

Protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure

2013/0402(COD) - 28/11/2013 - Legislative proposal

PURPOSE: to establish a sufficient and comparable level of redress across the Internal Market in cases of unlawful acquisition, disclosure and use of trade secrets.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: although they are not protected as a classical intellectual property rights (IPR), trade secrets are nevertheless a **key complementary instrument for the appropriation of intellectual assets** that are the drivers of the knowledge economy of the 21st century.

Economists agree that companies, irrespective of their size, value trade secrets at least as much as all other forms of IP. Trade secrets are particularly important for SMEs and start-ups as these often lack specialised human resources and financial strength to manage and defend IPRs.

Due to globalisation, **the exposure of trade secrets to theft, espionage or other misappropriation techniques continues to increase.** A survey launched in 2012 revealed that, over the last 10 years, about one in five respondents had suffered at least one attempt at misappropriation within the EU. The risk also increases that stolen trade secrets are **used in third countries** to produce sub-standard goods that subsequently compete within the EU with those of the victim of the misappropriation.

Member States legislation offer an **uneven level of protection of trade secrets** against their unlawful acquisition, thus leading to fragmentation of the internal market of information and know-how. The Commission considers that harmonisation of trade secret law in the EU would improve conditions for firms to develop, exchange and use innovative knowledge.

The Commission adopted in May 2011 a [comprehensive IP strategy](#), undertaking to examine the protection of trade secrets.

This proposal is a product of the commitment to create a single market for intellectual property.

IMPACT ASSESSMENT: the option favoured by the Commission to strengthen the efficacy of legal protection for trade secrets involves **convergence of national civil law remedies against the misappropriation of trade secrets and rules on preservation of confidentiality of trade secrets during and after legal proceedings.**

The convergence of civil law remedies would allow innovative businesses to defend their rightful trade secrets more effectively across the EU.

CONTENT: the draft directive establishes a definition of trade secret and sets out the means for victims of the misappropriation of such a secret to obtain reparation.

The definition of ‘trade secret’ contains three elements: (i) the information must be confidential; (ii) it should have commercial value because of its confidentiality; and (iii) the trade secret holder should have made reasonable efforts to keep it confidential. This definition follows the definition of ‘undisclosed information’ in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The key element for the acquisition, use and disclosure of a trade secret to be unlawful is the **absence of consent** of the trade secret holder. The use of a trade secret by a third party is also unlawful, from the moment that third party was aware, should have been aware, or was given notice, of the original unlawful act.

Measures, procedures and remedies: the proposal establishes the measures, procedures and remedies that should be made available to the holder of a trade secret in case of unlawful acquisition, use or disclosure of that trade secret by a third party. Specifically, the proposal:

- sets the general principles applicable to the civil enforcement instruments in order to prevent and repress acts of trade secret misappropriation, and safeguards to prevent abusive litigation;
- establishes a limitation period of at least one year but not more than two years to bring actions for the application of the measures, procedures and remedies provided for in the Directive;
- requires that Member States provide judicial authorities with mechanisms to preserve the confidentiality of trade secrets disclosed in court for the purpose of litigation, such as restricting access to documents submitted by the parties or third parties. The confidentiality measures must apply during litigation, but also after litigation in case of requests of public access to documents for as long as the information in question remains a trade secret;
- provides for provisional and precautionary measures in the form of interlocutory injunctions or precautionary seizure of infringing goods;
- establishes safeguards to ensure equity and proportionality of the provisional and precautionary measures.

The proposal also sets out the measures that may be ordered with **the decision on the merits of the case:**

- prohibition of use or disclosure of the trade secret, the prohibition to make, offer, place on the market or use infringing goods (or import or store infringing goods for those purposes) and corrective measures;
- awarding of damages for the prejudice suffered by the trade secret holder and the possibility of calculating the damages on the basis of hypothetical royalties;
- empowering the competent judicial authorities to adopt publicity measures at the request of the plaintiff, including the publication of the decision on the merits of the case – provided that the trade secret is not disclosed.

Sanctions, reporting and final provisions: in order to ensure an effective application of the Directive the proposal provides for the application of sanctions in case of non-compliance with the measures provided for and includes provisions on monitoring and reporting.