



**C L I F F O R D**  
**C H A N C E**

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# Contents

<b>EU Proposal for a Trade Secrets Directive</b>	<b>4</b>
<p>In November 2013, the European Commission proposed new rules on the protection of trade secrets intended to harmonise the currently fragmented legal provisions in the Member States. <a href="#"><i><u>Read more</u></i></a></p>	
<b>General Comments</b>	<b>7</b>
<p>While parts of the EU Proposal provide for considerable improvements to the current legal situation in some of the Member States, others are less beneficial or fall behind the existent protection level. <a href="#"><i><u>Read more</u></i></a></p>	
<b>European Comparative Analysis</b>	<b>9</b>
<p>Until the open issues concerning the EU Proposal have been finally resolved, trade secrets will be subject to varying degrees of legal protection across EU Member States.</p>	
<b>Germany</b> <a href="#"><i><u>Read more</u></i></a>	<b>9</b>
<b>The Czech Republic</b> <a href="#"><i><u>Read more</u></i></a>	<b>11</b>
<b>Spain</b> <a href="#"><i><u>Read more</u></i></a>	<b>12</b>
<b>United Kingdom</b> <a href="#"><i><u>Read more</u></i></a>	<b>15</b>
<b>The Slovak Republic</b> <a href="#"><i><u>Read more</u></i></a>	<b>16</b>

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The Netherlands <a href="#">(Read more)</a>	18
Italy <a href="#">(Read more)</a>	20
France <a href="#">(Read more)</a>	21
<b>U.S. Trade Secrets Law</b>	<b>23</b>
<p>The United States has a strong history of protecting trade secrets under both state common law and the Uniform Trade Secrets Act. Criminal sanctions are set forth in the Economic Espionage Act of 1996. <a href="#">(Read more)</a></p>	
<b>Chinese Law on Trade Secrets</b>	<b>26</b>
<p>In China, the anti-unfair competition law provides the main framework for trade secret protection, along with other protections grounded in contract, company and labour laws. Recent cases show that the Chinese courts are more and more willing to take remedial action and award higher damages. <a href="#">(Read more)</a></p>	
<b>Protection of Trade Secrets at a Glance</b>	<b>28</b>
<p>We provide a "quick look overview" on the available remedies in the jurisdictions covered in this issue. <a href="#">(Read more)</a></p>	
<b>Acknowledgements</b> <a href="#">(Click here)</a>	<b>29</b>
<b>Contacts</b> <a href="#">(Click here)</a>	<b>30</b>

Welcome to Clifford Chance's Global Intellectual Property Newsletter. In this quarterly publication we provide an overview of the most recent IP developments in major jurisdictions around the world.

In this issue we focus on the EU Proposal for a directive on the protection of trade secrets against their unlawful acquisition, use and disclosure. We discuss the key elements of the EU Proposal and highlight the differences in and likely impact on current regimes in selected European jurisdictions. We also provide an overview of the related regimes in China and the U.S. This article is intended to address the intricate topic of legal protection when sharing undisclosed know-how or other valuable confidential business information across borders, e.g., in the context of R&D and licensing.

Our prior issues of the Global Intellectual Property Newsletter can be retrieved [here](#).

## EU Proposal for a Trade Secrets Directive

In November 2013, the European Commission ("EC") proposed new rules on the protection of trade secrets. The proposal for a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ("EU Proposal") is intended to approximate the currently fragmented legal provisions in the Member States of the EU.

### Introduction

There is no doubt that the development and management of knowledge is central to succeed in today's economy.

However, the increased disclosure of valuable secret information, for example through outsourcing and longer supply chains, increases the risk of misappropriation, particularly in an environment of diverging national rules and standards. Dealing with trade secrets on a cross-border level in the context of licensing or R&D may entail an enhanced level of business risk and associated cost of protecting the relevant information.

This article aims to provide an overview on the protection regime for trade secrets as envisaged by the EU Proposal and to comment upon its implications from a practical point of view. It further analyses how the EU Proposal differs from the protection regimes in the following Member States of the EU:

- Germany
- The Czech Republic

- Spain
- United Kingdom
- The Slovak Republic
- The Netherlands
- Italy
- France

It also provides an overview beyond the borders of the EU and discusses the key elements of trade secret protection under the laws of:

- China
- U.S.

A further overview of the key features of the current regimes discussed herein can be found [here](#).



## The EU Proposal

Following an impact assessment that showed considerable need to harmonise the current law of the Member States, the EC decided to put forward a directive to harmonise national laws on the basis of Article 114 of the Treaty for the Functioning of the European Union ("TFEU") with aim of creating an equal level of protection of trade secrets.

It has been found that ineffective legal protection is a disincentive for cross-border innovation activities within the EU. Also, in particular innovative small and medium-sized enterprises or start-ups often lack the resources to pursue registered Intellectual Property Rights ("IPR") and therefore are highly depended on effective protection of undisclosed know-how. Hence, the proclaimed aim of the EU Proposal is to *"encourage higher levels of investment in R&D by the private sector, through more extensive, including cross-border, collaboration in R&D and technological developments between universities and industry, open innovation and allowing for improved valuation of IPR such that access to venture capital and financing is enhanced for research-oriented and innovative economic agents."*

## Aims of the EU Proposal

The EU Proposal aims to provide a higher level of legal certainty, thereby encouraging increased level of investment in R&D and cross-border collaboration by:

- Defining trade secrets;
- Setting forth specific forms of infringement;
- Providing for a common set of enforcement measures; and
- Ensuring secrecy of trade secrets in court proceedings.

## Definition of a "Trade Secret"

The EU Proposal requires the following three elements to establish trade secret protection (i) secrecy in the sense that the relevant information is not generally known or readily accessible (ii) commercial value due to secrecy, and (iii) reasonable efforts of the holder of the secret to maintain secrecy.

The definition is not novel to the law as it is essentially identical to the definition put forward in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS") for undisclosed information (*cf.* Article 39 para. 2 lit. a) of TRIPS).

## Infringing Acts

The EU Proposal addresses as infringing acts the (i) unlawful acquisition of trade secrets, (ii) unlawful use or disclosure of a trade secret, and (iii) the commercialisation of infringing goods.

### Unlawful acquisition

Means of acquisition are, *inter alia*, unauthorised access to or copy of any documents, objects or electronic files lawfully under the control of the holder, or by theft, bribery, deception, or breach of a confidentiality agreement. However, the list is not exhaustive. A

catch-all clause deems other actions infringing if, a conduct *under the circumstances, is considered contrary to honest commercial practices.*

Most notably, under the EU Proposal, acquisitions are only deemed unlawful if carried out without consent of the holder and *intentionally or with gross negligence.*

### Use or disclosure

The provision on use or disclosure of a trade secret encompasses actions where the trade secret was previously acquired unlawfully (*cf.* above) or the user is in breach of a confidentiality agreement or a contractual duty or any other duty to limit the use of the trade secret.

In addition, use and disclosure need to be unlawful according to the abovementioned prerequisites.

Indirect use or disclosure is also considered an unlawful use of a trade secret where the person, at the time of use or disclosure knew or should, under the circumstances, have known that the trade secret was obtained from a direct infringer.

### Commercialisation

Apart from acquisition, use and disclosure of a trade secret, the EU Proposal extends to the commercialisation of infringing goods. Their *conscious and deliberate production, offering or placing on the market (...) or import, export or storage (...) for these purposes* shall be prohibited.

## Infringing Goods

"Infringing goods" within the meaning of the EU Proposal means goods whose design, quality, manufacturing process or marketing *significantly benefits* from trade secrets unlawfully acquired, used or disclosed.

## Exception: Lawful Acquisition, Use or Disclosure

In certain cases an acquisition, use or disclosure of a trade secret is considered lawful.

This includes, *inter alia*, acquisition through independent discovery, creation, observation, study, disassembly or test of a product or object that has been made available to the public.

A fall-back provision also deems lawful any other practice which, under circumstances, is in conformity with honest commercial practices.

In addition, no claims shall be possible if an acquisition, use or disclosure was carried out for certain purposes, *e.g.*, for making legitimate use of the right to *freedom of expression and information* or where an acquisition, use or disclosure was necessary to reveal the *misconduct, wrongdoing or illegal activity*. Also, the *purpose of protecting a legitimate interest and fulfilling a non-contractual obligation* are considered a justification.

## Remedies

Remedies stipulated in the EU Proposal include preliminary as well as permanent measures, including injunctions, recalls and damages.

### Preliminary measures

Interim as well as precautionary measures include, *e.g.*, the seizure of infringing goods to prevent their entry into the market as well as the prohibition of the infringing action by way of interim injunctions. However, infringement needs to be *on-going or imminent*.

### Permanent injunctions and recalls

In proceedings on the merits, permanent injunctions as well as corrective measures can be requested. The latter include, *inter alia*, the recall from the market, and the cessation, destruction, or return of infringing goods to the trade secret holder.

### "Pecuniary Compensation"

Moreover, the EU Proposal provides for pecuniary compensation as an alternative to injunctions or corrective measures. It shall be available at the discretion of the court, but at the request of the infringer, in cases where (i) the infringer originally acquired the knowledge of the trade secret in good faith, (ii) the execution of the measures in question would cause that person disproportionate harm and, (iii) pecuniary compensation to the injured party *appears reasonably satisfactory*.

### Damages

In case of culpable actions (*i.e.*, where an infringer knew or ought to have known that he or she was engaging in an infringing action) damages can be requested by the holder to compensate the injured party. The EU Proposal sets an usual license fee as the minimum amount of damages to be paid.

Additionally, decisions can be made public at request of the infringed party where appropriate.

## Who Can Sue?

Not only the direct owner but any natural or legal person "*lawfully controlling a trade secret*" is entitled to request measures. Effectively this definition also encompasses licensees.

## Time Limitations

The possibility to bring forward claims before courts shall be limited to *two years* upon becoming aware (or after one should have been aware) of the last fact giving rise to action.

## Measures During Litigation

Moreover, the EU Proposal aims to ensure that trade secrets are not disclosed during court proceedings.

To that end, access to documents containing trade secrets shall be restricted. Also, hearings in which trade secrets are disclosed may only be attended by lawyers of the parties as well as authorised experts that are subject to a confidentiality obligation. In certain cases a confidentiality obligation may be imposed on the lawyers towards their clients. Lastly, the issuance of court decisions in redacted form only shall be possible.

A copy of the EU Proposal can be found by clicking [here](#).

[△Top](#)

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## General Comments

Generally, greater harmonisation of trade secret laws across the EU will make it more efficient to deal with and protect high-value information assets across borders, for instance in the context of international R&D or licensing. Innovative companies and researchers will be able to make better use of their ideas by cooperation with the best partners across the EU.

However, while parts of the EU Proposal provide for considerable improvements to the current legal situation in some of the Member States, others are less beneficial or fall behind the protection level already existent in other Member States.

In sum, the EU Proposal is certainly welcome, but individual points will require further discussion and involvement of the relevant stakeholders in the legislative process.

### Benefits

The EU Proposal's uniform definition of "trade secret" poses a fundamental improvement as, notwithstanding the TRIPS definition, differences in the definition of "trade secrets" currently persist among Member States.

The proposed right to sue is another positive addition, because it conveys to the holder the power to either contractually allow a licensee to "control" a trade secret, enabling it to sue, or to exclusively keep the right to sue to himself.

### Discussion Points

Yet, the EU Proposal contains some disadvantageous or ambiguously drafted provision which needs to be further discussed in the legislative process.

### Intent or gross negligence

Under the current draft of the EU Proposal, the finding of an infringing act requires intent or gross negligence. This standard appears too high and should be reconsidered. While the presence of culpable behaviour may well be a requirement to award damages, injunctions should be available without any such requirement to effectively protect the interests of a trade secrets holder. At minimum, the EU Proposal should include clear language that Member States may go beyond the protection level envisaged by the EU Proposal (minimum harmonisation).

### Definition of infringing acts

Another weakness of the EU Proposal lies in the definition of "infringing goods". As mentioned above, it is required that the relevant item benefits significantly from the trade secret. Proving that a trade secret sufficiently contributes to the respective good to amount to infringement could become a major obstacle for a trade secret holder to substantiate a claim. Holders will have to wait for courts to interpret this significant benefit requirement. Until then there will be a high potential of legal uncertainty.

Holders would also benefit from further clarification regarding the "unlawfulness" of an acquisition of information contrary to *honest commercial practices*. Considering the grave consequences of a classification as unlawful, this general clause is too vague and indeterminate.

This concern also relates to the exceptions made for legitimate use of trade secrets for the purpose of *fulfilling a non-contractual obligation* or for the purpose of *protecting a legitimate interest*.

### Exceptions from injunctive relief

Further, the alternative of awarding *pecuniary compensation* instead of an injunction in cases of incouable infringement could become an obstacle to effective enforcement, as such a measure would only have little or no deterrent effect.

Legal uncertainty is increased by the fact that the requirements for such compensation are very vague. It is particularly unclear when pecuniary compensation would *appear reasonably satisfactory* to the injured party.

Therefore, it would be desirable if the final Directive expressly states that Member States could go beyond the level of protection stipulated in the EU Proposal, *i.e.*, that also injunctions as a default remedy in case of incouable infringement remain possible.

### Time limitations

Lastly, the envisaged limitation period for trade secrets actions is considerably shorter than in most of the Member States. While short limitations certainly account for the fact that prove of infringement might be difficult after a certain amount of time, it appears that anything shorter than three years falls short of established standard in key European jurisdictions. The current proposal should therefore be reconsidered.

### Missing Bits and Pieces

While the most obvious areas – infringing acts and remedies – have been regulated, the EU Proposal is missing a set of provisions which would be desirable to ensure effective protection of trade secrets throughout the EU.

## Evidence

The preservation of evidence, especially with regard to the pre-litigation phase, is completely missing in the EU Proposal. This is disappointing when bearing in mind that – like holders of other intellectual property rights – holders of trade secrets face major problems substantiating their claims.

The Directive 2004/48/EC on the enforcement of intellectual property rights ("**Enforcement Directive**") contains several favourable provisions on the preservation of evidence. However, the Enforcement Directive is not applicable to trade secrets which are not acknowledged as IPR in the strict sense by the EC.

It would have been desirable if the EU Proposal had made a clear reference to the Enforcement Directive and declared the additional measures applicable *mutatis mutandis* for trade secrets.

## Border measures

While the seizure of imported goods is partially regulated in the EU Proposal, the EU Proposal would benefit from the introduction of a regime concerning border measures.

A complete set of such rules is set forth in the Regulation (EU) No 608/2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No. 1383/2003 with effect from 1 January 2014 ("**Customs Regulation**"). The Customs Regulation does not cover trade secrets, however.

Again, it remains to be seen whether a final Directive will seize the opportunity and broaden the scope of the EU Proposal and reference the

Customs Regulation as applicable for trade secrets.

## Criminal sanctions

While criminal sanctions are available in a few Member States already and provide for a particular deterrent effect, any such provisions are completely missing in the EU Proposal.

## Discussion Points

- Clarification of minimum harmonisation.
- Requirement of intent or gross negligence.
- Exceptions from injunctive relief should not become mandatory.
- Limitation period should be prolonged.
- Definition of infringement to be further specified.
- Same options as under Enforcement Directive and Customs Regulation should be available for trade secrets.

However, the lack of such provisions in the EU Proposal is rather a 'technical issue' due to the fact that the EU does not have competence in the area of criminal law. Hence, the national lawmakers are called to raise the bar in this respect and thereby enhance the protection level as well.

## Way Ahead

The EU Proposal will need to be adopted by the European Parliament and the Council of the European Union ("**Council**") to become a legally binding Directive. It is not likely that

the legislative process will begin until the fall of 2014.

Various interested parties have already commented on the EU Proposal, so there may be controversy ahead.

Interestingly, on 5 March 2014, the Council has issued a compromise proposal ("**Compromise Proposal**") that reflects certain of the stakeholders' concerns, which are also addressed in this article. For instance, the Compromise Proposal expressly states that EU Proposal shall provide for minimum harmonisation only and that the Member States may provide for stricter rules. It also proposed to remove the requirement of intent and gross negligence. Lastly, a limitation period of five years is recommended.

Hence, it remains to be seen whether the EU Proposal will come into force as a Directive in its current form.

A copy of the Council's Compromise Proposal can be found by clicking [here](#).

[△Top](#)

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## European Comparative Analysis

Until the above-mentioned open issues concerning the EU Proposal have been finally resolved, dealing with and protection trade secrets across borders within the EU is subject to a fragmented and in part highly inhomogeneous legal landscape.

The various regimes applicable in the EU mainly consists – depending on the jurisdiction – of regulations embedded into, general civil law, unfair competition law, as well as criminal law. The level of conferred protection differs, however.

In the following, we provide an overview on the expected changes by the EU Proposal in certain key European jurisdictions.

The laws on the protection of trade secrets in the likewise important jurisdictions China and the U.S. will be discussed [here](#).

### Germany

#### Introduction

Under German law, trade secrets are not considered to be part of intellectual property law in the strict sense. Yet, since trade secrets serve as basis for new inventions, innovations and investments, German law provides for a number of measures to protect against the misappropriation of trade secrets. However, its protection is broadly scattered under German civil and criminal law. In terms of enforcement, the protection of trade secrets is fraught with hurdles such as proving the misuse of trade secrets or breach of secrecy. Therefore, a Directive

based on the current EU Proposal might presumably benefit the harmonisation – not only within the EU, but also within the German law itself.

#### Applicable statutory provisions

In Germany, trade secret protection is covered by

- Tort law (Section 823 para. 2 as well as Section 826 of the German Civil Code);
- Contract law (Section 242 of the German Civil Code and Section 280 para. 1 of the German Civil Code);
- Unfair competition law (Section 3 and Section 7 of the German Unfair Competition Act); and
- Criminal law (Section 17 of the German Unfair Competition Act and Section 203 of the German Criminal Code).

#### Definition of trade secrets

The definition of a trade secret is, according to German case law, any fact in connection with an undertaking that is not commonly known and supposed to stay secret according to the expressed or otherwise understood will of the trade secret holder, which must be based on a sufficient economic interest. The trade secret does not need to be of financial value. It suffices if its disclosure to the public would cause a detrimental effect to the trade secret holder.

#### Infringing acts

Under the above mentioned provisions, trade secrets are protected against, e.g., disclosure by employees, unauthorized acquisition through technical means, theft, use in breach of contract by business partners and disclosure by third parties if they have acquired the information unlawfully.

With regard to disclosure by employees or breach of contract, particular attention is to be paid to contractual duties of confidentiality. Confidentiality agreements help to protect trade secrets preventively. As such agreements are subject to contract negotiations appropriate individual measures can be adopted to defend trade secrets. After termination of a contract, these duties may continue in order to maintain secrecy. Such post-contractual secrecy clauses are deemed to be valid under certain criteria which may differ from case to case subject to the type of contract and content of secrets. Confidentiality obligations of employees may also be objects to limitations in terms of time as well as location.

### Highlights

- German law provides for a solid protection level for trade secrets scattered throughout unfair competition, civil and criminal law.
- The EU Proposal contains few welcoming enhancements to German law, such as recall and destruction of goods and measures during litigation.
- Beyond that, the existing protection level should not be undermined and the proposed time limitation should be reconsidered.

The holder of a trade secret faces special circumstances when revealing trade secrets as a necessary measure in a civil proceeding before court. Current German statutory law does not provide for protection of trade secrets in the context of a civil

proceeding. As far as parties are obliged to disclose confidential information during the proceedings the court may, however, preclude the public from the hearings on a party's request, Section 172 no. 2 of the German Code on Court Constitution. However, only third parties will be excluded from the proceedings. In order to obtain further protection, documents or parts of it containing confidential information may be blackened according to case law of the German Federal Supreme Court. Additionally, it is feasible to present evidence to the opposing lawyer who has obliged to maintain confidentiality (even towards his/her client/s). Same duties may apply to experts who are involved in court proceedings.

### Remedies

The remedies available in Germany are injunctive relief, damages and claims aimed at the disclosure of information to substantiate claims for damages. If sufficient likelihood of infringement can be shown, the trade secrets owner can make an application for pre-trial disclosure to obtain additional information from the alleged infringer required to fully formulate the claim.

### Anticipated changes

A comparison of German law to the EU Proposal shows that in several respects the current law is stricter and only few changes will be required to meet the minimum standard envisaged by the EU Proposal. The following is however noteworthy:

- Regarding the measures to enforce the protection of trade secrets, injunctions are the rule in Germany even if the infringer originally acquired the knowledge of the trade secret in good faith. German law does not provide for

the possibility to order damages instead of an injunction if an injunction causes disproportionate harm to the infringer. Under certain circumstances, in particular if urgency can be shown, preliminary injunctions are possible. This high protection level has proved to be an effective safeguard of trade secrets and should not be undermined by a later Directive.

- The EU Proposal as it currently stands would result in a shorter time limit of two years in which to bring a claim. Currently a claim can be brought within three years starting at the end of the year when a claimant became aware of the relevant facts substantiating the claim (Sections 195, 199 of the German Civil Code). Since the three year period is widely applicable in other areas of German law as well as in some other Member States, it appears sensible to revise the EU Proposal in this respect and extend the maximum term to at least three years.
- Furthermore, under German law, the violation of trade secrets constitutes a criminal offence that can result in imprisonment of up to three years or a fine. Given that the EU has no competence in the area of criminal law, the provisions as currently stated in German criminal law will remain applicable.
- As far as the preservation of confidentiality of trade secrets in the course of litigation is concerned, established German case law will henceforth be embedded and specified by legislation. This development is of course welcome.

- Regarding recall and destruction of goods, however, the EU Proposal goes beyond German law, which yet does not expressly provide for such measures. At least there have not been any published court decisions making such orders yet.

### Conclusion

German law already provides for a solid protection level for trade secrets. The proposed new rules on recalls and destruction as well as the proposed measures during litigation will, however, further enhance the trade secret holder's position and are, therefore, welcome.

However, it is needless to say that legal protection of trade secrets always needs to be supplemented by reasonable precautionary measures (technical and organisational) within the company, as well as adequate contract provisions to ensure full protection of trade secrets.

On the technical and organisational side, encryption and restricted access are key instruments.

On the contractual side, one may think of suitable definition of the contract information, valid and enforceable confidentiality clauses, contractual penalties, multi-step disclosure procedures, or know-how escrow arrangements.

A continuing audit of the protection strategy, staff education, graded right to access, physical security measures and IT security measures will therefore still be necessary to ensure a thorough protection of trade secrets.

Further information on fighting know-how piracy under German law can be found by clicking [here](#).

## The Czech Republic

### Introduction

One of the results of the re-codification of Czech private law was the entry into force of the new Civil Code (the "NCC") on 1 January 2014. Amongst other things, the NCC regulates the protection of trade secrets, which generally remains consistent with previous legislation on the topic. The protection of trade secrets in the Czech Republic is contained in both the civil and criminal law. Whilst the civil law provisions are mainly compensatory in character, the criminal law provisions impose sanctions with a deterrent character. The general statutory definition of a trade secret is contained in provisions relating to unfair competition in the NCC and substantially corresponds with Article 2 of the EU Proposal and Article 39 para. 2 of TRIPS. Although it is drafted rather generally and does not list examples of what are not considered trade secrets, it may be assumed that the scope of protection for trade secrets is mostly consistent with the EU Proposal.

### Remedies under civil law

Trade secrets are newly categorised as intangible assets, meaning that general property rights apply in relation to their protection. Similar to the EU Proposal, Czech law covers protection against the acquisition, use and disclosure of trade secrets, but is not as detailed as the EU Proposal and does not list the particular circumstances where a trade secret can be unlawfully acquired. The range of specific remedies under Czech law is broad and includes: injunctive relief; return, seizure, withdrawal of infringing goods or materials containing trade secrets; restraint orders; publication of the decision and compensation for damages. All of

these remedies are available by means of ordinary action or interim relief, except for publication of the decision or compensation for damages, which can be claimed only as an ordinary action. An interim injunction can be awarded only upon payment of security to compensate potential damages to the defendant. Although there are no specific time limits for the commencement of proceedings, the court may impose a time limit for filing an action when it makes orders on interim applications. The court shall also cancel the interim order once the grounds for imposition no longer exist. Remedies are available regardless of whether the recipient of the trade secret is acting in good or bad faith.

### Remedies under criminal law

The Czech legal system provides a criminal law framework to protect against violations of trade secrets, including disclosure, misappropriation, use or other infringement. For these criminal proceedings, protection is provided against activities that constitute (i) violation of a trade secret,

and (ii) an attempt to commit a trade secret violation. Criminal penalties for the violation of a trade secret are set out together with the penalties for other unfair competitive practices. In the Czech Republic, the sanctions under the criminal law are: imprisonment of up to three years (in serious cases the sentence may be extended up to eight years); fines; cease and desist orders, or the forfeiture of property. Proceedings can be initiated *ex officio*. Although the range of criminal sanctions is broad, the EU Proposal is stronger in certain aspects. For instance, under the Czech Criminal Code, fines may only be imposed in the case of recurring offences; however, Article 15 of the EU Proposal suggests the possibility of imposing a fine for any noncompliance with Articles 8, 9, and 11. In addition to being stronger on this issue, the EU Proposal is also more specific, as it provides general guidance for determining the amount of the penalty, as the fine shall be effective, proportionate and dissuasive.

## Highlights

- The Czech Republic has a well-established system of trade secrets protection, which has not been changed with the new Civil Code.
- The protection is mostly granted under the unfair competition rules of both civil and criminal law and there is a broad range of remedies and sanctions available.
- Although there are provisions of Czech law specifically devoted to trade secrets, other provisions in civil and criminal law (such as claim for publication of a decision or an injunction) may be utilised as well in order to protect that trade secret, which can in most cases be equivalent to the protection suggested by the EU Proposal.
- The EU Proposal does not introduce any substantial changes to Czech law. Once entered into force, however, it may give rise to certain amendments.

### Procedural methods for protecting trade secrets

According to the Explanatory Memorandum of the EU Proposal, trade secret owners are concerned with the possible disclosure of trade secrets during court proceedings. There are no procedural rules in the Czech Republic which specifically deal with trade secrets, but there are general procedural rules which deal with sensitive information that can be applied to prevent the disclosure of trade secrets. First, attendance at the hearing may be restricted due to security, public order and decency. Second, only the parties to the dispute are allowed access to the documents used in the proceedings. Third, courts have a duty to take adequate measures to safeguard the secret information of a party, *e.g.*, by restricting access to those documents which contain trade secrets only to the other party's attorney or to the court's expert witnesses. In certain cases, confidential information can be put under seal or a court may decide that certain information in the court's documents (including in the final decision) will be redacted.

### Notable differences

One of the apparent differences is the absence in Czech law of express protection against manifestly unfounded claims (within the meaning of Article 6 para. 2 of the EU Proposal). However, damages and a public apology can be claimed in such cases, according to other provisions of the NCC (*i.e.*, rather compensatory instruments, which do not have a deterrent character like the sanctions proposed in the EU Proposal). Another difference is a general three-year limitation period applicable under the NCC, which commences once a right in question is legally enforceable.

Czech law also lacks measures that would authorise the courts to make an order that the continuation of the alleged unlawful acquisition, use or disclosure of a trade secret was subject to the lodging of security intended to ensure the compensation of the trade secret owner.

### Conclusion

Although a more detailed elaboration would go beyond the scope of this article, certain conclusions may be drawn. Often the overall extent of protection under Czech law is similar or equivalent to the EU Proposal. Nevertheless, the protection of trade secrets under Czech law is not contained in one single piece of legislation, but is scattered across different codes, such as the NCC, Civil Procedure Code and Criminal Code. Some of the provisions are drafted rather broadly compared with the EU Proposal, which as discussed above provides more detailed measures. There are certain areas of Czech legislation that should be amended once the EU Proposal enters into force in order to achieve full implementation. Nevertheless, the foundations of the protection against the unlawful acquisition, use and disclosure of a trade secret are well established. Although the EU Proposal may bring certain changes to the Czech legal system, these will not be substantial.

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[Top](#)

## Spain

### Introduction

In Spain, trade secrets are regulated both from the civil and criminal law perspective; that is, by the Unfair Competition Act 3/1991 and the Criminal Code 10/1995. Specific references to trade secrets can also be found in other laws: for example, the Law on Capital Companies 1/2010, which includes provisions governing directors' confidentiality duties in relation to trade secrets, or the Workers Statute 1/1995, regulating the duty of secrecy that binds members of the workers' committee.

### (No) Definition of trade secrets

No definition of "trade secret" as such is found in Spanish legislation, although Courts usually apply the definition of Article 39 of TRIPS.

### Infringing acts

Acts which could constitute a breach of protection given to trade secrets are provided in the list of unfair competition acts set out by the Spanish Unfair Competition Act of 1991 (Articles 13 and 14). Remedies include, among others: the declaration of unlawful conduct, cessation of the unlawful acts, removal of effects, damages and publication of the judgment.

On the other hand, the Spanish Criminal Code also includes some provisions on the protection of trade secrets (Articles 278 to 280). Article 278 refers to the obtaining of data or objects to discover a trade secret, and sets out fines and prison sentences of up to four years. Access to the trade secret is not considered to be a pre-requisite in order to apply this provision. However, if the trade secret is obtained and then disclosed,



revealed or assigned to third parties, the law provides for fines and prison sentences of up to five years.

### Anticipated changes

Despite the fact that trade secrets are already protected by Spanish law, it would be necessary to undertake some amendments to the regulations currently in operation in order to make them consistent with the new EU Proposal. In this respect, we expect amendments to the Spanish Unfair Competition Act and to the Spanish Civil Procedural Act 1/2000.

As the EU Proposal leaves criminal law aspects aside, we do not expect that the provisions already contained in the Spanish Criminal Code (Articles 278 to 280) will be amended as a result of the entry into force of this EU Proposal.

### Comments

Certain matters addressed by the EU Proposal involve some differences as compared to the rules of the Spanish Unfair Competition Act as it relates to trade secrets:

- According to the Spanish Unfair Competition Act, the maximum limitation period for bringing an action to protect a trade secret (and any action against any other unfair competition act) is three years, starting from the time the unlawful act was completed, whereas the EU Proposal sets out a maximum period of two years, starting from the date on which the trade secret owner became aware, or had reason to become aware, of the last fact giving rise to the action.
- In view of the above, it would be necessary to clarify the limitation period in which to commence trade secrets actions and whether it should be different to the other remaining unfair competition acts as set out in the Spanish Unfair Competition Act.
- Regarding the subjective element, the Spanish Unfair Competition Act requires evidence that the act of appropriation, disclosure or use of the trade secret was carried out intentionally, either to obtain an advantage (directly or for a third party) or to cause damage to the owner of the secret.
- As gross negligence is not expressly considered in the articles of the Spanish Unfair Competition Act as it governs trade secrets, we expect amendments to the Spanish Unfair Competition Act to also cover conduct which is grossly negligent.
- The Spanish Unfair Competition Act provides the opportunity to request that the Court orders the removal of all the effects caused by the breach of the trade secret. However, it does not expressly envisage specific remedies such as: (i) depriving the infringing goods of their infringing quality, (ii) destroying or withdrawing the infringing goods, or (iii) destroying, or delivering to the trade secret owner, the documents, objects, materials, substances or electronic files containing or implementing the trade secret.
- Although for the sake of clarity, it would be advisable for the legislature to amend the Spanish Unfair Competition Act so as to expressly include these actions as envisaged in the new EU Proposal, it is possible to interpret the existing broad provisions relating to "removal of all the effects" as already providing for these remedies.
- As the new EU Proposal provides for the situations in which the acquisition, use and disclosure of trade secrets may be deemed lawful, and no similar provision is included in the Spanish Unfair Competition Act, we understand that this law will need to be amended in order to expressly include these situations.
- Regarding damages, the new EU Proposal provides the possibility for Courts, in appropriate cases, to award damages as a "lump sum" on the basis of certain elements, including, at a minimum, the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the trade secret in question. This possibility is not expressly provided for in the Spanish Unfair Competition Act and it is not very in much in line with the requirements stated by the case-law in order to claim damages, *i.e.*, the necessity of providing evidence on (i) the existence of a damage (as a general rule, damages are not presumed), (ii) the causation between this damage and the unfair competition act and (iii) the quantification of such damage.

In order to accommodate the measures set out by the new EU Proposal to protect confidentiality during Court proceedings involving a trade secret, it will be necessary to carry out some amendments in the Spanish Civil Procedure Act, as the confidentiality provisions would not entirely cover all of the new rules in the EU Proposal. The Spanish Civil Procedure Act provides for the possibility of restricting access in some cases to some or all of the documents filed in Court proceedings, but in principle the elements affected by such restricted access will still be

disclosed in any case to all the parties in the proceedings.

The EU Proposal provides that in exceptional circumstances the court may authorise the disclosure of confidential information to the "legal representatives" of the other party and may grant attendance at those hearings where confidential information may be disclosed to the "legal representatives" of the parties. Taking into account the term used ("legal representatives"), this may create some confusion in Spain as it may refer to the person instructed by the company to represent it during court proceedings and/or to the attorneys defending the company's rights at Court.

In relation to discovery of evidence, this is not addressed by the EU Proposal and under Spanish law no general discovery is available.

In other words, the parties do not exchange copies of all the documents in their possession relevant to the issues in the action. Nevertheless:

- Under Article 36 of the Spanish Unfair Competition Act in some cases it is possible to request proceedings for the verification of facts before filing a main action (so-called "*diligencias para la comprobación de hechos*"). These *ex parte* proceedings, in which the prior payment of security is requested, are aimed at obtaining evidence of infringement through an on-site inspection at the premises of the alleged infringer. Given that these proceedings are *ex parte*, the inspection is a surprise inspection, conducted by a Court Committee (including experts) and where the claimant is not allowed to participate.
- On the other hand, the Spanish Civil Procedure Act allows for the possibility of a pre-trial examination of the defendant (*diligencias preliminares*) before filing a substantive claim. Further to this examination, the party which is under examination may be required to exhibit, for example, docu-

ments showing its capacity, representation, or passive *locus standi* (i.e., capacity to be sued), or items in its possession to which the subsequent legal action must refer. In these pre-trial proceedings, the party under examination will be summoned and will be entitled to oppose the application. In that case, the court will summon the parties to a hearing and will decide whether the application should proceed. The deposit of security by the claimant is also required.

- Furthermore, once the main action has been initiated, further to the Spanish Civil Procedure Act in principle it is possible to request the disclosure of specific documents that are in the possession of the other party.

Spanish law sets out the possibility of interim injunctions provided that certain conditions are met. In this regard, the EU Proposal should not entail major changes as the main issues stated in the same are already covered by the Spanish applicable law.

## Conclusion

Spanish legislation currently sets out provisions protecting trade secrets both from a civil and a criminal perspective. However, the entry into force of the EU Proposal will render it necessary to carry out certain amendments (among others, the limitation period, the protection of confidentiality during court proceedings involving a trade secret, the subjective element and the calculation of damages).

Further information on fighting know-how piracy under Spanish law can be found by clicking [here](#).

## Highlights

- In Spain, provisions governing trade secrets exist in civil and criminal law.
- No definition of "trade secret" as such exists in Spain, but Courts usually apply the definition set out in Article 39 TRIPS.
- Certain amendments to Spanish law may be required:
  - maximum limitation period for bringing the main action;
  - regarding the subjective element, the inclusion of gross negligence;
  - destruction of or withdrawing the infringing goods, or depriving them of their infringing quality, among other actions, are not envisaged as such by the Spanish Unfair Competition Act;
  - necessary amendments to Spanish Civil Procedure Act in order to ensure confidentiality during Court ;
  - situations in which the acquisition, use and disclosure of trade secrets may be deemed lawful, will have be stated under Spanish Unfair Competition Act;
  - regarding damages, possibility of calculating it as a "lump sum".

## United Kingdom

### Introduction

Trade secrets in the United Kingdom are protected by the laws of contract and equity: there is no specific legislation for the protection of trade secrets.

In respect of contractual protection of trade secrets, restrictions on the use of trade secrets may be contained in a licence agreement for know how or an employment contract. Independent of contract, the courts of equity have developed doctrines relating to an obligation of confidence on a person in certain circumstances not to use or disclose a trade secret. Drawing on principles developed from the case of *Coco v Clark* [1969] RPC 41, in order to make a claim under the latter option, it is necessary for a Claimant to establish that:

- The particular information has the 'quality of confidence' about it in the sense that it is not generally known and is not of a trivial nature;
- the information was imparted to the Defendant in circumstances importing an obligation of confidence; and
- the Defendant has used or disclosed the information without permission or threatens to do so to the detriment of the Claimant.

There are three interim remedies potentially available should a Claimant suspect that a Defendant has or is about to breach an obligation of confidence in respect of a trade secret owned by the Claimant:

- An interim injunction to prevent future misuse or unauthorised disclosure.
- An Anton Pillar Order to allow the Claimant (without notice to a po-

tential Defendant) to search the Defendant's premises and seize documents which may otherwise be concealed or destroyed. The process is generally supervised by an independent lawyer who reports directly to the court. Note that due to their invasive nature, these orders are not routinely granted and must be justified by a very strong *prima facie* case that the order is necessary to preserve evidence.

- An order for delivery up allows a Claimant (without notice to a potential Defendant) to require a Defendant to deliver up certain documents to the Claimant or his/her representative or to disclose the location of such documents. Although not as invasive as the Anton Pillar Order, again the onus is on a Claimant to show that the order is necessary to preserve evidence.

There are three main final remedies available to a Claimant in these circumstances:

- An injunction against a Defendant to prevent further misuse or unauthorised disclosure.
- Damages to compensate the Claimant.
- An account of the profits made by the Defendant.

A final injunction can usually be ordered in combination with an award of damages/an account of profits. However an injunction is a discretionary remedy and a court may determine that an injunction would be inappropriate in some circumstances (say because the secret has already been disclosed to the public). It is important to note that a Claimant must choose between either damages or an account of profits – he or she

cannot receive awards of both in respect of the same claim.

### Highlights

- In the UK, trade secrets are not protected by statute law, but the law has progressively changed to adapt to the needs of businesses to protect their information.
- The EU Proposal will not significantly change United Kingdom law – most of the changes are procedural rather than substantive.
- It will be interesting to see how the United Kingdom courts adapt to the new provisions on infringing goods.

If a person receives trade secrets by mistake, he or she has a duty to observe confidentiality once they have become aware that the information is in fact confidential. In certain circumstances, an injunction could be ordered against him or her, or the person could be required to deliver up any document containing the trade secret to the court. But the Court will not award damages in relation to any use or disclosure whilst such a person is unaware that material is confidential.

Unlike some other European jurisdictions, there are no criminal sanctions for unlawful disclosure or misuse of trade secrets. However, it may be possible to sustain a charge of theft if documents containing the confidential information are actually removed from the Claimant's premises. But if no physical material is removed from these premises (or removed and then returned in the case of an exam paper in *Oxford v*

Moss (1979) 68 CrAppR 183) then the copying of secret information is not treated as a violation of the criminal law.

Unlike some other European jurisdictions, courts in the United Kingdom can make a variety of orders to preserve the confidentiality of trade secrets in dispute during legal proceedings. These include directions that: parts of the case be heard in private; documents containing such trade secrets are not placed on the publicly accessible open court file; only certain persons are allowed to access these documents on the court file and such persons accessing the court file are required to provide confidentiality undertakings.

### Anticipated Changes

Although the EU Proposal is valuable in harmonising the law in other European countries, it will not radically change English law.

The key differences are:

- New definition of trade secrets: As discussed above, trade Secrets are not defined in English law, rather the obligations attach if the requirements set out in *Coco v Clark* [1969] RPC 41 are satisfied. Under the Proposed Directive, a 'trade secret' must meet three requirements before it can be protected.
- Shorter limitation period: Claimants under English law have six years in which to commence proceedings, whereas the limitation period has been reduced to two years under the EU Proposal.
- Clearer purpose for damages: English law is unclear whether damages in trade secret cases are intended to be assessed by the loss suffered by the claimant or the commercial value of the in-

formation. The EU Proposal makes clear that if the defendant knew that he or she was engaging in infringing conduct, then damages are commensurate to the actual prejudice suffered by the claimant.

- New provisions on infringing goods: English law previously struggled with the concept that goods which used a trade secret in breach of confidence (but did not themselves disclose the secret) could be infringing. Such goods in the EU Proposal are considered to be infringing.

Regrettably for United Kingdom law the EU Proposal does not address:

- Evidential difficulties: It remains frequently difficult for companies to actually prove that its trade secrets have been violated. The EU Proposal has not proposed rules assist in the gathering of such evidence.
- Status of information post termination of employment contract: The case of *Faccenda Chicken v Fowler* (1986) has led to much judicial debate concerning how this information can or cannot be protected. The EU Proposal does not appear to provide a clearer picture.

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[Top](#)

## The Slovak Republic

### Introduction

In the Slovak Republic, trade secrets are mainly protected by commercial and criminal law. Whilst the commercial law provisions have a corrective and protective character and generally aim to remedy any adverse consequences following an infringement of rights contained in trade secrets (e.g., compensatory damages), the criminal law provisions impose sanctions of a mostly deterrent character. The general statutory definition of a trade secret is contained in general provisions of the Slovak Commercial Code and substantially corresponds with the definition in Article 2 of the EU Proposal and in Article 39 para. 2 of TRIPS. Although it is drafted rather broadly and does not provide for anything to the contrary, it may be assumed that the scope of protection is generally consistent with the EU Proposal.

### Remedies under commercial law

In the Slovak Republic, trade secrets are protected by the Slovak Commercial Code. Similar to the EU Proposal, Slovak law protects against unlawful acquisition, use and disclosure of trade secrets, but is not as detailed as the EU Proposal (for example, there is not a list of individual ways in which a trade secret can be unlawfully acquired). There is also no definition of 'indirect unlawful use or disclosure', or 'culpable usage', of infringing goods as set out in Articles 3 para. 4 and 5 of the EU Proposal. The remedies provided are also similar to the EU Proposal in that under Slovak law, judicial authorities can order both interim and permanent remedies: interim remedies are contained in the Code of Civil Procedure and the



permanent remedies in the Slovak Commercial Code. The range of permanent remedies under Slovak commercial law is not as broad or specific as that in the EU Proposal, but they include: cessation and prohibition of further infringing action; restitution (e.g., return, seizure, withdrawal of infringing goods or materials containing trade secrets); adequate satisfaction (e.g., an apology or monetary compensation); damages; surrender of any unjust enrichment and publication of the decision. All of these measures are available by an ordinary action; there are no specific measures which can be imposed on plaintiffs who act in bad faith.

Interim remedies are found in the Slovak Code of Civil Procedure. Whilst there are specific interim measures available for the infringement of intellectual property rights (i.e., implementing the provisions of the EU Enforcement

Directive), it is unclear whether trade secrets are regarded as a separate kind of intellectual property right. Consequently, only the general interim measures (e.g., cessation of action and prohibition of disposal of assets) are available to plaintiffs who seek to protect their trade secrets. It is likely that the current regime protecting intellectual property rights as contained in the Slovak Code of Civil Procedure would be extended to trade secrets.

#### Remedies under criminal law

Slovak criminal law also protects trade secrets against such acts as disclosure and misuse. Under the Slovak Criminal Code, there are two criminal offences which protect trade secrets. First is the offence of misusing the trade secret so as to compete in the marketplace (which punishes acts of unfair competition) and second is the offence of endangering a trade secret (that is by gathering information about a trade

secret in order to disclose it to unauthorised persons). Under Slovak law, protection is provided against activities that constitute (i) unlawful activities concerning a trade secret, or (ii) an attempt to commit an unlawful activity concerning a trade secret. In the Slovak Republic, the sanctions under criminal law are: imprisonment of up to three years (up to 12 years in serious cases), fines, cessation orders, or forfeiture of property. Proceedings can be initiated *ex officio*.

#### Measures during litigation

There are general procedural rules concerning sensitive information under Slovak law which can be applied to the (prevention of) disclosure of trade secrets during litigation. First, attendance at court hearings may be restricted in order to maintain the confidentiality of trade secrets. Second, only the parties to the dispute are allowed to access the case file in its entirety. At the same time, however, courts have a duty to impose adequate measures to safeguard the confidential information of a party, such as by restricting access to those documents which contain trade secrets only to the other party's lawyers or to a court expert.

#### Differences

In addition to the interim remedies discussed above, one of the main differences between the EU Proposal and how trade secrets are protected in the Slovak Republic is the absence of monetary compensation as an alternative to injunctions or remedial measures in cases where the infringer originally acquired the knowledge of the trade secret in good faith. Another difference is a general four-year limitation period under the Slovak Commercial Code in which to commence legal action to protect a trade secret. Finally, the class of

## Highlights

- The Slovak statutory definition of a trade secret is contained in general provisions of the Slovak Commercial Code and substantially corresponds with the definition in Article 2 of the EU Proposal and in Article 39 para. 2 of TRIPS.
- Similarly to the EU Proposal, Slovak law has a well-established system of trade secrets protection.
- The protection is mainly contained in the unfair competition rules of both commercial and criminal law and there is a broad range of remedies and sanctions available in each case.
- Although there are provisions of Slovak law specifically devoted to trade secrets, other instruments of civil and criminal law (such as injunction claims) may be used as well in order to obtain protection, which can in most cases be equivalent to the protection contemplated by the EU Proposal.
- The EU Proposal will not introduce any substantial changes to Slovak law; however, it may give rise to a number of amendments.

persons who can sue to protect a trade secret is narrower than that contemplated by the EU Proposal. Under Slovak law only the "owner" of trade secret is entitled to bring a claim to protect that trade secret before a court (although it may be agreed that a third party such as a licensee may bring the claim).

### Conclusion

The EU Proposal is more detailed and extends the scope of protection of trade secrets provided in Slovak law, in particular with respect to the pecuniary compensation from the infringer who acted in good faith, the range of situations where a trade secret can be unlawfully acquired and the right of a licensee to sue in order to control of trade secret. On the other hand, the EU Proposal does not elaborate on certain aspects already contained in Slovak law, such as preservation of evidence or criminal sanctions. Nevertheless, the Slovak rules are not contained in one single act, but are scattered across different codes, such as the Commercial Code, Code of Civil Procedure and Criminal Code. Some of the provisions are rather drafted broadly when compared with the more detailed EU Proposal. There are certain areas of Slovak legislation that should be amended once the EU Proposal enters into force in order to achieve full implementation. Nevertheless, the foundations of the protection against the unlawful acquisition, use and disclosure of a trade secret are well established. Although the EU Proposal may bring certain changes to the Slovak legal system, presumably these will not be substantial.

[Top](#)

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## The Netherlands

### Introduction

In the Netherlands, there are currently no specific statutory provisions for the protection of trade secrets (and/or know how). Trade secrets are furthermore not considered to be intellectual property and are as such not protected as an intellectual property right. The Dutch implementation of the IP Enforcement Directive does also not apply to trade secrets. Dutch law does, however, include general provisions in civil law, criminal law and employment law regarding the misappropriation of trade secrets.

Under Dutch civil law, a possible infringement of trade secrets should be addressed via the general principles of unfair competition law as derived from the basic provision of tort (*onrechtmatige daad*) as contained in Article 6:162 of the Dutch Civil Code ("**DCC**"). In 1919, the Dutch Supreme Court decided in the case of *Lindenbaum v Cohen* that trade secrets can be protected by bringing a tort claim. The scope of protection of the general tort clause was extended so as to include protection against unfair trading practices not covered by Dutch statute law. Industrial espionage, theft or bribery are such examples. The mere fact that third parties make use of trade secrets that are owned by other parties is in principle not unlawful, unless such trade secrets have been obtained unlawfully.

Under Dutch criminal law, trade secrets are protected by Articles 272 and 273 of the Dutch Penal Code ("**DPC**"). Article 272 DPC provides for the disclosure of a secret by persons who are bound to keep a secret by reason of his or her office, profession or a legal obligation. Article 273 DPC

provides that the intentional disclosure by an employee of secret information related to their previous or current employment which they were bound to keep a secret is considered to be a criminal act. This provision does not relate to the use of the secret information by third parties.

In addition to the provisions referred to above, additional protection of trade secrets is often obtained by entering into confidentiality agreements. In the event that any contractual remedies are included in such agreement, a trade secret owner may have the opportunity to claim contractual remedies based on breach of the secrecy obligation. If the confidentiality agreement does not include contractual remedies, such conduct may constitute a breach of contract (*wanprestatie*) (Article 6:74 DCC) under Dutch civil law. Employment agreements also often contain a confidentiality clause on the basis of Article 7:678 para. 2) lit. i) DCC. This Article provides that disclosure of information which the employee is supposed to keep secret is considered to be a valid ground for immediate dismissal from employment.

The Dutch legislature did not implement Article 39 of TRIPS since it is of the opinion that Dutch law already complies with the obligations under this provision on the basis of Article 6:162 DCC. Article 39 of TRIPS has no direct effect on Dutch individuals and, therefore, Dutch individuals are not able to directly rely on this provision.

### Anticipated changes

The EU Proposal in its current form would bring significant changes in the Netherlands. As Dutch law currently does not contain any specific provisions on the protection of trade

secrets, there is also no clear and unambiguous definition of trade secrets. Such a definition will now be introduced. The most significant impact of the EU Proposal in the Netherlands seems to be the proposed measures and remedies to prevent or obtain redress for the unlawful acquisition and use of trade secrets. Trade secret owners will have more remedies/protection available as compared to the current regime. For instance:

- Although it is currently possible under Dutch law to obtain a permanent or interim injunction to restrain the disclosure and use of trade secrets, in practice the Dutch Courts are generally reluctant to award such injunctions in cases where the trade secret was already made publicly available.
- Currently, Dutch Courts are generally cautious to award damages. As such, the broad and specific provisions on damages in the EU Proposal may lead to new and more substantial claims for damages in Dutch trade secret cases.
- Dutch law does not contain any statutory provisions that preserve the confidentiality of trade secrets in the course of legal proceedings. Under Dutch law there are several methods for protecting trade secrets during litigation. Generally, upon an application by the trade secret owner, the court can decide whether specific information can be considered confidential and whether that information should be disclosed or not. Under the EU Proposal, the confidentiality measures are similar as compared to the current measures available under Dutch law, but would be specifically codified in a statute.

- In terms of recall and destruction of goods, the EU Proposal goes beyond the measures currently available under Dutch law, which yet does not expressly provide for such measures in the event of unauthorised disclosure of trade secrets.

## Highlights

- The EU Proposal will make it easier to obtain a permanent or interim injunction to restrain the disclosure and use of trade secrets in the Netherlands.
- The EU Proposal may lead to new and more substantial claims for damages in Dutch trade secret cases.
- The EU Proposal will give the trade secret owner the opportunity of a recall and destruction of infringing goods or confidential material.

However, in some respects Dutch law currently arguably offers a broader protection to trade secret owners. For instance:

- The EU Proposal introduces a limitation period of two years after the date on which the claimant became aware, or had reason to become aware, of the last fact giving rise to the action. Currently, the limitation period for an action based on tort and breach of confidentiality is in principle five years after the date on which the claimant became aware, or had reason to become aware, of the damage and the person responsible, and, in any event, twenty years following the event which caused the damage or

made the penalty eligible (Article 3:310 para. 1 DCC).

- The EU Proposal has no effect on criminal law. The criminal provisions as currently stated in the Dutch Penal Code will accordingly remain applicable.

### Comments and Conclusion

The EU Proposal will benefit Dutch innovative companies and particularly small and mid-sized enterprises and start-ups, as such companies have limited leverage to enter into confidentiality agreements or do not make significant use of confidentiality agreements. Dutch legislation currently does not include specific provisions on the protection of trade secrets. The EU Proposal will provide trade secret owners with more rights and remedies in order to better protect their trade secrets. The legal position of innovative companies and start-ups in the Netherlands was recently improved after the Dutch Supreme Court ruled that the evidence seizure procedures provided for by Directive 2004/48/EC on the enforcement of intellectual property rights can also be used in trade secret cases and will now be strengthened with the EU Proposal.

[Top](#)

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## Italy

### Introduction

Italian law already sets forth protection of trade secrets as "IP rights", even if not on the basis on a registration title (*diritto non titolato*). The protection of trade secrets under Italian IP Law has been recognised since the introduction of Article 6-bis of the former Italian Patent Act in 1996, when TRIPS provisions were implemented in Italy. Now the protection is set forth in Articles 98 and 99 of the Italian IP Code (*i.e.*, Legislative Decree No. 30 of 10 February 2005, as amended by Legislative Decree No. 131 of 13 August 2010, the "IP Code").

### Definition of trade secrets

Article 98 of the IP Code requires that a trade secret must have the following three elements to be classified as such: (i) confidentiality, the information protected cannot be well-known or readily accessible to experts and operators in the field; (ii) commercial value, which must derive from the fact that the information is a trade secret; (iii) reasonable efforts must be made by the holder of the information to keep it confidential. The definition is, therefore, essentially identical with the definition put forward in the TRIPS Agreement for undisclosed information (*cf.* Article 39 para. 2 lit. a) of TRIPS).

In addition, the owner of a trade secret right could seek protection pursuant to Italian criminal law: Articles 621 (disclosure of secret documents), 622 (professional secrets) and 623 (scientific and industrial secrets) of the Italian Criminal Code describe offences which may be prosecuted if the owner brings charges.

### Measures available and burden of proof

As a general rule, the protection of trade secrets is granted for technical information (non-patented information that however has the typical characteristics of patents, especially if the secret includes formulas) and commercial information (mainly, very structured customer lists).

## Highlights

- Trade secrets have been protected as an IP right under Italian law since 1996.
- Under IP Code, the owner of trade secrets has access to all the typical remedies also available for other intellectual property rights, although it has a more onerous burden of proof.
- Although the EU Proposal does not differ substantially from the legislation currently in force in Italy for the protection of trade secrets, it should be avoided that the implementation of the new directive weakens the existing protection.

The holder of the confidential information has the right to prohibit, in absence of the holder's consent, third parties from acquiring, disclosing to others or using improperly the information, unless such third party became aware of the information independently. This generally happens through (i) reverse engineering or (ii) the independent reconstruction of customer lists.

Protection of these secrets therefore is allowed beyond the framework that governs unfair competition and tort

liability, but is effective only towards persons who have obtained the information "unlawfully", for example by violating a confidentiality agreement of a legal nature (the employee) or of a traditional nature, or using illegal instruments (for example industrial espionage). No intent to breach the law is required, and neither is gross negligence.

The holder of a trade secret can have recourse with all measures available in relation to any other intellectual property right. These available remedies include (i) legal specification order (so-called "*descrizione*"), which could be deemed useful for collecting the evidence of trade secrets misappropriation; (ii) preliminary injunction; (iii) seizure; (iv) right of information.

Following the general rule governing the damages suffered by an IP right holder, the holder of trade secret is always entitled to seek the full recovery of the infringer's profits, instead of compensation for damages (for loss of profits) or to the extent they exceed such damages (*retroversione degli utili*).

In seeking the protection, the trade secret holder will have to bear a more complex burden of proof, given that:

- It will have to show that the requirements for protection of trade secret are met, which will often require the holder to enter into the judicial records the elements that comprise the trade secret, even though it will have the right to ask that the Court conceal the information; and
- it will have to prove the breach, even if only within the limits needed to prove *fumus boni juris*, which at times may be difficult.



## Comments on the EU Proposal

Certain matters addressed by the new EU Proposal involve some differences as compared to the rules of IP Code.

According to the IP Code, the maximum limitation period within which to bring an action to protect a trade secret is five years from the time the unlawful act was committed; the EU Proposal, instead, sets out a maximum limitation period of two years, starting from the date on which the trade secret owner became aware, or had reason to become aware, of the last fact giving rise to the action.

In view of the above, it would be necessary to clarify which limitation period would apply and whether such period could be different from that applicable to the other infringements under the IP Code.

Regarding the subjective element, intentional violation or gross negligence are not expressly requested in the IP Code.

Regarding damages, the new EU Proposal provides the possibility for Courts, in appropriate cases, to award damages as a "lump sum" on the basis of certain elements, including, as a minimum, the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the trade secret in question. This possibility is expressly provided for in the IP Code as well, but the the EU Proposal does not contain any reference as to disgorgement of profits (as the IP Code does).

The new EU Proposal sets forth the specific situations in which the acquisition, use and disclosure of trade secrets may be deemed lawful, whilst the IP code is more generic on this point.

## Conclusion

Italian law currently sets out provisions protecting trade secrets under an IP and a criminal perspective. However, the entry into force of the EU Proposal will require certain amendments (among others, the limitation period, the subjective element and the calculation of damages), unless the EU Proposal is explicitly crafted as a minimum harmonisation.

Although the EU Proposal does not differ substantially from the legislation currently in force in Italy for the protection of trade secrets, it should be avoided that the implementation of a new directive weakens the protection already granted in Italy.

[△Top](#)

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## France

### Introduction

Trade secrets are not defined as such under French law.

The concept includes different notions such as "confidential business information", "know-how" and "manufacturing secrets" which are protected independently.

"Know-how" and "confidential business information" can be protected both by civil and criminal law. A broad definition, given by case law and legal doctrine, is that "know-how" and "confidential business information" cover information which are not public and constitute what can be named sometimes as the "information asset of a company". Their two main characteristics are that they are transmissible and the public cannot directly access to this information.

As for "manufacturing secrets", French law only provides specific protection by criminal provisions. This notion is however not precisely defined by a provision. The legal doctrine tends to estimate that this notion would mean any manufacturing process which has a practical or commercial interest and which the manufacturer keeps hidden from its competitors.

### Infringing acts under civil law

- Tort law, through unfair competition, protects "trade secrets" when there is no contractual obligation. In order to apply this mechanism, three elements must be demonstrated: (i) a fault, (ii) a damage and (iii) a causal link between the fault and the damage. In most cases, a fault would be constituted by any wrongful or fraudulent act, disclosure or use of one of the trade secret.
- Contract law is also used when a party breaches a confidentiality clause in a contract or breaches a confidentiality agreement (or non disclosure agreement). This situation happens often in cases of employment contracts.

### Infringing act under criminal law

- Pursuant to Articles L.1227-1 of the French Labour Code and L.621-1 of the French Intellectual Property Code, the disclosure of manufacturing secrets by a director or employee constitutes a criminal offence.
- Additional criminal provisions can be used in order to protect "confidential business information", "know-how" and also "manufacturing secrets" when not already protected by the specific legislation.
- The protection of trade secrets is therefore disparate and not well

tailored. Indeed, some of the provisions are not designed for these notions: such as, provisions on theft, breach of trust or reception of stolen goods which are used in case law when a person tries to sell information relating to technology or when a person initiates the disclosure and another receives the information considered as secret (Articles 311-1, 314-1 and 321-1 of the French Criminal Code).

- Some professionals, such as doctors and social workers, are subject to specific provisions in the event they would breach their duty in disclosing confidential information (Articles 226-13 and 226-14 of the French Criminal Code).
- During criminal proceedings, judges will look for the existence of three elements: (i) a material and (ii) a legal element as well as (iii) *mens rea* (i.e., the intention of the party committing the offence needs to be demonstrated). Should these elements be reunited, the likelihood of someone being committed is high.

#### Civil remedies

When there is no contractual obligation, compensatory damages can be claimed on the grounds of unfair competition. The amount of damages will be set by the courts depending on the circumstances of the case and is often based on profits loss or moral damages.

When there is a breach of a contractual obligation, the plaintiff may obtain penalties or damages as specified in the agreement or legal damages as provided in Article 1147 of the French Civil Code. In addition, termination of the agreement can also be requested.

As long as the information is confidential, preliminary injunctions can be granted: for instance, goods created from the confidential information can be seized or destroyed.

#### Criminal penalties

Disclosure of "manufacturing secret" is sentenced by two years of imprisonment and a fine of EUR 30,000 (L.1227-1 of the French Labour Code and L.621-1 of the French Intellectual Property Code).

The offence of theft is sentenced by three years of imprisonment and a fine of EUR 45,000. These penalties can be increased, in case of aggravating circumstances, to five years of imprisonment and EUR 75,000 (Article 311-1 of the French Criminal Code).

Breach of trust is sentenced by three years of imprisonment and a fine of EUR 375,000 (Article 314-1 of the French Criminal Code).

The receiver of stolen information is punished by five years of imprisonment and EUR 375,000 (Article 321-1 of the French Criminal Code).

Breach of the duty of professional secrecy is sentenced to one year imprisonment and EUR 15,000 (Article 226-13 of the French Criminal Code).

#### Time limitations

The prescription for civil actions is five years starting from the day when the owner became aware or had a reason to become aware of the relevant facts substantiating the claim (Article 1224 of the French Civil Code).

The prescription for criminal actions is three years starting from the day of

the offence (Article 8 of the French Criminal Procedure Code).

#### Information measures

As an emergency action, legally permissible preparatory inquiries may be ordered at the request of any interested party, by way of petition or summary procedure, if there is a legitimate reason to preserve or establish, before any legal process, the evidence of the facts upon which the resolution of the dispute depends (Article 145 of the French Civil Procedure Code).

## Highlights

- The EU Proposal will implement a homogenous civil concept of trade secrets.
- However, current criminal penalties and contractual remedies will still apply.
- The limitation period in civil proceedings will pass from five years to two starting from the day when the owner became aware or had a reason to become aware of the relevant facts substantiating the claim.

Pre-trial discovery is limited to documentary evidence (production of documents and other evidence necessary for a party to prove its case) and is conducted under the direction of the judge (Articles 11 and 138 to 141 of the French Civil Procedure Code).

In criminal proceedings, the investigating judge undertakes, in accordance with the law, any investigative step he deems useful for the discovery of the truth. He seeks out evidence of innocence as well as

guilt (Article 81 of the French Criminal Procedure Code).

### Comparative analysis and conclusion

In 2012, the French Senate refused to pass a law aiming at creating criminal sanctions for trade secret disclosure. This "*Proposition de loi visant à sanctionner la violation du secret des affaires*" was setting penalties for the disclosure of trade secrets up to three years' imprisonment, individual fines up to EUR 375,000 and corporate fines up to EUR 1.875 million. For the first time, it was recognized that the financial value of a company depends more and more on ideas, know-how, and trade secrets.

The transposition of the Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure is more than expected and would benefit to the French system. For the first time, a homogenous definition and a specific protection will be conferred to the concept of trade secrets.

However, as the EU Proposal only covers trade secrets protection by civil law, the protection by criminal law remains a prerogative of each Member States. In this respect, French previous criminal provisions would still be applicable.

A violation of trade secret would happen, under the EU Proposal of Directive in the event of unlawful acquisition, use or disclosure of the confidential information with a commercial value.

Interim and precautionary measures do not change from the current protection as they are already available in France following the articles of the Civil Procedure Code.

The major change will be the reduction of the limitation period in civil proceedings, which will pass from five years to two starting from the day when the owner became aware or had a reason to become aware of the relevant facts substantiating the claim, unless the EU Proposal is explicitly crafted as a minimum harmonisation.

[△Top](#)

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## U.S. Trade Secrets Law

**The United States has a strong history of protecting trade secrets. Although the law of trade secrets has evolved under each state's common law, the vast majority of states have adopted the Uniform Trade Secrets Act ("UTSA"). Further, the Economic Espionage Act of 1996 ("EEA") makes the theft or misappropriation of trade secrets a federal crime.**

### Introduction

This article provides an overview of the protections afforded to trade secrets in the United States, with a particular focus on civil and criminal remedies. It further provides some of the distinguishing features of U.S. trade secrets law from the EU Proposal.

### The Evolution of U.S. Trade Secrets Law

Historically, each state's common law governed trade secrets protection. In an effort to harmonize the laws governing trade secrets, the Uniform Law Commission published the UTSA in 1979, which was further amended in 1985. Forty-seven states, the District of Columbia, Puerto Rico, and

the U.S. Virgin Islands have adopted the UTSA. Only New York, North Carolina, and Massachusetts have not adopted the UTSA (although North Carolina has implemented a statute containing many of the UTSA's key principles and Massachusetts proposed to enact the UTSA this year).

Another significant development in U.S. trade secrets law was enactment of the EEA, which makes the theft or misappropriation of trade secrets a federal crime. Recent amendments to the EEA dramatically increased potential fines under the statute. The United States has similarly proposed criminalization of the theft or misappropriation of trade secrets in the Trans-Pacific Partnership Agreement ("TPP"), a multilateral treaty in the final rounds of negotiation related to trade in the Asia-Pacific region.

In February 2013, the White House released its "Strategy to Mitigate the Theft of U.S. Trade Secrets" to "act vigorously to combat the theft of U.S. trade secrets [and as] a means for improved coordination within the U.S. government to protect them."

### Trade Secrets Protection under the UTSA

The UTSA "codifies basic principles of common law trade secret protection" in an effort to harmonize state trade secret laws and increase certainty "concerning the parameters of trade secret protection, and the appropriate remedies for misappropriation of a trade secret."

#### Definition of "Trade Secrets"

The UTSA defines a trade secret as "information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i)

derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

## Highlights

- The United States provides multiple protections for trade secrets.
- Forty-seven states and the District of Columbia have adopted the model trade secrets law.
- Theft or misappropriation of trade secrets is a federal crime.

In addition, U.S. courts often rely on factors identified in the Restatement of Torts to determine the existence of a trade secret, including (1) the extent to which the information is known outside the business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measure taken to guard the secrecy of the information; (4) the value of the information; (5) the amount of effort or money expended in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

- Not generally known: Generally known or readily ascertainable information is not protected under U.S. trade secrets law. Information is readily ascertainable if it is available in trade journals, reference books, or published materi-

als. Often, the nature of a product lends itself to being readily copied as soon as it is available on the market. Information disclosed in confidence to another with an express or implied obligation not to disclose the information is generally sufficient to maintain its secrecy.

- Independent economic value: Only information with actual or potential economic value is protected under U.S. trade secrets law. Put simply, the information must provide a commercially competitive advantage to its holder, for example by virtue of embodying a novel product or process.
- Reasonable efforts to maintain secrecy: In determining the sufficiency of efforts to maintain secrecy, a U.S. court will consider the totality of the circumstances. Courts only require companies to take reasonable measures, not all measures, to prevent disclosure of and access to the information. Reasonable efforts to maintain secrecy may include advising employees of the existence of trade secrets or limiting access to trade secrets.

### Infringing acts

The UTSA's definition of misappropriation encompasses the unlawful acquisition, use, and disclosure of trade secrets.

The "acquisition of a trade secret by a person who knows or has reason to know that the trade secret was acquired by improper means" constitutes misappropriation under the UTSA. The use or disclosure of a trade secret that a person acquired through improper means or knew was acquired through improper means

without express or implied consent similarly constitutes misappropriation.

Improper means include "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means."

### Remedies

Several remedies are available under the UTSA for the misappropriation of trade secrets.

- Injunctive relief: the UTSA provides for injunctive relief to enjoin any actual or threatened misappropriation. Injunctive relief terminates when the trade secret no longer qualifies as such under the law, but may be continued for an additional reasonable period of time to eliminate any commercial advantage that would otherwise be derived from the misappropriation. The maximum duration of the injunction is therefore the period of time it would have taken the misappropriating party to lawfully discover the trade secret.
- Monetary damages: the UTSA allows an injured party to recover monetary damages in addition to or instead of injunctive relief. These damages can include both the actual loss and the unjust enrichment caused by misappropriation. If the misappropriation is willful or malicious, the court may award punitive damages up to twice the amount of actual damages, as well as attorneys' fees.

The EU Proposal does not provide for punitive damages, unlike the UTSA. Nor does it contain an attorneys' fee provision, which will be dealt with in accordance with the current practice in the individual Member States of the EU.



### Statute of limitations

Under the UTSA an action for misappropriation must be brought within three years after the misappropriation is discovered or should have been discovered through the exercise of reasonable diligence.

The EU Proposal provides a shorter two-year statute of limitations.

### Criminal Penalties under the EEA

The EEA contains two separate provisions that criminalize the theft or misappropriation of trade secrets. The first provision is directed toward foreign economic espionage and requires that the theft of the trade secret be done to benefit a foreign government, instrumentality, or agent. 18 U.S.C. § 1831. The second provision criminalizes commercial theft of trade secrets, regardless of who benefits. 18 U.S.C. § 1832.

Violations of the EEA to benefit a foreign government are punishable by up to fifteen years in prison and fines of up to five million dollars for individuals and "the greater of USD 10,000,000 or 3 times the value of the stolen trade secret" for organizations. Violations of the EEA for commercial advantage are punishable by up to ten years in prison and unspecified fines for individuals and fines of up to five million dollars for organizations.

In addition, the EEA includes a provision for the criminal forfeiture of any property or proceeds derived from violations of the EEA. 18 U.S.C. § 1834. The EEA also permits the Attorney General to institute civil enforcement actions and obtain appropriate injunctive relief for violations of the EEA. 18 U.S.C. § 1836.

The U.S. Department of Justice enforces the EEA. Although there has been proposed legislation to provide a private civil right of action under the EEA, such a right does not currently exist. Therefore, victims of theft or misappropriation must rely on federal prosecutors pursuing charges under the EEA.

The EU Proposal does not provide a harmonized system for imposing criminal liability for trade secrets misappropriation, although individual Member States may have legislation imposing criminal liability.

### Conclusion

The United States provides an example of one country's efforts to harmonize various states' laws regarding trade secrets protection. The EU Proposal constitutes an effort not only to harmonize the Member States' trade secrets laws, but also to improve trade secrets protections to increase research and development in Europe. The protections afforded by the UTSA generally resemble those envisioned by the EU Proposal, although there are some notable differences.

[△Top](#)

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## Chinese Law on Trade Secrets

The Anti-unfair Competition Law ("ACL") is the main legislation that provides the framework for protecting trade secrets but protection of trade secrets and confidential information is also specifically recognised in the Contract law, Company law, Labour Law and the Labour Contract Law. Enforcement can be difficult but recent cases show that the courts are willing to take remedial action and award higher damages.

### Introduction

Our earlier 2011 client briefing on "Protecting Trade Secrets in China" sets out in greater detail the applicable Chinese laws and the practical ways in which enforcement of trade secret rights can be achieved [here](#).

### Definition of a Trade Secret

Trade secrets eligible for protection are defined in the Judicial Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition ("**SPC Interpretation**") as "(i) technical or business information that is unknown to the public; (ii) which has economic benefits and practical utility; and (iii) for which the trade secret owner has undertaken measures to maintain its confidentiality. The definition is not dissimilar to the EU Proposal and, in essence, accords with the definition in TRIPS (*cf.* Article 39 para. 2 lit. a) of TRIPS), to which China is a signatory.

### Infringing Acts

The ACL provides that trade secret misappropriation includes (i) acquiring trade secret of another by theft, inducement, duress or other forms of illegal means; (ii) disclosing, using, or allowing others to sue trade secret of another acquired by illegal means; or (iii) disclosing, using or allowing others to use trade secret in breach of an agreement or a confidentiality obligation imposed by the trade secret owner. These provisions are similar to the EU Proposal which intends to cover unlawful acquisition, use or disclosure of a trade secret.

A third party who acquires, uses or discloses trade secrets that he knew or should have known to have been misappropriated also bears liability for trade secret misappropriation. It is not clear whether and to what extent a third party selling goods manufactured from or incorporating a misappropriated trade secret but who has not knowledge of the misappropriation may be liable for trade secret infringement.

### Exceptions

The SPC Interpretation specifically provides that there is no infringement where the trade secret was obtained through independent R&D or reverse engineering. Such an exception is also provided for under the EU Proposal.

### Enforcement

In general terms, enforcement can take one of the following forms:

- Administrative: the Administration for Industry and Commerce ("**AIC**") can impose fines between RMB 10,000 and RMB 200,000 order the cessation of use and the return or destruction of the misappropriated trade

secret materials, and destruction of products manufactured from the trade secret(s);

- Judicial: at the local courts and relief includes damages and injunctions to prevent further use of the trade secret;
- Criminal: if "serious or exceptionally serious losses", (meaning RMB 500,000 or more for serious and RMB 2.5 Million or more for exceptionally serious losses), result from the trade secret infringement; criminal cases for trade secrets are rare unless the matter is high profile. The local prosecutor must be convinced to accept the criminal case for trade secret infringement.

### Time Limitations

China has a two year statute of limitations for most civil claims (including trade secret infringement) which is much shorter than in most other jurisdictions but which appears to be consistent with the EU Proposal.

### Measures During Litigation

Evidence and asset preservation court orders can be obtained either prior or during court proceedings by making an application to the court with the requisite *prima facie* evidence of infringement and payment of a monetary bond into court.

Following a change to China's Civil Procedure Law in January 2013, preliminary injunctions can now be obtained in trade secret infringement cases. However, it remains difficult to persuade a Chinese court to grant preliminary injunctions. As noted earlier in this briefing, permanent injunctions will be available under the EU Proposal.

## Highlights

- Protection of trade secret and confidential information recognized in various legislations.
- Administrative, civil and criminal protection available.
- High evidentiary burden on plaintiff.
- Encouraging signs from recent cases.

### High Evidentiary Burden on Plaintiff in Trade Secret Cases

The Plaintiff bears the burden of proving the nature of the trade secret, the similarity between the trade secret and the information obtained by the defendant as well as the unlawful method used by the defendant to obtain the trade secret.

In practice, the Plaintiff has a high evidentiary burden of proof. Companies which are not familiar with the Chinese judicial practice should be aware that plaintiffs must expect to collect and submit their own evidence to meet the burden of proof for both liability and damages as little reliance can be placed on the limited discovery process to obtain incriminating evidence from the defendant. Also, judicial practice places much more weight on documentary evidence (in either original or notarised/legalised form) and other forms of evidence such as witness testimony or expert opinions are not uniformly accepted. This

practice differs to some extent from the EU Proposal in that discovery procedures will generally be available to parties and witnesses will be permitted to give live evidence for either party, if appropriate.

### Recent case law developments: a preliminary injunction granted for trade secret protection

In the case of *Eli Lilly v Huang*, the Shanghai No. 1 Intermediate People's Court issued an interim injunction order prohibiting an employee defendant, Huang, from disclosing, using or allowing others to use an alleged trade secret of its former employer's group of companies, Eli Lilly and its Chinese subsidiary. The decision was handed down on 2 August 2013 following a change in China Civil Procedure Law in January 2013 which has extended the scope of preliminary injunctions to outside specific IP related rights.

Eli Lilly submitted evidence to show its ownership of the confidential documents and the irreparable harm it could suffer from unauthorised disclosure by Huang, a former chief chemistry researcher of Eli Lilly's Chinese subsidiary. The court determined that the defendant's refusal to comply with deletion of the confidential documents, as had been contractually agreed, justified the grant of a preliminary injunction.

In *Jiangxi Yibo Electronic Technology Co. Ltd. v Yu Zhihong and others* (on or around 11 July 2013), a substantial criminal fine of RMB 37 million for trade secret infringement was

imposed by the Zhuhai City Intermediate People's Court on two defendants for using customer lists protected as a trade secret. The customer lists contained highly confidential information such as sales volume and the negotiated pricing information which had been utilized by the defendants to sell similar products at a lower price to undercut the plaintiff. The plaintiff suffered substantial damage in a short period, amounting to almost RMB 23 million from May 2011 to April 2012. The court held that the damages from the trade secret infringement were sufficiently egregious to warrant a heavy fine.

### Conclusion

It appears that the legal position on protection and enforcement of trade secrets in China is not so very different from the EU Proposal. However, enforcement in practice can raise challenges to holders successfully and effectively stopping infringement. Given such practical challenges of enforcing trade secrets in China, companies should implement preventive steps of trade secret protection in their commercial operations. Documentation is a critical part, not only for establishing the confidential and trade secret nature of the information but also for tracing the use of such information in order to prove an infringement claim.

[Top](#)

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## Protection of Secret Trades at a Glance

Country	Preliminary Injunctions	Permanent Injunctions	Damages	Request for Information	Destruction	Criminal Sanctions	Inspection Proceedings
<b>UK</b>	YES	YES	YES	YES	NO	NO	YES <sup>1</sup>
<b>USA</b>	YES	YES	YES	YES <sup>2</sup>	NO	YES	YES <sup>2</sup>
<b>The Czech Republic</b>	YES	YES	YES	YES	NO	YES	YES
<b>France</b>	YES	YES	YES	YES	YES	YES	YES
<b>Italy</b>	YES	YES	YES	YES	YES	YES	YES
<b>Spain</b>	YES	YES	YES	YES	NO	YES	YES
<b>Germany</b>	YES	YES	YES	YES	NO	YES	YES
<b>China</b>	YES, but rare	YES	YES	NO	YES	YES	NO
<b>The Slovak Republic</b>	YES (limited)	YES	YES	NO	NO	YES	YES
<b>The Netherlands</b>	YES, but rare	YES	YES	YES	NO	YES	NO

1) Part of UK disclosure proceedings; 2) Part of U.S. pre-trial discovery



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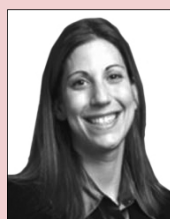
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