



INSIGHT

THE TRADE SECRETS DIRECTIVE IN THE INTERNATIONAL LEGAL FRAMEWORK

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ABSTRACT: This paper aims at contributing to the interpretation of some issues raised by the Directive (EU) 2016/943 of the European Parliament and of the Council of 18 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure approving, with significant amendments and modifications, the Commission's Proposal of 28 November 2013 COM(2013) 813. In doing so these notes take into account the regulatory framework existing under TRIPs Agreement, Enforcement Directive, along with other relevant intellectual property-related international agreements.

KEYWORDS: trade secrets – know-how – business information – reverse engineering – TRIPs – enforcement.

I. INTRODUCTION

The Trade Secrets Directive (hereinafter TSD) is the almost perfect reproduction of the compromise text of 18 December 2015 resulting from the fourth trilogue meeting which took place on 15 December 2015.¹ Many and important amendments and modifications have been made since the Proposal of the Commission has been submitted so as to accommodate the various public interests involved therein (e.g. freedom of competition; freedom of movement of workers; freedom of information and whistleblowing).

This paper aims at contributing to the interpretation of some issues raised by the TSD, taking into account the regulatory framework existing under the TRIPs Agreement, bilateral and other intellectual property-related (hereinafter also IP-related) interna-

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¹ Directive (EU) 2016/943 of the European Parliament and the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. For a comment on such Act see also V. ABAZI, *Trade Secrets and Whistleblower Protection in the European Union*, in *European Papers, European Forum*, 3 October 2016, pp.1-8, www.europeanpapers.eu.

tional agreements. While trade secrets regulations certainly interfere heavily with equally important regulatory frameworks both at European and/or at national level, such as antitrust, data protection and, of course, transparency laws (freedom of speech and whistleblowing), these problems are not discussed here.

The TSD aims at approximating Member States' laws and legislations concerning the protection of "undisclosed know-how and business information against their unlawful acquisition, use and disclosure". Trade secrets protection is of crucial importance as it complements (other) intellectual property rights (hereinafter also IPRs) as long as the information concerned is not in the public domain. At the same time, trade secrets protection is available in cases where no (other) IPRs exists, nor could possibly exist, as long as the information is kept secret and the other conditions of protection are fulfilled. In this sense trade secrets protection provides an autonomous cause of action that could possibly overlap with (other) IPRs.² The subject matter of the devised protection consists of any know-how and business information that "is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question", that "has commercial value because it is kept secret" and that "has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret" (Art. 2 TSD).

Information fulfilling the aforementioned conditions is protected against any unlawful acquisition, use and disclosure. In particular, any "unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced" and, more generally, "any other conduct which, under the circumstances, is considered contrary to honest commercial practices", is considered unlawful acquisition (Art. 4 TSD). In any case the acquisition of trade secrets cannot be considered unlawful if it is obtained, among the others, by means of "independent discovery or creation", "observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret" (Art. 3 TSD). The use or disclosure of trade secrets is considered unlawful, if "carried out, without the consent of the trade secret holder, by a person" that has "acquired the trade secret unlawfully" or that is either "in breach of a confidentiality agreement or any other duty not to disclose the trade secret" or "in breach of a contractual or any other type of duty to limit the use of the trade secret" (Art. 4, para. 3, TSD). The unlawfulness of the conduct does not depend upon any subjective element on the part of the alleged infringer. Moreover, the trade secrets

² E. DERCLAYE, M. LEITNER, *Intellectual Property Overlaps. A European Perspective*, Oxford and Portland: Hart Publishing, 2011, p. 21 *et seq.*, p. 172 *et seq.*, p. 223 *et seq.*

holder is entitled to prevent or demand the cessation of the infringing conduct merely on the basis of objective unlawfulness. An element of fault (or intent) is required only for the obtaining of damages (Art. 14 TSD).

Trade secrets protection is granted only against means of acquisition, use and disclosure that cannot be considered honest commercial practices. Hence, according to most commentators, trade secrets protection does not amount to the creation of an exclusive right and in most jurisdictions is regarded as a form of unfair competition.³ Moreover trade secrets protection does not have a final term as it ceases as soon as the information involved has fallen into the public domain or otherwise when it is no longer secret. On the contrary, although permitted uses are explicitly provided for by the relevant legislation, patents, design protection, registered trademarks and the like confer to the right-holder the right to exclude others from using, without her consent, respectively the patented invention, the registered (or unregistered) design, the registered trademark, as long as the term of protection is not expired, irrespective of the objective or subjective circumstances of use, except when damages are concerned.⁴

Important practical problems have arisen related to the boundaries of the protectable subject matter and, namely, to the relevant threshold of secrecy.⁵ Another important set of problems is related to the permissible means of acquisition (along with use and disclosure) of trade secrets. Special attention will be paid to the regulation of reverse engineering⁶ in the proposed TSD in light of its importance in balancing innovation and competition.⁷ In particular, the TSD, in the final wording as amended by the Council, explicitly permits contractual limitations on the freedom to reverse engineering. These sets of problems concern, at the same time, the boundaries of the protectable subject matter and the proper means of both acquisition and use of trade secrets.

These issues, and trade secrets protection in general, have been differently addressed by Member States in compliance with Art. 39 TRIPs. Some Member States have laid down specific pieces of legislation as in the case of Sweden, Bulgaria, Italy, Germany or Spain. Other countries do not even provide for a definition of trade secrets and grant protection on the basis of case law, as in the case of common law countries, which provide protection on the basis of breach of confidence; in France, instead, such protection

³ C. WADLOW, *Regulatory Data Protection Under TRIPs Article 39(3) and Article 10bis of the Paris Convention: Is There a Doctor in the House?*, in *Intellectual Property Quarterly*, 2008, p. 37 *et seq.*

⁴ For a definition of Intellectual Property Rights (IPRs) see A. KUR, T. DREIER, *European Intellectual Property Law*, Cheltenham, Northampton: Elgar Publishing, 2013, p. 2 *et seq.*

⁵ G. SURBLYTE, *Enhancing TRIPs: Trade Secrets and Reverse Engineering*, in H. ULLRICH, R.M. HILTY, M. LAMPING, J. DREXL (eds), *TRIPs 20. From Trade Rules to Market Principles*, Berlin-Heidelberg: Springer, 2016, p. 737 *et seq.*

⁶ Reverse engineering is the process of extracting secret knowledge by examining (or analyzing) an existing product. In other words the reverse engineer studies or analyses a product in order to learn details of design, construction and operation that are not available to the relevant public.

⁷ See G. SURBLYTE, *Enhancing TRIPs*, cit., p. 750 *et seq.* where further references are provided.

is provided on the basis of general civil law provisions. Some Member States provide for a patent-like protection of trade secrets, as in the case of Italy and, at least to some extent, French case-law regarding *parasitisme économique*.⁸ Some countries do not have criminal provisions, such as common law countries, others, like France, have limited criminal provisions, and others have extensive criminal provisions, as in the case of Germany. Legal fragmentation is undeniable even though, as has been pointed out, legal certainty is not in jeopardy *per se* because of the different legal regimes in and through Europe.⁹ Confidentiality and non-compete agreements are differently regulated in each Member State by labour or contract law and different regulations are concerned with the admissibility of reverse engineering, seen as an admissible means of acquiring information.¹⁰

Legal fragmentation across Europe is the result of the international legal regime currently in place.¹¹

The Paris Convention on the protection of intellectual property, also known as *Convention d'Union de Paris* (hereinafter also CUP), does not specifically mention trade secrets protection.¹² Nonetheless commentators generally affirm that trade secrets protection can be construed in the context of Art. 10*bis* CUP insofar as acquisition, use or disclosure of undisclosed business information amount, under certain circumstances, to a conduct contrary to honest commercial practices. Moreover Art. 39 TRIPs provides for an express definition of the subject matter of protection and, at the same time, makes the protection conditional to the existence of acquisition, use or disclosure of trade secrets "in a manner contrary to honest commercial practices" referring to Art. 10*bis* CUP.¹³ At the same time footnote 10 of Art. 39 TRIPs provides non exhaustive examples of dishonest behaviours. It has to be remarked, however, that TRIPs provides for minimum standards of protection only and does not prevent Member States from granting more far-reaching protection. In most Free Trade Agreements (hereinafter also FTAs) and Bilateral Trade Agreements (hereinafter also BTAs), with the exception of NAFTA (in Art. 1711 of that Agreement) and Art. 18.78 of the Trans-Pacific Partnership Agreement (hereinafter also TPP),¹⁴ trade secrets are not expressly regulated but are mentioned among the other "intellectual property rights" (so, for example, Art. 158, pa-

⁸ In this sense see W. VAN CAENEGEM, *Trade Secrets and Intellectual Property: Breach of Confidence, Misappropriation and Unfair Competition*, Alphen aan den Rijn: Wolters Kluwer, 2014, p. 147 *et seq.*

⁹ G. SURBLYTE, *Enhancing TRIPS*, cit., pp. 735-736; for more see HOGAN LOWELLS INTERNATIONAL, *Study on Trade Secrets and Parasitic Copying (Look-Alikes)*, Report on Trade Secrets for the European Commission, 13 January 2012, ec.europa.eu; BAKER AND MCKENZIE, *Study on Trade Secrets and Confidential Business Information in the Internal Market*, April 2013, ec.europa.eu.

¹⁰ See W. VAN CAENEGEM, *Trade Secrets*, cit., p. 154 *et seq.*; p. 202 *et seq.*; p. 234 *et seq.*

¹¹ See, among others, G. SURBLYTE, *Enhancing TRIPS*, cit., p. 730.

¹² G. SURBLYTE, *Enhancing TRIPS*, cit., p. 729.

¹³ G. SURBLYTE, *Enhancing TRIPS*, cit., p. 729 where references are provided.

¹⁴ The text of the TPP is available online at ustr.gov.

ra. 2, EU-Ukraine Association Agreement),¹⁵ thus qualifying for adequate protection “in accordance with *the prevailing international standards*, including means of enforcing such rights” (so, e.g., Art. 37 EU-Egypt Association Agreement)¹⁶ or for a protection “in line with *the highest international standards*” (so, e.g., Art. 44 EU-Algeria Association Agreement).¹⁷ Other agreements, such as EU-Ukraine Association Agreement, provide for IP enforcement rules too.

II. THE TRADE SECRETS DIRECTIVE WITHIN THE INTERNATIONAL LEGAL FRAMEWORK

If considered within the international context, the TSD is certainly consistent with the CUP as the latter, while setting no specific rule about undisclosed business information, upholds the opportunity to provide protection against unfair competition. At the same time, all Member States, as well as the EU itself, are bound by the TRIPs Agreement which was approved by Council Decision (EC) 94/800.¹⁸ It is thus reasonable for national legislators and judges to interpret the TSD in the light of TRIPs prescriptions in order to fill its gaps. The TSD indeed expressly refers to TRIPs and adopts almost the same wording. The most notable example is Art. 39 TRIPs that determines the subject matter and the scope of protection. The TSD provides for a full set of enforcement rules aimed at raising the minimum level of protection across the EU above what has been laid down by minimum requirements of Arts 41 *et seq.* TRIPs. There are differences in the enforcement regulation between the TSD and the TRIPs. The more so since the TRIPs enables Member States to adopt more advanced standards of enforcement. It may also be argued whether TSD may be regarded as a model for TRIPs plus regulations.¹⁹

The legal basis of the Directive is Art. 114 TFEU on the approximation of legislation affecting the internal market.²⁰ The Directive is not based on Art. 118 TFEU, which em-

¹⁵ Association Agreement of 27 June 2014 between the European Union and the European Atomic Energy Community and Their Member States, of the one part, and Ukraine, of the other part.

¹⁶ The Euro-Mediterranean Agreement of 25 June 2001 establishing an Association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part.

¹⁷ The Euro-Mediterranean Agreement of 22 April 2002 establishing an Association between the European Community and its Member States, of the one part, and the People's Democratic Republic of Algeria, of the other part.

¹⁸ Council Decision (EC) 94/800 of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994).

¹⁹ G. SURBLYTE, *Enhancing TRIPs*, cit., p. 736.

²⁰ That is the legal basis used, for example, for the Directive 2015/2436/EU of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks and the Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs.

powers the EU to create a unitary regime of protection for IPRs.²¹ The legal basis chosen for the TSD thus makes clear that the purpose of the EU legislator was not to create a unitary regime for the protection of IPRs.

III. MINIMUM HARMONIZATION APPROACH AND MAXIMUM THRESHOLD OF PROTECTION COMBINED

Art. 1, subpara. 1, TSD clearly establishes a *minimum harmonization approach* so that, as a matter of principle, measures of protection provided for by the Member States can be more far-reaching.²² Nonetheless most legal scholars advocated for a maximum harmonization approach.²³ The final text lies somewhere in-between the two opposite approaches: Art. 1, subpara. 2, TSD establishes mandatory provisions striking a balance between trade secrets protection and other fundamental interests that have to be safeguarded against excessive protection: supposedly so the provisions set forth by Arts 3, 5, 7 para. 1, 8, 9 paras 3 and 4, 10 para. 2, 11, 13 and 15 para. 3, concerning substantive law, remedies and procedural matters. On the other hand, another set of mandatory provisions are essential in defining the optimal design of the protection: arguably so the provisions set forth by Arts 6 and 9, para. 1.

IV. THE SUBJECT-MATTER OF PROTECTION

Art. 2, para. 1, TSD lays down the definition of trade secrets. It has not been subject to modifications and amendments since the Proposal of the Commission was submitted and it is very similar to the wording of Art. 39 TRIPs.²⁴ The TSD provides for a definition because “not all Member States have adopted national definitions of a trade secret or the unlawful acquisition, use or disclosure of a trade secret, therefore knowledge on the

²¹ That was the case, for example, in the case of the European Union Trademark (see Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark). Previously, on that purpose, Art. 308 TEC was used (so, for example, for the creation of Community models and designs). See B. UBERTAZZI, *Art. 118 TFEU*, in M.C. BARUFFI, F. POCAR (eds), *Commentario breve ai Trattati dell'Unione Europea*, 2 ed., Padova: Cedam, 2014, p. 916 *et seq.*; B. UBERTAZZI, *Art. 262*, in M.C. BARUFFI, F. POCAR (eds), *Commentario breve*, cit., p. 1295 *et seq.*

²² P. L. C. TORREMANS, *The Road Towards the Harmonization of Trade Secrets Law in the European Union*, in *Revista de la Propiedad Inmaterial*, 2015, p. 31 *et seq.*; T. COOK, *The Proposal for a Directive on the Protection of Trade Secrets in EU Legislation*, in *Journal of Intellectual Property Rights*, 2014, p. 54 *et seq.*, p. 56.

²³ See, among others, R. KNAAK, A. KUR, M. HILTY, *Comments of the Max Planck Institution for Innovation and Competition of 14 June 2014 on the Proposal of the European Commission for a Directive on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure of 28 November 2013, COM(2013) 813 Final*, in *International Review of Intellectual Property and Competition Law*, 2014, p. 956 *et seq.*; V. FALCE, *Trade Secrets – Looking for (Full) Harmonization in the Innovation Union*, in *International Review of Intellectual Property and Competition Law*, 2015, p. 940 *et seq.*

²⁴ See, among others, V. FALCE, *Trade Secrets*, cit., p. 940 *et seq.*

scope of protection is not readily accessible and that scope differs across the Member States” (Recital 6 TSD). However, because of the minimum harmonization approach, Member States are not bound to provide protection *only* to trade secrets as defined by TSD, and other types of business or technical information may be eligible to protection under national law: so, for example, under the Italian law of unfair competition, confidential information that lacks one of the conditions set forth by Art. 39 TRIPs may be protectable as well.

At the same time, Member States have complied with Art. 39 TRIPs²⁵ in a variety of ways. Currently “[s]ome countries consider technical information and know-how only, whereas others also protect confidential business information”.²⁶ Moreover, as noted in the literature, “[i]n common law countries, the law of confidence potentially protects all types of confidential and secret information, whether it be commercial, industrial or personal. In some other countries, such as Belgium and France, there is specific statutory protection against disclosure by employees and former employees of manufacturing or process information, but different protection for commercial information”.²⁷ Under the TSD, protection of business information “that is undisclosed and intended to remain confidential” is out of question;²⁸ some minor (but practically important) problems may arise, e.g., with reference to lists of clients: in some jurisdictions, as in the case of Spain, courts and legal scholars debate about the protection of customer lists as trade secrets.²⁹ On this particular issue, arguably, the CJEU should consider that kind of business information as not “trivial” (see Recital 14) and protectable as a matter of principle, provided the conditions set forth in Art. 39 TRIPs are fulfilled, thus raising the level of trade secrets protection in the EU.

V. LAWFUL AND UNLAWFUL MEANS OF ACQUISITION, USE AND DISCLOSURE OF TRADE SECRETS: THE REFUSAL OF THE PATENT-LIKE APPROACH

Art. 3, para. 1, TSD mandatorily establishes, as permissible means of *acquisition* of trade secrets, “independent creation or discovery”; “observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret”. Permissible use and disclosure of trade secrets

²⁵ V. FALCE, *Trade Secrets*, cit., p. 945 *et seq.*

²⁶ V. FALCE, *Trade Secrets*, cit., p. 946.

²⁷ *Ibidem.*

²⁸ Recital 1 TSD, cit.

²⁹ See, for a first information on Spanish cases, among others, M.L. LLOBREGAT HURTADO, *Temas de Propiedad Industrial*, 2007, Madrid: La Ley, p. 516 *et seq.*; see also J.C. VÁZQUEZ CUETO, *La Apropiación de la Clientela Ajena y la Ley de Competencia Desleal*, in *Revista de Derecho Mercantil*, 2002, p. 569 *et seq.*, esp. p. 594 *et seq.* On the other side of the spectrum, in the French system, see W. VAN CAENEGEM, *Trade Secrets*, cit., p. 154.

is dealt with in Art. 3, para. 2, TSD according to which “[t]he acquisition, use or disclosure of a trade secret shall be considered allowed to the extent that such acquisition, use or disclosure is required or allowed by Union or national law”. The latter provisions are not perfectly clear – as, for example, in cases of cross-border cooperation agreements – but it’s sure that they have to be interpreted in accordance with the provisions set forth by Arts 4 and 5 TSD.³⁰

The issue of reverse engineering is not expressly dealt with in Art. 39 TRIPs and, as a matter of fact, each jurisdiction answers differently as to whether the acquisition of trade secrets by means of reverse engineering is to be deemed as a honest commercial practice.³¹

Though reverse analysis is considered as a “proper means” of TS acquisition in many legal systems throughout the world, the same approach is not embraced by all European jurisdictions.³² In the German legal system, reverse engineering has been traditionally considered as *unlawful* means of acquisition *as such* under Section 17, para. 2, no. 1 of the Unfair Competition Act.³³ Nonetheless some courts and legal scholars have tried to address the definition of trade “secrecy” taking into account the “readily accessible” test so that only confidential information that requires a considerable effort to be reversely analysed must be considered trade secrets.³⁴ An author has even proposed to consider “either information embodied in products which are freely available [...] not classified as secret” or the acquisition and the use of reverse engineering permissible as such.³⁵

According to TSD, reverse engineering is now to be considered a lawful means of *acquisition*, nonetheless the permissibility of *use* and *disclosure* of reversely engineered trade secrets is not clearly provided for by the TSD.³⁶ The issue is dealt with in Art. 4, para. 3, TSD that establishes the unlawfulness of use or disclosure of trade secret if the latter has been acquired unlawfully (let. a): *a contrario*, use and disclosure of reversely analysed TS are to be considered lawful because of the legitimate acquisition of trade secrets.³⁷ Nonetheless, according to Art. 4, para. 3, let. b) and c), TSD, use and/or disclo-

³⁰ T. APLIN, *A Critical Evaluation of the Proposed EU Trade Secrets Directive*, in *Intellectual Property Quarterly*, 2014, p. 272 *et seq.*

³¹ See R. KNAAK, A. KUR, M. HILTY, *Comments*, cit., para. 35, p. 961.

³² W. VAN CAENEGEM, *Trade Secrets*, cit., p. 232.

³³ See *Gesetz gegen den Unlauteren Wettbewerb (UWG)* of 3 July 2004 and further amendments. See the cases cited by A. OHLY, *Reverse Engineering: Unfair Competition or Catalyst for Innovation?*, in W. PRINZ ZU WALDECK UND PYRMONT, M.J. ADELMANN, R. BRAUNEIS, J. DREXL, R. NACK (eds), *Patents and Technological Progress in a Globalised World*, Berlin, Heidelberg: Springer-Verlag, 2009, p. 542, footnote 31.

³⁴ See, again, A. OHLY, *Reverse Engineering*, cit., p. 542.

³⁵ A. OHLY, *Reverse Engineering*, cit., p. 550.

³⁶ The doubt is raised, among others, by T. APLIN, *A Critical Evaluation*, cit., p. 257 *et seq.*, p. 271.

³⁷ So according to R. KNAAK, A. KUR, R.M. HILTY, *Comments*, cit., p. 961; see also T. APLIN, *A Critical Evaluation*, cit., p. 271.

sure of trade secrets are likewise unlawful if in breach of a confidentiality agreement or any other duty *not* to *disclose* trade secrets, or in breach of a contractual or any other duty to *limit* the *use* of the trade secret. Accordingly, if a contractual or a *legal* duty not to use or to disclose trade secrets exists in the legal system governing the case, the reversely analysed product cannot be produced, offered or placed on the market, nor can it be imported, exported or stored for those purposes (see Art. 4, para. 5, TSD):³⁸ TSD mandates the admissibility of reverse engineering as long as such a means of acquisition is confined to research only; commercial use and/or disclosure of products that have been reversely engineered are governed by contract and/or Member State's law.³⁹ This interpretation, moreover, seems to be in line with the most probable meaning of Art. 3, para. 2, TSD.

Legal scholars, advocating freedom of use and disclosure of reversely analysed trade secrets, have suggested to resort to Art. 5, let. d), TSD that permits use or disclosure of trade secrets insofar as they serve "the purpose of a legitimate interest recognized by Union or national law".⁴⁰ The interest to compete – so the reasoning goes – is recognised as one of the tenets of EU Treaties. As a consequence, only limited exceptions to commercial use of reversely engineered products should be considered permissible.⁴¹ Recitals 16 and 17 TSD and Art. 1, para. 1, TSD seem to point to the same direction, and to strengthen this line of reasoning insofar as they permit Member States to "provide for more far-reaching protection against [...] the unlawful use or disclosure of trade secrets than that required by" TSD, provided that such protection is "in compliance with the provisions of the TFUE".

On the other hand, Art. 5 TSD lays down *exceptions* that, as such, should be interpreted on a case-by-case basis.⁴² Besides, the "compliance with the provisions of the TFUE", required by Art. 1, subpara. 1, TSD, should be legitimately interpreted more narrowly as encompassing uses of trade secrets rights that "restrict unduly competition in a manner contrary to the TFEU" (see Recital 38).⁴³ For these reasons Arts 3, para. 1, and 4, para. 3, let. a), b), c), TSD ought to be interpreted as imposing that use and disclosure of reversely analysed trade secrets be entirely governed by *national laws* that can legitimately enjoin such use or disclosure, except when trade secrets rights are used "to re-

³⁸ A fault consisting in the production and commercial use of reversely engineered products has been argued by some French legal scholars: see W. VAN CAENEGEM, *Trade Secrets* cit., p. 144 *et seq.* With regard to common law systems see T. APLIN, *A Critical Evaluation*, cit., p. 271 where citations are provided.

³⁹ G. SURBLYTE, *Enhancing TRIPS*, cit., p. 750.

⁴⁰ T. APLIN, *A Critical Evaluation*, cit., pp. 271-272; see R. KNAAK, A. KUR, R.M. HILTY, *Comments*, cit., para. 38, pp. 961-962.

⁴¹ See T. APLIN, *A Critical Evaluation*, cit., p. 272.

⁴² Otherwise the wording "exceptions" could be interpreted as "defenses": so T. COOK, *The Proposal*, cit., p. 55 *et seq.*

⁴³ On this topic see, among the others, G. SURBLYTE, *The Refusal to Disclose Trade Secrets as an Abuse of Market Dominance - Microsoft and Beyond*, Berne: Stämpfli, 2011.

strict unduly competition in a manner contrary to the TFEU". The same legal solution should be accepted with regard to contractual limitations of *acquisition* of trade secrets by means of reverse engineering which trade secrets holders may impose to licensees [see Art. 3, para. 1, let. b), TSD].⁴⁴

At the outset the CJEU should establish when an information is "readily accessible to persons within the circles that normally deal with the kind of information in question" [see Art. 2, para. 1, let. a), TSD and Recital 14 TSD].⁴⁵ It is still unclear, under the terms of Art. 2, para. 1, let. a), TSD, whether only confidential information that requires considerable effort to be reversely analysed is protectable.⁴⁶ It is here suggested that if a minor effort is sufficient to acquire the information, the latter is "readily accessible" and thus it is not protectable as trade secret.⁴⁷

VI. THE RELATIONSHIP BETWEEN TRADE SECRETS DIRECTIVE ENFORCEMENT PROVISIONS, TRIPS AND THE ENFORCEMENT DIRECTIVE. ROOM FOR FLEXIBILITY

TRIPs enforcement provisions are relevant insofar as they set minimum standards of protection for trade secrets, which must be protected against unfair competition according to Art. 39 TRIPs. Nonetheless harmonization at the international level has been limited due to the fact that the remedies provided for by TRIPs *may* not be applied if they are inconsistent with a Member's law, provided that "declaratory judgement and adequate compensation" are available in the Member State into question (Art. 44, para. 2, TRIPs). In this sense the minimum common requirement for enforcement is set forth by Art. 44 TRIPs which establishes that "judicial authorities *shall* have the authority to order the infringer to pay the right holder damages adequate to compensate the injury the right holder has suffered" provided that the infringer knew or "had reasonable grounds to know" that she was engaging in an infringing activity. At the same time, TRIPs enables Members to adopt in their internal legal system a wide range of effective remedies (which, by consequence, cannot be said in contrast with international trade rules), including, among the others, provisional measures *inaudita altera parte*. BTAs and other IP-related Agreements are also relevant in interpreting TRIPs obligations because of the Most Favoured Nation rule set forth by Art. 4 TRIPs. The Directive 2004/48/EC (hereinafter also Enforcement Directive)⁴⁸ has also arranged the full array of remedies provided for by TRIPs enforcement rules such as discovery, right of infor-

⁴⁴ G. SURBLYTE, *Enhancing TRIPs*, cit., p. 750.

⁴⁵ The importance of the issue is underlined by T. APLIN, *A Critical Evaluation*, cit., p. 262.

⁴⁶ An interesting interpretation is proposed by T. APLIN, *ibidem*.

⁴⁷ G. SURBLYTE, *Enhancing TRIPs*, cit., p. 755.

⁴⁸ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

mation, provisional measures, even *inaudita altera parte*, injunctions, destruction orders, disgorgement of profits, even if some of them have been made optional for Member States.

The exact definition of the relation between the TSD and the Enforcement Directive, on one hand, and between TSD and TRIPs (optional) enforcement rules, on the other, is therefore of paramount importance, especially because the latter are currently into force in some Member States' legal systems or are part of BTAs or other IP-related Agreements. As regards the first issue, according to Recital 13 of the Enforcement Directive, the "scope" of the latter can embrace, if Member States so wish, also "acts involving unfair competition". Recital 39 TSD, quite to the contrary, says that TSD "should not affect the application of any other relevant law in other areas, including intellectual property rights and the law of contract" but "where the scope of application of" Enforcement Directive "and the scope of" TSD "overlap", TSD "takes precedence as *lex specialis*". That, in my opinion, should not mean that Enforcement Directive is necessarily the general framework for enforcement (and thus *lex generalis*) also for trade secrets protection, but solely that, as long as proper overlaps in regard to the subject matter exist (as, for example, in case of undisclosed designs or models that are also trade secrets), TSD enforcement provisions take precedence. If this interpretation is to be accepted, no recourse to Enforcement Directive is possible to interpret or fill the gaps of TSD. In other words, TSD and Enforcement Directive establish autonomous enforcement provisions.

On the other hand, more significantly, Art. 1 TSD makes it clear that it does not prevent Member States from providing for more far-reaching protection. In this direction, Member States that already protect trade secrets providing for the full array of remedies contained in Arts 39 *et seq.* TRIPs are, as a matter of principle, compliant with TSD and with TRIPs. Nonetheless some provisions contained in TSD do not correspond to rules neither of the TRIPs nor of the Enforcement Directive and are binding for Member States as they set the minimum threshold of protection (e.g. Art. 9 TSD) or because they are mandatory provisions (e.g. Art. 8 TSD). Both the statute of limitations set forth in Art. 8 TSD and the provisions aiming at preserving confidentiality set forth in Art. 9 TSD are of paramount importance for the protection of trade secrets and demand, in several Member States, amendments to the current legislation or modification of judicial praxis. This however does not run counter to TRIPs enforcement rules. The same can be said as for the statute of *damages* set forth by Art. 14 TSD prescribing, among other things, that Member States' judicial authorities "may, in appropriate cases, set the damages as a lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due had the infringer requested authorisation to use the trade secret in question". Moreover it is prescribed that "Member States may limit the liability for damages of employees towards their employers for the unlawful

acquisition, use or disclosure of a trade secret of the employer where they act without intent” (Art. 14 TSD).

Another set of provisions is more problematic, because they may run counter to TRIPs optional enforcement provisions as already adopted by Member States and/or by BTAs or other IP-related Agreements. Moreover the case may be that a Member State has already provided protection to trade secrets in the legal framework of Enforcement Directive as explicitly permitted according to Recital 13 Enforcement Directive.

As regards *provisional and precautionary measures*, Art. 10 TSD explicitly mandates, as a minimum protection requirement, that judicial authorities of the Member States, taking into account the facts and the legitimate interests involved in the case, and in the light of the principle of proportionality, are permitted to issue orders of “cessation of or, as the case may be, prohibition of use or disclosure of the trade secrets on a provisional basis, [...] prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes, [...] seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market”. As an alternative to the measures mentioned above, judicial authorities *shall* be permitted to “make the continuation of the alleged unlawful *use* [- but not the *disclosure* -] of a trade secret subject to the lodging of guarantees intended to ensure the compensation of the trade secret holder” (Art. 10, para. 2, TSD). A similar general enforcement rule is present, for example, in Art. 236 EU-Ukraine Association Agreement. Enforcement Directive, on the contrary, makes the latter measure optional for Member States (Art. 9, let. a, Enforcement Directive).

As for *definitive and corrective measures* on the merits, Art. 12 TSD prescribes the judicial authorities of Member States be conferred the power to order, taking into account the facts and the legitimate interests involved in the case, and in the light of the principle of proportionality, “the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret”, “the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes”, “the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files”; “corrective measures” consisting, among the others, in “recall[ing] [of] the infringing goods from the market”, “depriving the infringing goods of their infringing quality”, the “destruction of the infringing goods or, where appropriate, their withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question”. Nonetheless the mandatory provisions of Art. 13, para. 3, TSD prescribe that “Member States shall provide that, at the request of the person liable to be subject to the [definitive and corrective measures above mentioned], the competent judicial authority may order pecu-

niary compensation to be paid to the injured party instead of applying those measures if all the following conditions are met: (a) the person concerned at the time of use or disclosure neither knew nor ought, under the circumstances, to have known that the trade secret was obtained from another person who was using or disclosing the trade secret unlawfully; (b) execution of the measures in question would cause that person disproportionate harm; and (c) pecuniary compensation to the injured party appears reasonably satisfactory". Enforcement Directive, on the contrary, makes the availability of pecuniary compensation, as alternative to the other definitive and corrective measures, merely optional for Member States (Art. 12 Enforcement Directive); the same may be said for TRIPs (Art. 44, para. 2, TRIPs) and for some BTAs (e.g. Art. 239 EU-Ukraine Association Agreement). In this direction, EU has legitimately opted to restrict the options available under TRIPs or BTAs.

Taking into account the *publication of decisions*, a mandatory provision (Art. 15, para. 3, TSD) prescribes a certain weighing power on the part of judicial authorities in the decision of providing or not the publication. Also for these provisions, EU has legitimately opted to restrict the options available under TRIPs or BTAs.

The TSD mandatory provisions making available, under certain circumstances, liability rules instead of injunctive relieves give an important weighing power to judicial authorities and are particularly useful, for example, when the infringed trade secret covers only a tiny part of the product already in commerce. At the same time this poses a problem for national legal systems protecting trade secrets as intellectual property rights in the legal framework of the Enforcement Directive. Dubious as it may be, it is here suggested that, taking into account the special subject-matter of protection, TSD provisions should prevail over the different and more general provisions of the Enforcement Directive and, as a consequence, national legal systems adopting Enforcement Directive provisions in protecting trade secrets should be modified accordingly so as to permit the applicability of liability rules by the competent authorities in the relevant cases.

