

Publication

of the Trade Secrets Directive

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The recently published EU Directive on the protection of trade secrets provides a harmonised legal framework for the Union which includes aspects such as the definition of a trade secret, the determination of the scope of protection conferred and the measures and remedies that may applied for by a legitimate trade secret holder against those responsible for the unlawful acquisition, use or disclosure of such secret or for the exploitation of infringing goods. In addition, those generating know-how are required to create a culture around the protection of trade secrets, implementing legal compliance measures on which court remedies are dependent.

On 15 June 2016, Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (the Directive) was published in the Official Journal of the European Union. The Directive will come into force on 5 July, with a two-year transitional period for EU Member States to carry out its transposition.

1. Subject matter and scope

The Directive lays down rules on the protection of trade secret holders against the unlawful acquisition, use and disclosure of said trade secrets and against the unauthorised exploitation of infringing goods.

2. Objectives

The Directive seeks to: (a) achieve a smooth-functioning internal market for research and innovation; (b) set out rules for the protection of

trade secrets under the civil jurisdiction; (c) make available to legitimate trade secret holders the measures, procedures and remedies necessary to prevent unlawful acts of acquisition, use or disclosure – whilst striking an adequate balance between the protection of trade secrets and the public interest, worker rights and access to information – by ordering the cessation of said acts, restoring the status quo ante or awarding damages to the holder appropriate to the actual prejudice suffered as a result of the infringement.

3. What is a trade secret?

For the purposes of the Directive, '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

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it is secret; and (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information (be it the creator, original holder, assignee or licensee of the same), to keep it secret.

The Spanish text translation of 'trade secrets', '*secretos comerciales*', is criticisable because the term '*comercial*' leaves out '*industrial*', which, in fact, is covered by the Directive. Without a doubt, it would have been more exact to refer to '*empresariales*', a term that comprises the foregoing two terms, that is, technological innovation and that of an economic, financial, organisational, etc. nature.

4. Extent of the right conferred

The Directive stresses that it does not intend to create exclusive rights that are enforceable *erga omnes*, but to provide for minimum regulation in the civil jurisdiction by way of conferring on the legitimate holder an *ius prohibendi* that extends to the unlawful acquisition, use and disclosure of trade secrets, as well as to the exploitation of infringing goods, meaning goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

5. Lawful conduct

In accordance with the provisions of the Directive, the Member States must ensure the lawful obtaining of trade secrets through any of the following means: (a) independent discovery or creation; (b) reverse engineering except when otherwise contractually agreed; (c) exercise of the right of workers or workers' representatives to information and consultation; (d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

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.

6. Unlawful conduct

The acquisition of a trade secret shall be regarded as unlawful if it involves an unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the legitimate trade secret holder.

The use or 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: having acquired the trade secret unlawfully; being in breach of a confidentiality agreement or any other duty not to disclose the trade secret; or being in breach of a contractual or any other duty to limit the use of the trade secret.

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, as well as the exploitation of infringing goods where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully.

7. Exceptions

Pursuant to the Directive, the acquisition, use or disclosure of trade secrets cannot be faulted where carried out exercising the right to freedom of expression and information, revealing misconduct, wrongdoing or illegal activity – provided that the respondent acted for the purpose of protecting the general public interest –, in the disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions, or for the purpose of protecting a legitimate interest.

8. Measures, procedures and remedies

The Directive sets out a list of measures, procedures and remedies that the legitimate trade secret holder can apply for in order to prevent, or obtain redress for, unlawful conduct: (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret, or 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; (b) the adoption of the appropriate corrective measures with regard to the infringing goods; (c) the award of compensatory damages where the infringer acted with intent or negligence; and (d) the dissemination of the information concerning the decision, including publishing it in full or in part, as appropriate.

Similarly, the legitimate trade secret holder may apply for provisional and precautionary measures from the competent judicial authorities, consisting of: (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis; (b) 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; (c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.

Member States must also enact legal provisions that safeguard the obligation of confidentiality on the part of any person participating in legal proceedings and ensure that the competent judicial authorities take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings, including at least the possibility of: restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties; restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings; and publishing a non-confidential version of any court decision.

9. The creation of an internal culture around protection as a precondition for the enforcement of trade secrets

There are constant references in the Directive's recitals and provisions to the protection of trade secrets being made contingent on the conduct of the legitimate holder and his diligence in adopting measures to protect trade secrets and to maintain such protection. In the absence of effective measures that allow for proof of the existence, ownership, extent, date of creation, persons with legitimate access but obligation of discretion, actual or imminent unlawful conduct, the value of secrecy or the holder's reactive diligence, protection will be forfeited.

In short, the Directive – as our courts have held for years in their interpretation of Articles 13

and 14 of the Unfair Competition Act – requires the creation and implementation, within legitimate trade secret holder organisations, of a culture geared towards the protection of said trade secrets.

10. Where do I start?

The implementation of a culture that addresses the protection of trade secrets makes the adoption of the following measures advisable in any organisation:

- a) the keeping of a list of trade secrets in order to assess their situation and the measures taken to preserve their protection;
- b) the review of internal procedures of identification, trade secret protection and action in the event of incidents or risks;
- c) the review of employee recruitment procedures and their employment contracts in order to minimize the risk of unauthorised disclosure of confidential information, or liability if in the event that such procedures are not effective firewalls against employees who have unlawfully obtained trade secrets held by their previous employers;
- d) the review of internal procedures and best practice manuals regulating the terms of use and handling of confidential information in day-to-day business and internal relations with suppliers and customers, as well as the guidelines that should govern the coordination of the departments involved in the creation, design, production and marketing of goods and services containing trade secrets;
- e) the review of employee exit procedures in order to ensure full safeguards are in place against the unlawful acquisition, use or disclosure of trade secrets; and
- f) the training of staff that directly or indirectly handles trade secrets so as to prevent, at all times, such secrets from falling into the public domain.

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