

PROTECTING YOUR KNOW-HOW: THE EU DIRECTIVE ON TRADE SECRETS OF 8 JUNE 2016

Businesses rely on protecting their intellectual property, know-how and trade secrets so that they can bring their innovations to market in fair circumstances and without undue risk. When these secrets fall into the wrong hands, a hard-won market advantage can be damaged or lost. Wolf Theiss experts Partner Georg Kresbach and Senior Associate Maren Jergolla-Wagner analyse here the new Directive and discuss how a trade secret is defined, the kinds of recourse that trade secret holders have to act against unlawful use or disclosure, including judicial redress, and issues concerning transposing the Directive into Austrian law.

THE BASICS

The Directive (EU) 2016/943 "on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure" was adopted on 8 June 2016 and came into force on 5 July 2016.

The European Parliament and the Council of the European Union consider the current levels of protection for trade secrets in the Member States to be very disparate, hampering innovation and hindering the proper functioning of the internal market in general. This Directive aims at approximating the respective national regulations of civil law. Member States may still, in principle, also grant a higher level of protection of trade secrets.

HOW DOES THE DIRECTIVE DEFINE "TRADE SECRETS"?

The Directive defines trade secrets as information that

- is "secret", i.e. not generally known or readily accessible,
- "has commercial value because it is secret", and
- "has been subject to reasonable steps under the circumstances (...) to keep it secret".

WHAT JUDICIAL ACTIONS DOES THE DIRECTIVE PROVIDE FOR?

The Directive calls upon Member States to ensure that the competent judicial authorities may, upon request of the trade secret holder, order the cessation or the prohibition of the unlawful use or disclosure of the trade secret. Authorities may also, *inter alia*, order the prohibition of the production, offering, selling or use of infringing goods as well as their withdrawal from the market or their destruction.

The Directive also provides for provisional and precautionary measures in case of unlawful use or disclosure of trade secrets, as well as the seizure or delivery of the suspected infringing goods. If trade secrets are infringed upon as a result of intentional or negligent behaviour, the infringer must pay damages to the trade secret holder.

There are important exceptions to these means of judicial redress, such as when they come into conflict with the protection of the right to freedom of expression, when secrets are exposed as the result of whistleblowing, or when they conflict with the functions of workers' representatives. In addition, when ordering such measures, the competent judicial authorities must, when assessing the proportionality of these measures, "take into account the specific circumstances of the case". This introduces an obligation to balance the interests involved.

WHAT CONSTITUTES THE UNLAWFUL ACQUISITION, USE AND DISCLOSURE OF A TRADE SECRET?

The acquisition of a trade secret without the consent of the trade secret holder is considered unlawful where, *inter alia*, it is carried out by unauthorised access to, appropriation of or copying of any documents etc. or electronic files which contain the trade secret or from which it can be deduced. Use or disclosure of a trade secret is considered unlawful where, *inter alia*, the person had acquired the trade secret unlawfully or is, for instance, in breach of a confidentiality agreement.

It is also significant that Member States must provide for measures that protect the confidentiality of trade secrets in the course of legal proceedings relating to these trade secrets.

DOES THE NEW DIRECTIVE NEED TO BE TRANSPOSED INTO AUSTRIAN LAW?

The short answer is "yes". The transposition period will expire on 9 June 2018.

The longer answer: in Austria, a need for transposition arises, in particular because the Directive redefines the term "trade secret". There are further reasons to transpose the Directive, such as the new phrasing of the prohibited actions, which are worded in a materially more general way than the regulations currently in force in Austria in the Act against Unfair Competition (UWG; currently Secs. 11 and 12 in connection with Secs. 13 and 16), and the new requirement to protect trade secrets in the course of legal proceedings.

As far as we know, the necessary amendments of the Austrian regulations regarding the protection of trade secrets will be carried out in the existing regulations for the protection of trade secrets in the UWG.

OUR TAKE ON THE DIRECTIVE AND WHAT IT MEANS FOR AUSTRIA.

We welcome the (minimum) harmonisation of the civil law regulations on the protection of trade secrets throughout the EU aimed at by the Directive, as well as the scope of protection. We find the indeterminate legal terms contained in the text preferable to excessively detailed regulations of individual incidents, although they will have to be substantiated by practice, if need be, by the Court of Justice of the European Union.

Including the criterion of "reasonable steps under the circumstances (...) to keep it secret" as part of the definition of a trade secret has important ramifications for those who wish to protect trade secrets according to the terms of this Directive. For one, they will have to take active measures to keep secret any information that fulfils all the other criteria of a trade secret. The measures to be considered will predominantly be of a technical nature and will serve to restrict the number of people having access to the respective information, to secure electronic files by means of passwords, and to create confidentiality agreements i.a. with employees. It is not possible to state in a general way which measures will be "reasonable (...) under the circumstances", but this question is determined by diverse factors. In any case, it is advisable to make appropriate preparations even before the regulations of the Directive are transposed into Austrian law.

About WOLF THEISS

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