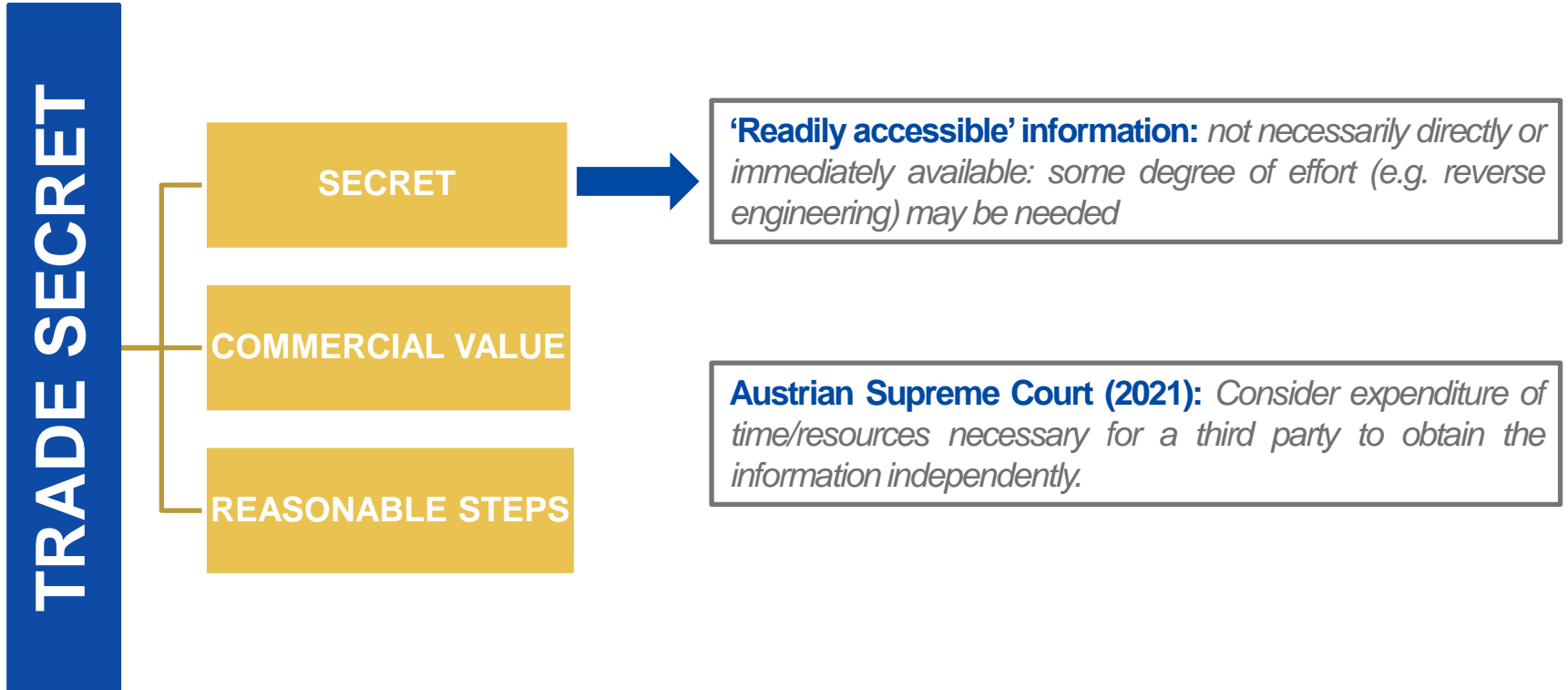
REASONABLE STEPS

- Subject to **reasonable steps under circumstances**

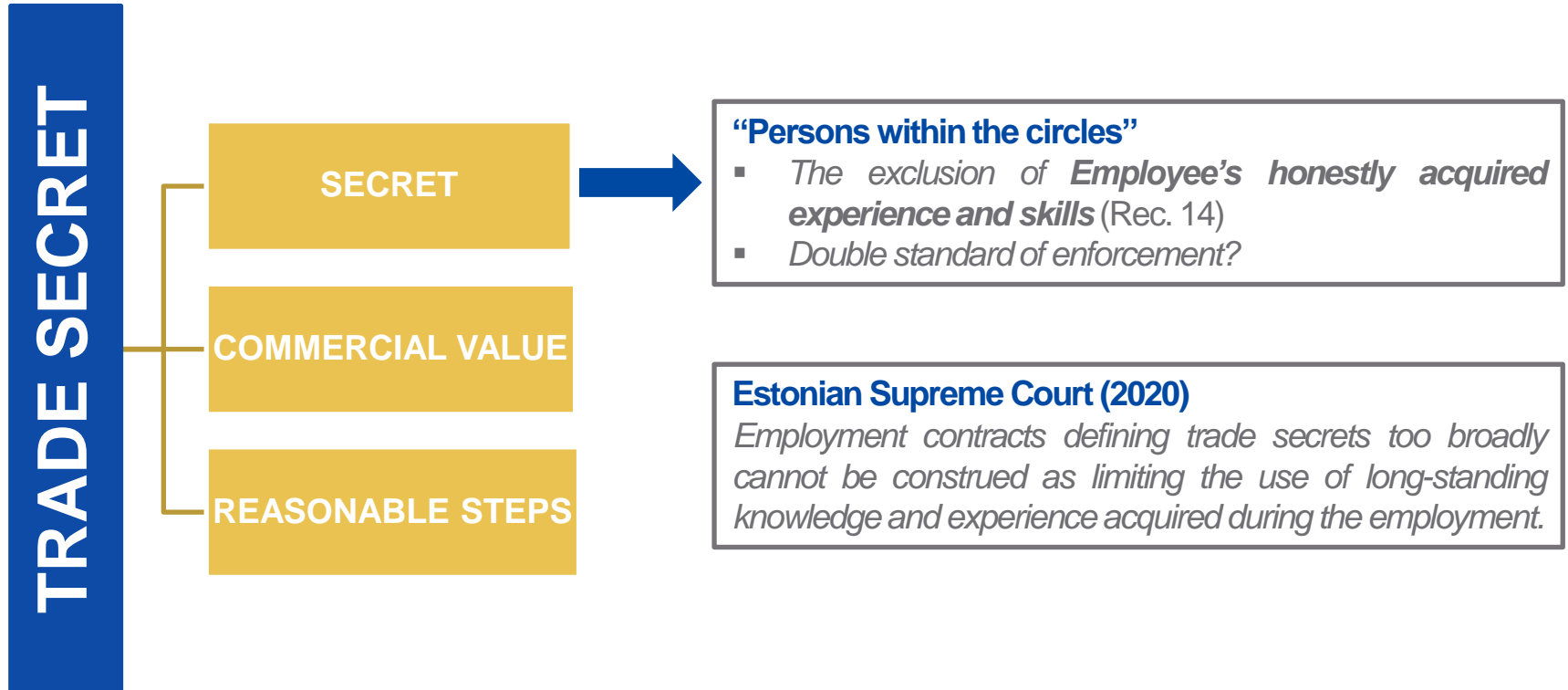
DEFINITION OF TRADE SECRETS: SECRECY



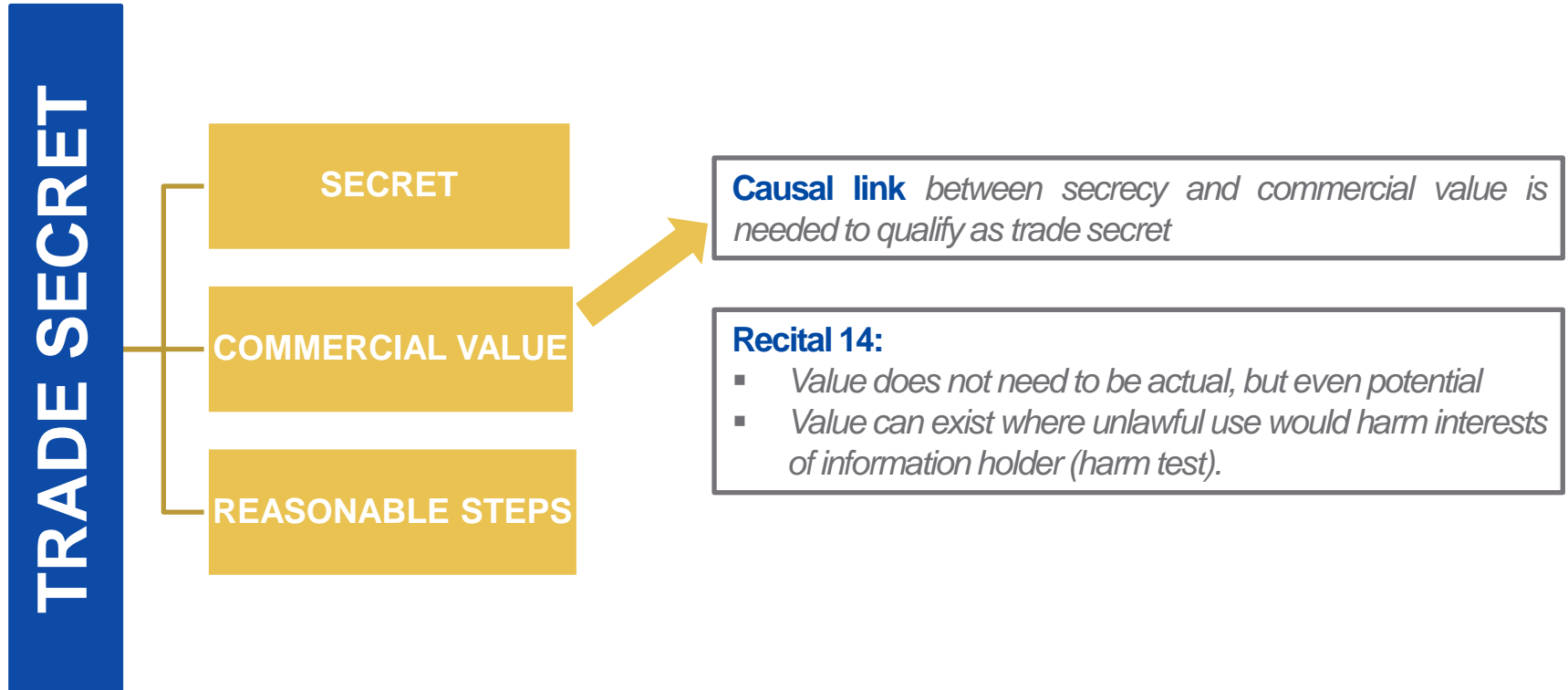
DEFINITION OF TRADE SECRETS: SECRECY



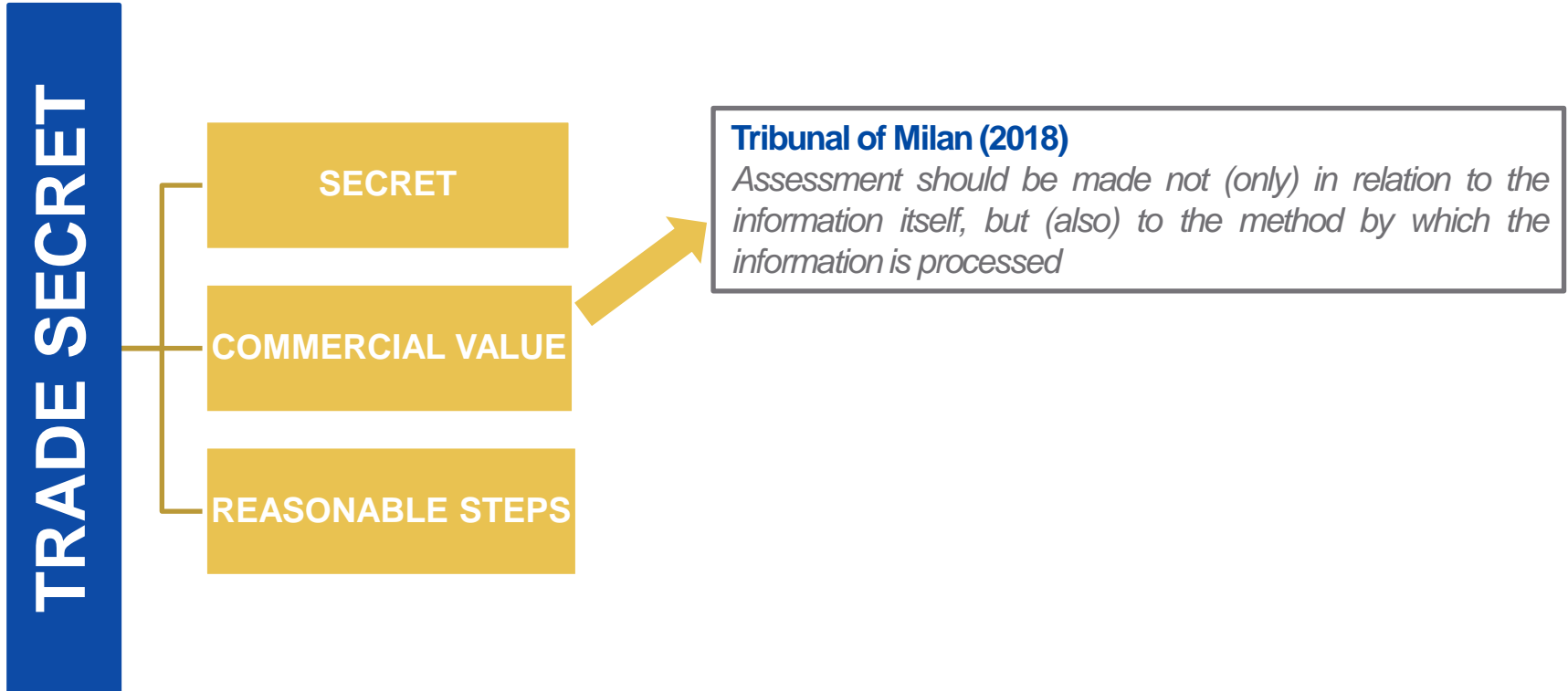
DEFINITION OF TRADE SECRETS: SECRECY



DEFINITION OF TRADE SECRETS: COMMERCIAL VALUE

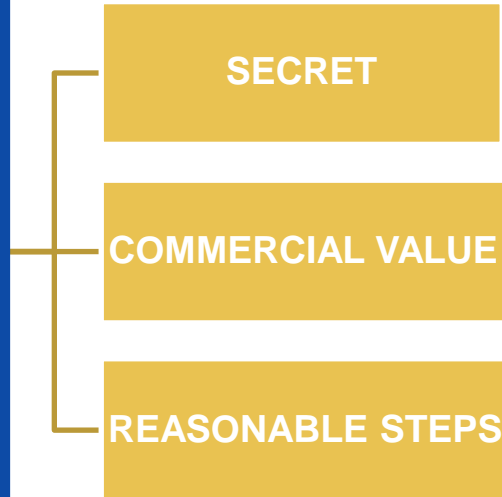


DEFINITION OF TRADE SECRETS: COMMERCIAL VALUE



DEFINITION OF TRADE SECRETS: REASONABLE STEPS

TRADE SECRET



No consensus on standard

Trend: Interpretation is case-specific and the standard is flexibility based on circumstances.

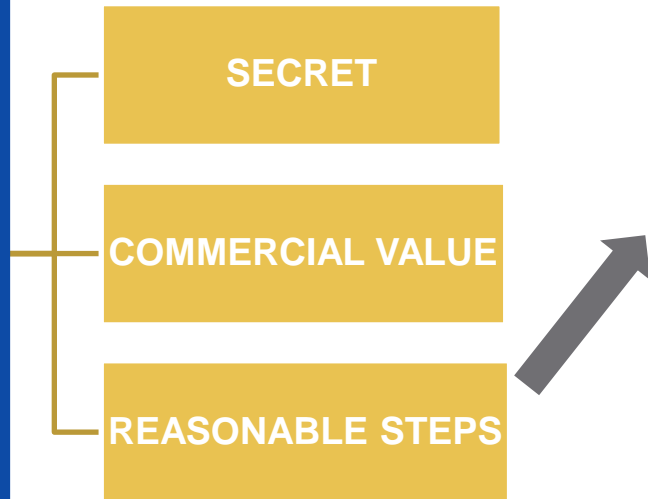
Subjective intention to keep secret is insufficient.

Tribunal of Milan (2021)

- *Assessment must consider both physical and cybersecurity measures.*
- *Not in abstract, but in the specific context*
- *“More than minimal” protection is sufficient*

DEFINITION OF TRADE SECRETS: REASONABLE STEPS

TRADE SECRET

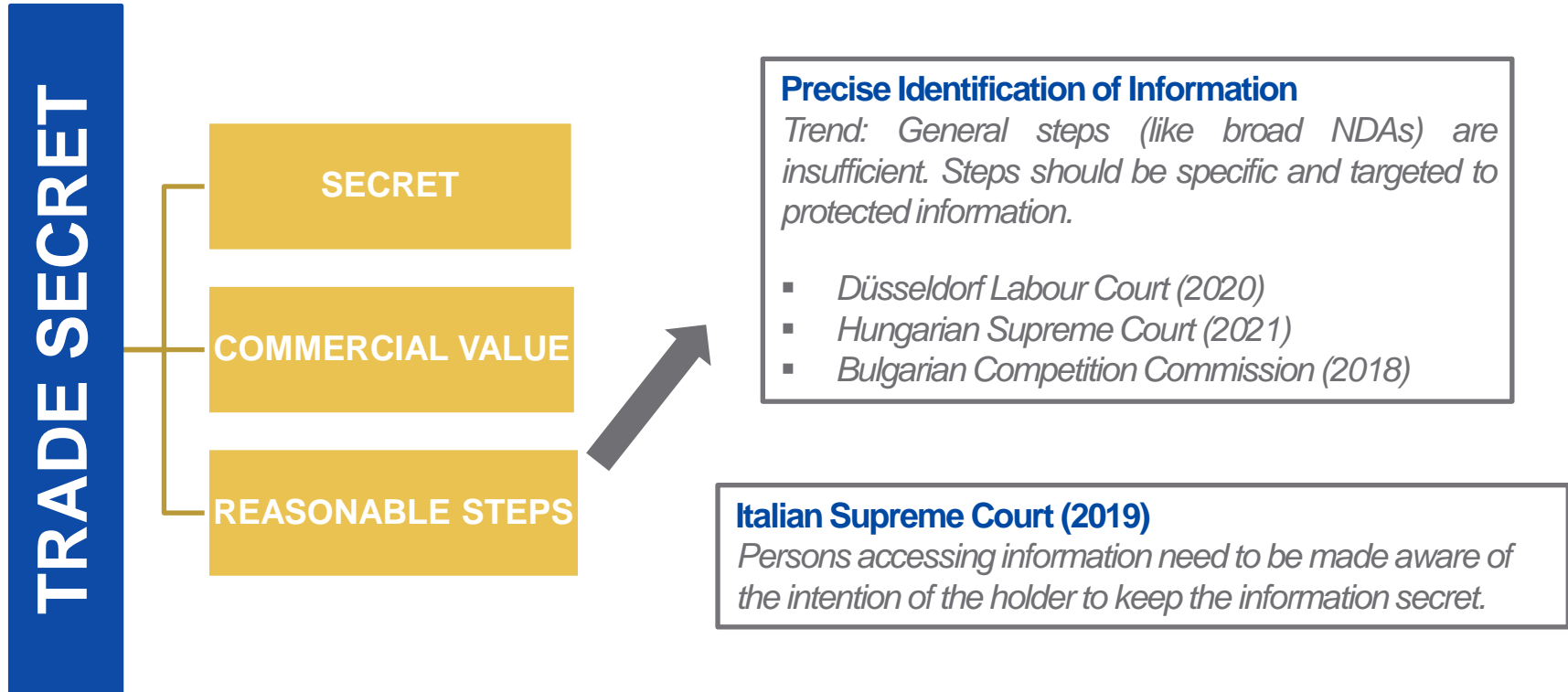


Düsseldorf Regional Court (2021)

Consider the following factors:

1. *type of trade secret,*
2. *specific circumstances of use,*
3. *value of the trade secret and its development costs,*
4. *nature of the information,*
5. *importance for the company,*
6. *size of the company,*
7. *usual confidentiality measures in the company,*
8. *type of labelling of the information, and*
9. *contractual provisions with employees/partners*

DEFINITION OF TRADE SECRETS: REASONABLE STEPS



QUALITATIVE TRENDS



DEFINITION OF TRADE SECRET

- Implementation of the Directive can be seen as further facilitating a process of (partial) coordination that began, at least in some Member States, through the TRIPs Agreement.
- A coherent definition is a key starting point for the harmonization of trade secret law within the EU.
- The matter of satisfying the definition of ‘trade secret’ remains a key issue in trade secrets litigation.



PRECISELY IDENTIFY INFORMATION

- A key trend which emerges from the collective case-law is the importance of precisely identifying the information for which trade secret protection is claimed.
- For undisclosed information to be protected as a trade secret, the steps taken to protect secrecy may have to be specific and targeted to the information for which protection is sought.



MEASURES

- The Directive’s articles on measures need to be understood not in isolation, but in the context of this entire chapter of provisions, which ensure a balance between protecting the interests of trade secret holders and other policy goals.

SPECIFICITY OF CLAIMS

ISSUE

- Specific identification of protected information is not only needed to meet the definition of trade secret, but also to successfully file a claim.

TREND


- Many claims are dismissed by courts because the object of protection is not clearly/sufficiently defined by the complainant.

CHALLENGE

- Stakeholders fear that overly specific claims will result in unintentional disclosure of the secret (and loss of protection).

RESPONSE

- Courts need to ensure adequate measures for preservation of confidentiality during proceedings (TSD Art 9)



This is particularly important for the consideration of preliminary measures

DETAILED CASE STUDIES

TRADE SECRETS DIRECTIVE (Directive 2016/943)

THE CONFIDENTIALITY ISSUE

Anyone involved in a legal case about trade secrets (lawyers, representatives, parties, Court officials, witnesses, among others) cannot use or disclose a trade secret if a judge has ruled it confidential. This applies even after the legal proceedings have ended.

There are two exceptions:

- 1 If the court decides the information wasn't actually a secret.
- 2 If the information eventually becomes public knowledge anyway.

DETAILED CASE STUDIES



Finland – Gaming Software

MAO:398/20 SuperScale Sp. z.o.o v Traplight Oy (7 September 2020)

- SuperScale created a so-called ‘commercial script’ for a mobile game called *Traplight’s Battle Legion*.
- SuperScale and Traplight entered into a Growth Partnership Agreement.
- Traplight terminated the agreement.
- SuperScale claimed that Traplight had acted contrary to good business faith and practice and had wrongfully exploited SuperScale’s trade secrets by seeking to exploit the commercial script without paying proper remuneration.



This case shows the importance of IP clauses in partnership agreements between companies. The Court in this case did not accept an interpretation of trade secrets that exceeded what the parties had explicitly agreed upon in the part of the agreement that dealt with IP rights.

DETAILED CASE STUDIES



France: Definition of Know-How

18/04573 X v Aéroports de Paris; Cour d'Appel de Paris (14 January 2020)

- An employee working in the marketing department of Paris Airport developed, in her spare time, an interactive station enabling travelers to access some services that the Airport was not able to yet provide.
- The employee declared that her invention was not developed during the course of her employment by the employer.
- One year later, in 2007, Paris Airport communicated the development of interactive stations to their clients;
- The employee went to court to claim damages and compensation on the grounds of unfair competition and detriment to her image.
- She pleaded that her invention was economic know-how or an idea with economic value.



This case illustrates the limits of the notion of know-how and the intersection between patentable inventions and non-patentable methods for business. It is an illustration of the steps one should go through when claiming trade secret protection of know-how.

DETAILED CASE STUDIES



Faccenda Chicken Ltd v Fowler [1986] 1 All ER 617

- Obligations are stricter during employment than after employment ends.
- During employment – implied terms of good faith and fidelity.
- After employment – fidelity disappears but good faith remains and equates to a duty of confidentiality.



Bent's Brewery v Hogan [1945] 2 All ER 570

- Not disclose confidential information to unauthorized recipients



Merryweather v Moore [1892] 2 Ch 518

- Not copy or deliberately memorize confidential information for use post employment



Saunders v Parry [1967] 1 WLR 753

- Must actively promote his employer's best interests

BEST PRACTICES

HOW TO PROTECT TRADE SECRETS?

Appropriate
access
protections

Train employers
and agents

Appropriate trade
secret protection
policies

Constant
monitoring and
improvement
efforts

Call a lawyer

Confidentiality
agreements

Agreements
with employees
and third
parties to
reinforce
confidentiality
and
cybersecurity
protocols

NDA's

Create paper
trail and oral
agreements
reinforcing the
confidentiality

Create a
confidential
relationship

Non-solicitation
clauses and
agreements

ENFORCEMENT

≡ LITIGATION INVOLVING EMPLOYEES

- Did the employee sign a contract of employment?
- Does this contract contain confidentiality provisions?
- Does this contract contain enforcement provisions?
- Does this contract tackle the prohibition to share information or knowledge outside of the company?
- Are you lawfully allowed to monitor the employee's activities (online and offline)?

PAY CLOSE ATTENTION

- Data Protection
- Human Rights Act
- Regulation of Investigatory Powers Act
- Other applicable regulations

DEFENSES


☰ THERE IS NO TRADE SECRET MISAPPROPRIATION IF...



**A TRADE SECRET
HAS BEEN AN
INDEPENDENT
CREATION**



**A TRADE SECRET
WAS ALREADY IN
THE PUBLIC
DOMAIN**



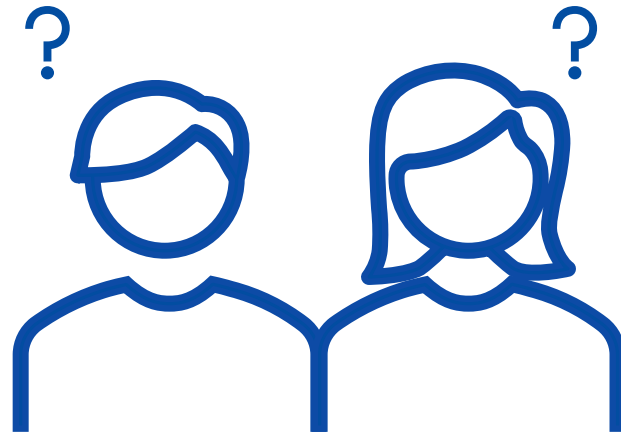
**THE OTHER PARTY
DID NOT TAKE
PROPER EFFORTS
TO KEEP THE
INFORMATION
SECRET**

 You can use these arguments in cases! 

This is where most of the plaintiff claims fail and most defendants succeed.

LITIGATION TRENDS

QUESTIONS



Plamen Ivanov
EUIPO Observatory

Vitória Alves
EUIPO Observatory



www.euipo.europa.eu

 [@EU IPO](https://twitter.com/EUIPO)

 [EUIPO](https://www.linkedin.com/company/euipo)

 [EUIPO.EU](https://www.facebook.com/EUIPO.EU)

 [@EUIPO](https://www.instagram.com/EUIPO)

 [EUIPO](https://www.youtube.com/EUIPO)

THANK YOU!