

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT** **C**

CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS



**Trade secrets**

IN-DEPTH ANALYSIS requested by the JURI Committee







**DIRECTORATE GENERAL FOR INTERNAL POLICIES**

**POLICY DEPARTMENT C: CITIZENS' RIGHTS AND  
CONSTITUTIONAL AFFAIRS**

**LEGAL AFFAIRS**

## **Trade secrets**

**IN-DEPTH ANALYSIS**

## DOCUMENT REQUESTED BY THE COMMITTEE ON LEGAL AFFAIRS

### **AUTHOR**

Dr Udo Bux  
Policy Department C: Citizens' Rights and Constitutional Affairs  
European Parliament  
B-1047 Brussels  
E-mail: [poldep-citizens@ep.europa.eu](mailto:poldep-citizens@ep.europa.eu)

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To contact the Policy Department or to subscribe to its monthly newsletter please write to:  
[poldep-citizens@ep.europa.eu](mailto:poldep-citizens@ep.europa.eu)

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## 1. TRADE SECRETS: A BLURRY CONCEPT ?

There is generally less clarity surrounding the notion of **trade secrets** than other intellectual property instruments like patents, trademarks and copyright.

Although trade secrets are not necessarily a subset of intellectual property rights (IPR)<sup>1</sup>, there is nonetheless a centuries-old practice of keeping information confidential . Moreover, legal instruments in support of trade secrets, whether or not they are defined as part of IPR, exist in many countries. The level of protection afforded to confidential information cannot be compared to other areas of intellectual property law like copyright law, trademarks or patents. The protection of trade secrets varies more from country to country and the approaches to tackle the problem are more varied than in the other areas of IPR law.<sup>2</sup> There is a patchwork legal framework.

While protection is afforded under EU law<sup>3</sup>, international law, criminal law, civil law, labour law or simply tort law, supported by jurisprudence at all levels<sup>4</sup>, no uniform instrument exists. When defining trade secrets, one also has to have in mind related concepts, such as "know-how"<sup>5</sup>, "manufacturing secrets", "business information", "technical information", "confidential information" and "classified information".

The fraught nature of how trade secrets are understood and protected is illustrated by **IBM v. Papermaster**. In 2008, **Mr. Mark Papermaster**, a Vice President at **IBM** (responsible for its Blade Server Development Unit) announced his intention to move to **Apple** as Senior Vice President of Devices Hardware Engineering. **IBM** immediately filed a complaint against Mr. Papermaster for misappropriation of trade secrets. **IBM** sought a preliminary injunction to prevent Papermaster from working at **Apple**. The Judge of the US District Court in the Southern District of New York heard the case and granted IBM's request but ruled that **IBM** must pay a \$3,000,000 bond to **Mr. Papermaster** for any costs or damages that **Mr. Papermaster** might incur, while unable to work at **Apple**.

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<sup>1</sup> General Court of the EU, case T-167/08, Microsoft Corp. v. Commission, par. 150: "(...) the value of intellectual property rights, trade secrets or other confidential information (...)." "Trade secrets" is a different category from "intellectual property rights"- see annex III of this note.

<sup>2</sup> Study on Trade Secrets and Confidential Business Information, contract number MARKT/2011/128/D (European Commission) with a legislative panorama of all EU-MS, Japan, Switzerland and the US.

<sup>3</sup> Art. 6 par. 1 TEU, Art. 8 European Charter of Fundamental Rights (Protection of personal data) as well as Art. 15-17 ECFR (Freedom to conduct a business, Right to property) as a basis for IPRs in general.

<sup>4</sup> For the EU: Judgements ECJ, C-53/85 "AKZO Chemie v Commission"; ECJ, C-36/92 P – "SEP v Commission"; ECJ - C-450/06 – "Varec SA v Belgian State".

<sup>5</sup> Know-how means any form of technical information or assistance relating to the manufacture or placing into operation of the said products. It also means any practical knowledge, techniques and skill that are required to achieve some practical end. It is considered an intangible property in which rights may be bought and sold.

## 2. DEFINITION

There are three factors that, although subject to differing interpretations and wordings in different jurisdictions, are common to most definitions of trade secrets. In general, a trade secret can be described as something that:

- Is not generally known to the public (secret);
- Confers some sort of economic benefit on its holder where the benefit derives specifically from its not being publicly known, not just from the value of the information itself (it has commercial value precisely because it is secret);
- Is the subject of reasonable efforts to maintain its secrecy.

### 3. NATURE OF A TRADE SECRET

In practice, trade secrets might be of an even more intangible nature than other intellectual property rights such as trademarks, copyright and patents. Indeed, there may be no paper manifestation at all of trade secrets, as exemplified by concepts like good will, know-how and reputation.

Probably the most famous example of a product protected by trade secrets is the Coca Cola drink. Its "formula" is not protected by any patent - even if it had been, the patent would have expired long ago. Many different types of confidential commercial information may be protected, ranging from the design of a prototype rally car tyre and special engine parts to the design of a carpet grip and information on the next country where a company intends to do business<sup>6</sup>. A trade secret may equally extend to the services sector, covering, for example, management techniques of international hotel services.

The notion of trade secrets may also encompass literary and artistic material, such as ideas for a TV series, photos assembled for a new album cover or costumes and design for a film set. It can also include government information (cabinet discussions), details of security services or personal information (like a private telephone conversation, photos of a wedding reception etc).

Trade secrets may also pertain to sensitive business ideas at too early a stage to earn protection through ordinary intellectual property instruments such as trademarks, copyright or patents. This type of protection does not need to be formally recorded in public registers. It is therefore cheaper than trademarks, copyright and patents. An additional advantage of opting for trade secret rather than patent protection is the potential ease of establishing the existence of a trade secret: a trade secret need not be completely new. Moreover, a trade secret may, in principle, be protected for an indefinite period of time whereas patent protection is time-limited. Another benefit is that, unlike patents, trade secrets do not first have to have been made public<sup>7</sup> in order to obtain protection. On the other hand, this often causes problems in court when the applicant seeks protection: since court proceedings are made available to the parties, the secret has to be revealed in order to ensure protection through the court.

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<sup>6</sup> Examples according to Tanya Aplin, *Intellectual Property Law*, p.382. see also Annex III of this note.

<sup>7</sup> When patenting an invention, a secret is to be revealed with sufficient detail to enable a skilled worker to produce it.



## 4. LEGAL PROTECTION

At the international level, the World Trade Organisation's (WTO) 1994 **Agreement on Trade Related Aspects of Intellectual Property Rights** (TRIPS)<sup>8</sup> aimed at reducing distortions and impediments to international trade by providing adequate standards and principles concerning the use of intellectual property rights. This was the rationale underpinning article 39 of TRIPS, which sets out minimum levels of protection for WTO Members:

### *Article 39 (Protection of undisclosed information)*

- (1) In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.*
- (2) Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices<sup>10</sup> so long as such information*
  - (a) 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) Has commercial value because it is secret; and*
  - (c) Has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.*
- (4) Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.*

All EU Member States, as well as Switzerland, Japan and the US, have signed the TRIPS agreement. Pursuant to Council Decision 94/800/EC, all Member States, as well as the Union itself, are bound by it. As a result, all concerned jurisdictions offer some form of protection for trade secrets, although the relevant national legislation varies considerably.

As an example of what the term "trade secrets" might mean in a specific legal order and how the concept is incorporated into a legal "acquis"<sup>9</sup>, it is instructive to examine the US legal order. Trade secrets were mentioned in the 1996 "Economic Espionage Act"<sup>10</sup>, which introduced chapter 90 on the "Protection of Trade secrets" into Title 18 of the United States Code (the criminal and penal code of the Federal Government of the US). The chapter consists of nine paragraphs, §§1831 – 1839.

<sup>8</sup> [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](http://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

<sup>9</sup> Translations of this term in the other official EU languages are given in Annex I.

<sup>10</sup> Economic Espionage Act of 1996, Public Law 104-294 (104th Congress).

§§ 1831 and 1832 of the US Code criminalise (fine up to \$ 5 million (\$ 10 million for organisations) and/or imprisonment up to 15 years) the theft of trade secrets to benefit foreign agents, as well as for commercial or economic purposes. § 1839 defines, amongst other terms, what is meant by a "trade secret":

### **§ 1839 - Definitions**

*As used in this chapter -*

- (1) The term "**foreign instrumentality**" means any agency, bureau, ministry, component, institution, association, or any legal, commercial, or business organization, corporation, firm, or entity that is substantially owned, controlled, sponsored, commanded, managed, or dominated by a foreign government;*
- (2) The term "**foreign agent**" means any officer, employee, proxy, servant, delegate, or representative of a foreign government;*
- (3) The term "**trade secret**" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if -*
  - (a) The owner thereof has taken reasonable measures to keep such information secret; and*
  - (b) The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public; and*
- (4) The term "owner", with respect to a trade secret, means the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed.*

Within the EU, legal protection afforded by the Member States varies significantly despite the existence of legal instruments at international level. As we have seen above<sup>11</sup>, it is not even certain that trade secrets fall under the heading of IPRs. The only Member State with specific legislation on trade secrets is Sweden (since 1990).<sup>12</sup>

Italy and Portugal have specific provisions on the protection of trade secrets in their respective Codes on Industrial Property.

France has a specific provision dedicated to manufacturing secrets in its Intellectual Property Code.

Austria, Germany<sup>13</sup>, Poland and Spain rely on unfair competition provisions to protect trade secrets. Others have general provisions included in their labour laws or civil codes to prevent employees disclosing their employer's confidential information during their employment relationship.

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<sup>11</sup> See Footnote 1: General Court of the EU, case T-167/08, Microsoft Corp. v. Commission, par. 150.

<sup>12</sup> Study on Trade Secrets and Confidential Business Information, contract number MARKT/2011/128/D, page 20.

<sup>13</sup> Exhaustive overview of the situation at EU level as well as in Germany at „Informationsfreiheitsgesetz und Schutz von Betriebs- und Geschäftsgeheimnissen" - Rechtsgutachten im Auftrag des Bundesbeauftragten für den Datenschutz und die Informationsfreiheit - [http://www.bfdi.bund.de/SharedDocs/VortraegeUndArbeitspapiere/GutachtenIFGKloepfer.pdf?\\_\\_blob=publicationFile](http://www.bfdi.bund.de/SharedDocs/VortraegeUndArbeitspapiere/GutachtenIFGKloepfer.pdf?__blob=publicationFile).

The Netherlands and Luxembourg mainly rely on tort law to protect trade secrets (damage claims).

In the UK and Ireland, which also have no specific legislation, trade secrets are protected by the common law of confidence and by contracts.<sup>14</sup>

The European Union is under pressure to clarify its rules on the issue. It is not yet clear whether the Transatlantic Trade and Investment Partnership (TTIP) will tackle trade secrets. While the content of negotiations has thus far been kept secret, apparently the US is pushing for trade secrets to be included. The discussions on trade secrets would focus on finding a coherent approach on both sides. Innovative businesses are increasingly exposed to dishonest practices designed to misappropriate trade secrets, whether through theft, unauthorised copying, economic espionage or breaches of confidentiality requirements. These practices of trade secret misappropriation and corporate espionage, whether emanating from within or outside the Union, are causing damage running into billions of euro. In some EU Member States, companies may refuse to admit to the theft of secrets without disclosing the secrets publicly in court. The longer the supply chain is, the more acute the problem becomes.

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<sup>14</sup> Study on Trade Secrets and Confidential Business Information, contract number MARKT/2011/128/D, pages 20 – 21 with tables with overviews of the level of protection in the different EU-MS.

## 5. THE COMMISSION PROPOSAL – LINK TO TTIP

Harmonisation could make life easier for businesses and innovators, since, by doing away with existing divergences in definitions, regulatory mechanisms and criminal penalties, innovation could be incentivised, cross-border sharing of innovation facilitated, competitiveness increased, and hostile take-overs made less attractive.<sup>15</sup>

On 28 November 2013, the European Commission proposed a Directive (new text) on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure<sup>16</sup>.

At the press conference to launch the new Directive, the Internal Market and Services Commissioner, Michel Barnier, said: *"Cybercrime and industrial espionage are unfortunately part of the reality that businesses in Europe face every day. We have to make sure our laws move with the times and that the strategic assets of our companies are adequately protected against theft and misuse. Protecting trade secrets is also about more than that. This proposal aims to boost the confidence of businesses, creators, researchers and innovators in collaborative innovation across the internal market. They will no longer be dissuaded from investing in new knowledge by the threat of having their trade secrets stolen."*

Vice-President Antonio Tajani added: *"Protecting trade secrets is particularly important for the EU's smaller, less established firms. They employ trade secrecy more intensively than larger companies - in part because of the cost of patenting and protection against infringement. The loss of a trade secret and disclosure of a key invention to competitors means a catastrophic drop in value and future performance for an SME. With this legislation, the Commission will protect EU businesses' livelihood and the trade secrets that form a vital part of it."*

The draft Directive introduces a common definition of trade secrets, as well as redress mechanisms for victims of trade secret misappropriation. Its purpose is to make it easier for national courts to deal with the misappropriation of confidential business information and for victims to receive damages for illegal actions. It is also designed to remove trade secret-infringing products from the market.

The proposal is based on Article 114 of the Treaty of the Functioning of the European Union (TFEU) providing for the adoption of EU rules harmonising national legislation, whenever necessary for the smooth functioning of the **internal market**. The aim is to boost confidence among businesses, creators, researchers and innovators in collaborative innovation enterprises across the internal market.

According to the draft Directive, the following **definitions** shall apply:

- A 'trade secret' is defined as a 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;
- Has commercial value because it is secret;

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<sup>15</sup> In the history of economics, trade secrets have often been the reason for a hostile takeover as they change hands together with the company and such property rights cannot be sold separately.

<sup>16</sup> Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, COM (2013)813.

- Has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

'Infringing goods' means goods whose design, quality, manufacturing process or marketing significantly benefits from trade secrets unlawfully acquired, used or disclosed.

Under the terms of the draft Directive, Member States shall provide for the measures, procedures and remedies necessary to ensure the availability of **civil redress** against unlawful acquisition, use and disclosure of trade secrets.

In cases of **abuse of litigation**, Member States shall ensure that, where competent judicial authorities determine that a claim concerning the unlawful acquisition, disclosure or use of a trade secret is manifestly unfounded and the applicant is found to have initiated the legal proceedings in bad faith with the purpose of unfairly delaying or restricting the respondent's access to the market or otherwise intimidating or harassing the respondent, the judicial authorities shall be entitled to take the necessary measures against such misuse.

A **statute of limitations** is also provided for. Member States are required to ensure that actions for the application of the measures, procedures and remedies provided for in this Directive may be brought within at least one year of, but not more than two years after, the date on which the applicant became aware of the last fact giving rise to the action.

Article 8 of the proposed Directive stipulates that the **confidentiality of trade secrets shall be preserved** during the course of legal proceedings.

Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order **interim and precautionary measures** against the alleged infringer (Article 9).

Member States shall ensure that the competent judicial authorities order the infringer to pay the trade secret holder **damages** commensurate to the actual prejudice suffered. When setting the damages, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered.

Member States shall ensure that the competent judicial authorities may impose **sanctions** on the parties, their legal representatives and any other person who fails or refuses to comply with any measure adopted pursuant to Articles 8, 9 and 11.

The sanctions provided for shall include the possibility to impose recurring penalty payments in case of non-compliance.

## **Link to TTIP**

Intellectual property rights are part of the TTIP discussions and progress has been made in identifying the central issues to be discussed.

Discussions have so far remained exploratory (i.e. no substantive negotiations), although the US has proposed an architecture for the text of this chapter addressing a limited number of issues of interest to both parties. The EU seems to be satisfied with the proposed architecture.

Trade secrets might be one of the issues up for discussion, with the US pushing for its inclusion on the agenda. However, since both the US and the EU have legislation in the pipeline, TTIP discussions on trade secrets would centre on finding a coherent approach on both sides.

## 6. FUTURE CHALLENGE

When the legislative proposal comes before the competent Legal Affairs Committee in autumn, the committee may wish to keep some of the following issues in mind:

- Broadly, trade secrets can be looked at from three different angles: from the point of view of "unfair competition", from the contractual side (commercial contracts, labour contracts) or from the perspective of transparency (freedom of speech, whistleblowing). Sanctions for breaches of confidence may be contractual (based on a breach of contract) or criminal (based on a criminal offence). Sanctions can be applied in each of the three areas individually or across all three collectively.
- A particular challenge is posed by the phenomenon of "reverse engineering" (discovering the technological principles of a device, object, or system through analysis of its structure, function, and operation, often through disassembling a product). No protection is offered once information protected as a trade secret is uncovered by others through this lawful method.
- Measures and remedies provided for should not restrict freedom of expression and information or whistleblowing activity, which, pursuant to articles 10 and 11 of the European Convention on Human Rights (ECHR), encompasses media freedom and pluralism. Should the protection of trade secrets extend to cases in which disclosure of a trade secret serves the public interest in so far as relevant misconduct or wrongdoing is revealed (participation in cartels, bribery, infringement of environmental law)?
- Both articles 10 and 8 of the European Convention on Human Rights have a bearing on how trade secrets are dealt with. The same is true of article 10 (freedom of thought, conscience and religion) and articles 15-17 (freedom to conduct a business and the right to property) of the European Charter on Fundamental Rights. Since no one right enjoys presumptive priority over the other, a balance must be struck in terms of protection.
- Any request for additional external expertise by the Committee on Legal Affairs should comprise the above elements. Any analysis should also critically appraise proposal COM((2013)0813), as well as aspects related to the negotiations on TTIP. Furthermore, a workshop could be organised with experts on each of these aspects ("unfair competition", "breach of contractual confidence", "freedom of expression and whistleblowing", "criminal offences"; "TTIP"; "analysis of the Commission proposal").

## ANNEX I - "TRADE SECRETS" IN THE OFFICIAL LANGUAGES

<b>BG</b>	търговски тайни
<b>CZ</b>	obchodního tajemství
<b>DA</b>	forretningshemmeligheder
<b>DE</b>	Betriebs- und Geschäftsgeheimnisse
<b>EL</b>	τεχνογνωσία και εμπορικά μυστικά
<b>EN</b>	Trade secrets
<b>ES</b>	secretos comerciales
<b>ET</b>	ärisaladuste
<b>FI</b>	liikesalaisuuksia
<b>FR</b>	secret d'affaires
<b>HR</b>	poslovnih tajni
<b>HU</b>	üzleti titkok
<b>IT</b>	segreti commerciali
<b>LT</b>	komercinių paslapčių
<b>LV</b>	komercnoslēpumu
<b>MT</b>	sigrieti kummerċjali
<b>NL</b>	bedrijfsgeheimen
<b>PL</b>	tajemnic handlowych
<b>PT</b>	segredos comerciais
<b>RO</b>	secrete comerciale
<b>SK</b>	obchodného tajomstva
<b>SL</b>	poslovnih skrivnosti
<b>SV</b>	företagshemligheter

## **ANNEX II - PROPOSAL COM(2013)0813: INDEX OF ARTICLES OF THE PROPOSED DIRECTIVE**

### **Chapter I Subject matter and scope**

Article 1 **Subject matter**

Article 2 **Definitions**

### **Chapter II Unlawful acquisition, use and disclosure of trade secrets**

Article 3 **Unlawful acquisition, use and disclosure of trade secrets**

Article 4 **Lawful acquisition, use and disclosure of trade secrets**

### **Chapter III Measures, procedures and remedies**

#### **Section 1 General provisions**

Article 5 **General obligation**

Article 6 **Proportionality and abuse of litigation**

Article 7 **Limitation period**

Article 8 **Preservation of confidentiality of trade secrets in the course of legal proceedings**

#### **Section 2 Interim and precautionary measures**

Article 9 **Interim and precautionary measures**

Article 10 **Conditions of application and safeguards**

#### **Section 3 Measures resulting from a decision of the merits of the case**

Article 11 **Injunctions and corrective measures**

Article 12 **Conditions of application, safeguards and alternative measures**

Article 13 **Damages**

Article 14 **Publication of judicial decisions**

### **Chapter IV Sanctions, reporting and final provisions**

Article 15 **Sanctions for non-compliance with the obligations set out in this Directive**

Article 16 **Exchange of information and correspondents**

Article 17 **Reports**

Article 18 **Transposition**

Article 19 **Entry into force**

Article 20 **Addressees**



## ANNEX III - SOME CASELAW

### Examples:

**Data General Corp. v. Digital Computer Controls, Inc.:** In 1970 **Data General Corporation** released the Nova 1200, a new mini-computer. At the purchaser's request, **Data General Corporation** would include, with the computer, design documentation intended to allow customers to maintain and repair their own computers. These design drawings were annotated as confidential, and customers received a contractual agreement of confidentiality with their purchase. In March 1971, the president of **Digital Computer Controls** purchased a second-hand Nova 1200 from a third party. Before receiving the computer, **Digital Computer Controls** requested the accompanying design documentation from the seller and subsequently photocopied the drawings. The drawings explicitly stated that they could not be used to manufacture similar items without the written permission of **Data General Corp.** **Digital Computer Controls** then used the design drawings to create its own D-116 mini-computer, which the court determined was substantially identical in design to the Nova 1200. The court found **Data General Corp.'s** secrecy precautions sufficient - in that they had secured trade secret status for the design documentation - and that **Digital Computer Controls** improperly used the trade secrets when designing the D-116.

**Christou v. Beatport:** During the 1990s, the plaintiff, **Regas Christou**, founded several nightclubs with live performances from DJs playing electronic dance music. In 1998, the defendant, **Bradley Roulier**, was employed by **Christou** as a talent buyer responsible for booking DJs at Christou's venues. While employed under **Christou**, **Mr. Roulier** conceived the idea of **Beatport**, an online marketplace. However, in March, 2008, Roulier left Christou's employment. **Mr. Christou** alleged that his competitor had coerced DJs into playing at other nightclubs instead of at one of his own nightclubs. Mr. Christou filed a complaint against **Beatport** to the District of Colorado seeking damages for the theft of a trade secret (the MySpace profile credentials used for connecting his clubs to various DJs). The Colorado court held that a MySpace friend list could constitute a trade secret. It argued that, while the names in the friend list could be found in public directories, the "ancillary information" linked to the friend list in MySpace provided a special means of contact that was **not** publicly available.

**Microsoft Corp. v. Commission:** The ECJ ruled that **Microsoft** must pay a fine of 497 million EUR because it did not disclose information that was in fact not a protected trade secret.

Case **T-167/08** originated with a December 1998 complaint from **Sun Microsystems** alleging that **Microsoft** was refusing to supply it with interoperability information necessary to interoperate with Microsoft's dominant PC operating system. In 2004, a **European Commission** decision ordered **Microsoft** to deliver its secret interoperability information to competitors wishing to build interoperable servers. Workgroup server operating systems are operating systems running on central network computers that provide services to office workers such as file and printer sharing, security and user identity management. The Commission decision ordered Microsoft to disclose to competitors information that would allow non-Microsoft workgroup servers to achieve full interoperability with Windows PCs

and servers. In June 2004, Microsoft filed an application for annulment of this decision with the European Court of First Instance, stating that it was ready to provide access to this interoperability information, although competitors would of course have to pay for it. The **Commission** argued that competitors should only pay for genuinely innovative value. As regards the interoperability remedy, **Microsoft** claimed that the implementation of the Decision would harm its intellectual property rights.

In an Order of December 2004, the Court of First Instance rejected **Microsoft's** request to suspend the Decision's remedies on the grounds that Microsoft had not demonstrated that these would cause it serious and irreparable damage.

The Court then delivered its judgement in September 2007, upholding the findings of market abuse in the Commission's decision. On the question of interoperability, the Court considered that the Commission had been right to conclude that the workgroup server operating systems used by Microsoft's competitors had to be able to interoperate with Windows domain architecture on an equal footing with Windows operating systems if they were to compete in the market. The Court further argued that competitors should not be charged for technology that is already publicly available or that only provides technical solutions that are **obvious to persons skilled in the art**, but which have been kept secret by Microsoft to preserve an artificial interoperability advantage.

**Arbeitsgericht Hamburg:** The employee worked as a consultant for a software company. She had a XING (social media) account through which, as is typical, she was in contact with former colleagues and business acquaintances. She resigned from her position with software company S and, shortly afterwards, began to work for a competitor. She maintained her XING account through which she engaged in a lively exchange about her hobby, diving, with some of her contacts. Her contacts included eleven employees of customers or business partners of the software company S where she used to work.

Before the **Hamburg Employment Tribunal (Arbeitsgericht)**, the employer brought an action for an injunction against its former employee, demanding that she refrain from using contacts and other social media profiles illicitly stored in XING either for herself or for others. The court dismissed the software company's request on the grounds that no trade secret of the applicant had been illegally procured, backed up or recovered by the former employee. The court, in its ruling, referred to case law of the Federal Court.

The Federal Court had previously found that a trade secret within the meaning of Article 17 UWG (Unfair Competition Act) is any operational fact that is not obvious, but is known only to a very limited group of people, and should be kept secret where the holder wishes to maintain secrecy for economic reasons. It had further ruled that details or facts that can be created at any time without much effort from generally accessible sources cannot be regarded as trade secrets. As such, the Hamburg court held that, although customer data stored on a platform such as XING may constitute a trade secret, this did not apply in the case in question. Interaction with some contacts on the XING platform took place either before the defendant was employed by the company or before those contacts became clients or business partners of the company. As such, there was no "framework of business activity".



## DIRECTORATE-GENERAL FOR INTERNAL POLICIES

# POLICY DEPARTMENT CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS **C**

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