



## **DG INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP AND SMEs – Industrial Property, Innovation and Standards**

**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, 28.11.2013.**

**2013/0402 (COD)**

***17 November 2014  
IMCO Committee – European Parliament***

# 1. Trade secrets are important for economic performance in the EU, yet they are increasingly exposed to misappropriation.

Both large and small businesses

- use confidentiality as a business & research innovation management tool;
- rely on trade secrets for improving their competitiveness;
- value trade secrets as much as patents.

Trade secrets have an important role in protecting the **exchange of knowledge** between businesses within and across the borders of the **internal market** in the context of R&D and innovation.

**Collaborative research**, including **cross-border cooperation**, is particularly important to increase the levels of business research and development within the **internal market**.

**[See recitals 1-3]**

However, the exposure to misappropriation of trade secrets has been increasing.

2012 industry survey: 20% of businesses reported to have suffered attempts/acts of misappropriation within the EU in the past 10 years.

In 2012 18% of companies reported theft of information, in 2013 the percentage increased to 25% (2013/2014 Global Fraud Report, Kroll).

## 2. The legal protection of trade secrets within the internal market is fragmented & insufficient.

The TRIPS Agreement requires its signatories to provide protection against the misappropriation of trade secrets.

Yet, EU Member States laws on the protection of trade secrets against misappropriation feature **substantial differences, important gaps and shortcomings.**

Companies hardly defend their trade secrets in court.

- Some Member States do not have specific legislation on misappropriation of trade secrets, relying instead on general laws as interpreted by the judiciary.
- In some Member States trade secrets are only protected against misappropriation by competitors.
- Not all appropriate remedies are present in all Member States.
- Courts do not always have mechanisms to ensure the confidentiality of trade secrets during and after litigation.

Figure 4 – The fragmentation of the legal protection (selected measures)  
Source of data: Baker & McKenzie (2013).

Selected measures	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK	
Definition of trade secret in civil law legislation																												
Availability of injunctions against third party in good faith																												
Injunctions not limited in time																												
Availability of orders on destruction of TS/resulting goods																												
Calculation of damages based on fair royalty fee																												
Performing rules on preservation of secrecy (civil proceedings)																												
Sufficient criminal legislation																												

N.B. A blank cell means that the measure concerned is not provided for in national legislation

See recitals 4-6

### 3. The internal market is affected and its growth potential undermined.

A) Incentives to engage in innovative cross-border activity within the internal market are undermined.

B) Businesses' competitiveness is reduced, since their trade secrets-based competitive advantages face higher risks.

- 2012 Industry Survey: 40% of EU companies would **refrain from sharing** trade secrets with other parties because of fear of losing the confidentiality of the information through misuse or release without their authorisation;
- 2013 Public Consultation: more than 50% of business found that different national rules on the protection of trade secrets against misappropriation result in **less incentives to undertake R&D activities in a cross-border context.**

2012 Industry Survey: respondents believe that acts of misappropriation have mostly resulted in **loss of sales/clients/contracts** (56% of the cases).

**Trade secrets are unable to fulfill their potential as drivers of economic growth and jobs within the internal market.**

## 4. What is the proposed directive trying to achieve?

No harmonisation of criminal law.

Awareness raising on existing national law: insufficient.

Harmonisation of civil law protection.

### INTERNAL MARKET DIMENSION!

#### LEGAL BASIS: 114 TFEU (Internal Market)

Approximate national laws so to ensure a sufficient and comparable level of civil redress across the **internal market** in case of unlawful acquisition, use or disclosure of a trade secret.

*See Recital 8*

#### Objective

Improve the effectiveness of the legal protection of trade secrets against misappropriation within the internal market.

#### This should contribute to:

- improving the conditions for R&D and exploitation of innovation and for knowledge transfer within the **internal market**;
- protecting the **competitiveness of EU businesses**, when they rely on trade secrets.

## 5. What does the Directive say? [scope of protection]

The Directive is a TRIPS Agreement-compliant text.

### Definition of trade secret

[Art.2, recital 8], three criteria:

- Relative secret
- Commercial value
- Reasonable protective measures.

### Safe harbour:

[Art. 4, recitals. 9, 10, 12]

- **§1**: legal conduct: e.g. independent discovery, reverse engineering
- **§2**: exemptions: freedom of expression, whistleblowing, contacts workers-unions, legal obligations, protection of a legitimate interest)

### Scope of protection

### UNLAWFUL acquisition, use and disclosure of a trade secret

[Art. 3, recital. 9]

- **§2**: acquisition (unauthorised access, theft etc., intentionally or with gross negligence; including conduct contrary to honest commercial practices);
- **§3**: use/disclosure (by the unlawful acquired or by the person who breaches a confidential obligation/obligation not to use the secret, intentionally or with gross negligence);
- **§4**: use/disclosure by a third party who knows or should have known;
- **§5**: infringing goods and unlawful use of the trade secret (see also Article 2(4))

# What does the Directive say? [remedies]

The Directive is a TRIPS Agreement-compliant text.

**Definition of  
trade secret.**  
[Art.2]

*Safe harbour:*  
legal conduct &  
exemptions.  
[Art. 4]

**UNLAWFUL  
acquisition,  
use and  
disclosure of  
a trade  
secret.**  
[Art. 3]

**Scope of protection**

## Remedies

**Injunctions** (i.e. prohibition to use/disclose the trade secret)

- Interim measures [Art.9, recital 15]
- Definitive injunction [Art. 11(1)(a) et (b) , recital 16]
- Explicit reference to imports

**Measures concerning infringing products**

- Interim seizure [Art. 9]
- Corrective measures [Art.11(1)(c), recital 17]

**Alternative measures to injunctions/  
corrective measures** - [Art. 12(3), recital 18]

**Damages** - [Art. 13, recital 19]

**Publication of decisions** - [Art. 14, recital 20]

# What does the Directive say? [safeguards]

**Definition of trade secret.**  
[Art.2]

*Safe harbour:*  
legal conduct & exemptions.  
[Art. 4]

**UNLAWFUL acquisition, use and disclosure of a trade secret.**  
[Art. 3]

**Scope of protection**

**Remedies**

Injunctions - [Arts. 9 & 11]

Damages - [Art. 13]

Publication of decisions - [Art. 14]

**Balanced approach**

**Procedural safeguards: preservation of confidentiality of the trade secret during litigation -**  
[Art. 8, recital 14]

- §1: professional secrecy & duty to keep confidentiality
- §2: specific measures
  - Restricted access to docs. [\*],
  - In camera hearings [\*],
  - non confidential versions of docs. [\*] including "*lawyers only*".

**Safeguards :**

- to ensure **proportionality** [ex. Art. 5, 6§1, 10§1, 10§2, 12§1, consid. 11];
- to **avoid** that **barriers** to legitimate trade in the internal market **are created** e.g.:
  - Limitation period [Art. 7, recital 13]: 2 years after knowing the facts;
  - Duration of measures [Art. 10§3, §5, 12§1, recital 16].
- **against abusive litigation**
  - Sanctions [Art. 6§2, recital 12].



# What does the Directive say?

The Directive is a TRIPS Agreement-compliant text

Definition of  
Trade Secret.  
[Art.2]

Safe  
harbour:  
lawful  
conduct &  
exemptions.  
[Art. 4]

UNLAWFUL  
acquisition, use  
and disclosure  
of a trade  
secret.  
[Art. 3]

**Scope of protection**

Complementary provisions: compliance,  
monitoring etc. - [Arts.15 to 20]

**Remedies**

Injunctions (i.e. stop/prohibit the use  
of the trade secret) - [Arts. 9 & 11]

Compensation for damages - [Art. 13]

Publicity measures - [Art. 14]

**Procedural safeguards:** preservation of  
confidentiality of the trade secret during  
litigation - [Art. 8]

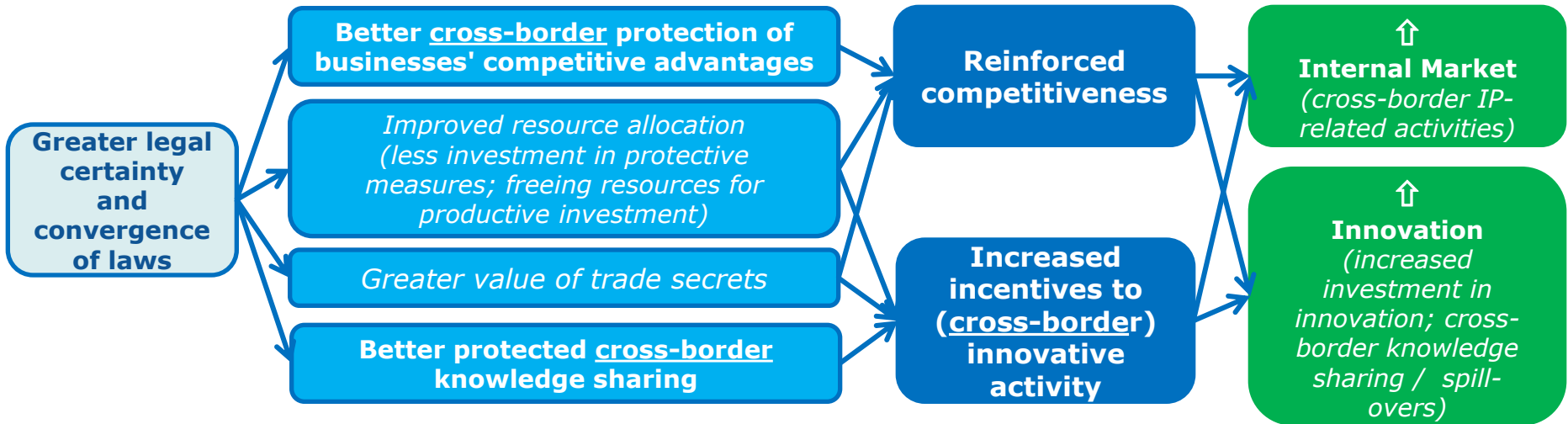
**Safeguards to**

- ensure proportionality;
- avoid that barriers to legitimate trade in  
the internal market are created;
- against abusive litigation.

[Arts. 5, 6, 7, 10, 12]

**Balanced approach**

## 6. What are the expected benefits of the proposed Directive



### Businesses anticipate that a safer business environment resulting from harmonised EU rules should result in:

- 77%: better protection against the misappropriation of trade secrets;
- 54%: improvement of litigation in other Member States;
- 49%: increased deterrent effect;
- 63%: better opportunities for different players to cooperate in R&D and innovation projects (network/collaborative innovation as opposed to in-house innovation);
- 49%: greater returns from sharing, licencing and transferring know-how.

[Source: 2013 Public Consultation & 2012 Industry Survey]

## 7. What do stakeholders think?

### 2013 Public consultation: should legal protection against misappropriation of trade secrets be addressed at EU level? [Q. I-8]

Table 4: Need of EU action

	No of respondents	EU should act	No EU action required	No opinion or no answer
All respondents	386	52%	41%	7%
Citizens	152	19%	75%	6%
Companies (including SMEs)	125	80%	12%	8%
SMEs	59	73%	13%	15%
Professionals	35	49%	40%	11%
Business associations	32	94%	6%	0%
Research entities	19	58%	32%	11%

### 2012 Industry survey: should the Commission propose EU legislation with a view to ensuring that national rules providing relief against misappropriation of trade secret provide effective and equivalent protection across the EU?

- **69%, in favour**
- **17%, against**