

# Adapting the EU Directive on Trade Secrets 'Protection' into National Law

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A transposition guide for legislators and  
civil society organisations

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## Acknowledgements

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With Special Thanks To: Anne Friel, Martin Jefflén, Janina Mackiewicz, Lise Donovan, Sophie Binet, Renate Schroeder, Nicole-Marie Meyer, Paul Coppin, Virginie Marquet, Mélanie Vogel, Gaëlle Krikorian.

Published by Corporate Europe Observatory, February 2017

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# Introduction

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**In June 2016, the EU's trade secrets protection directive was enacted to repress espionage, theft and unauthorised publication of companies' confidential business information, their "trade secrets". But the way it defines these is so broad that it will also, in all likelihood, make public scrutiny of corporate activities more difficult in Europe.**

Trade secrets can be a recipe, a secret manufacturing method, a client database: information that has a lot of value for companies and whose confidentiality can be legitimate. But some of companies' confidential information is also relevant for the public interest: internal reports of severe malfunction or pollution, plans to relocate a large plant and dismiss the employees, tax optimisation contracts, scientific studies showing harm caused by the companies' products but kept confidential... What if the rules created to protect the confidentiality of the first kind of information are used to protect the confidentiality of the second kind?

This is a major concern for the media and their sources, for unions, for researchers. Employees' rights are also at

stake, as this text has led to concerns regarding their freedom to go work for a competitor of their current employer.

The result of heavy corporate lobbying<sup>1</sup> and a very heated public debate at the end of the process, **the new "Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure" needs to be adapted into national law (transposed) to become effective. EU member states have until 9 June 2018 to do so.**

Based on legal research and interviews with civil society organisations trying to defend a critical perspective during the negotiations on the Directive at the EU level, **this "transposition guide" to the Directive aims at providing background information and analysis to this legislation in order to help national legislators and civil society when it reaches national parliaments for discussion and adoption.** This brief introduction is followed by an individual analysis of the most important articles of the Directive. Not all aspects and elements of the Directive, as well as the interactions between this Directive and the respective

applicable national legal frameworks, are covered in this guide, and the authors, despite their best efforts, are not legal specialists in these matters: **it is important that additional legal counsel is requested in each EU country before the transposition debates start.**

Despite the strong resistance put up by civil society during the EU negotiations, this text was adopted with insufficient safeguards for political rights. **It creates excessive secrecy and information control rights for businesses, getting dangerously close to creating a property right for confidential information where secrecy would become the legal norm and freedom of access, use and publication the exception.** The ‘protections’ on the confidentiality of trade secrets during legal proceedings (Article 9) also risk damaging the rights of defense during a court case if interpreted too narrowly by judges.

**This makes defending the safeguards obtained in the text, for journalists, employees, unionists and whistleblowers in particular, and using existing possibilities of damage control, all the more important.** The integrity and translations of Articles 1 (scope), 2 (definitions), 3 (lawful acquisitions), and 5 (exceptions) in particular must be watched with utmost care.

**National legislators have substantial margins of manoeuvre. Although they are given much more liberty to**

**worsen the text than to improve it, they have at least some real possibilities to limit the risks:** adopt strong legislation against litigation abuses (Article 7), adopt a short limitation period (Article 8 - the maximum period of time after the facts during which companies can sue is six years), and limit the damages asked to employees (Article 14) who act without intent.

**It is probable, unfortunately, that the main political battle at the national level will be to prevent a further worsening of the text.** Member states are explicitly offered to do just this in the very first Article of the Directive. In particular, they can (but are not required to) **add criminal law elements (fines and prison sentences)**, for which the EU had no competence, and they can be even more repressive as long as they respect the basic safeguards of the Directive. Companies that operate in several EU countries will have possibilities to sue from the country whose legislation is most favourable to their interests (which largely contradicts the initial aim of legal harmonisation by the European Commission). Finally, it must be said that several aspects of the Directive are not well defined, the exceptions and safeguards in particular, and that the protective nature of these safeguards will be tested in national and EU courts.

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# Context

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The European Commission explained that its legislative proposal for a directive on trade secrets protection was necessary for a number of reasons. But a closer examination reveals that these justifications were sometimes shaky.

A first justification was for instance that legal harmonisation was a way to tackle a rise in the theft of trade secrets. Indeed, the Directive's Recital 4 explains: *"Innovative businesses are increasingly exposed to dishonest practices aimed at misappropriating trade secrets, such as theft, unauthorised copying, economic espionage or the breach of confidentiality requirements, whether from within or from outside of the Union."*

But is this purported rise really happening? According to the industry survey commissioned by the European Commission to the law firm Baker & McKenzie,<sup>2</sup> 44 per cent of businesses thought that the threat of trade secret misappropriation had remained stable in the past ten years versus 38.5 per cent who thought that it had increased. Overall, 79.5 per cent of companies had not suffered any attempts or acts of misappropriation of trade secrets in the past ten years, and only 5.2 per cent had experienced more than five.

Another justification for the new directive was that these protections would facilitate the cross-border transfer of knowledge among companies by increasing trust in research partnerships.<sup>a</sup> However, again there are doubts as to whether the current situation is really so bad: 60 per cent of companies surveyed declared they already share their trade secrets in research and development (R&D) and only 20 per cent said they would increase their R&D expenses with new legal protections on trade secrets.<sup>3</sup>

Finally, a third justification was that SMEs (small and medium-sized enterprises) needed a legal defence of their trade secrets to protect their technological and non-technological information: "SMEs and start-ups seem to rely on trade secrets more intensively than larger companies, in particular as substitutes for intellectual property rights".<sup>4b</sup> Given that SMEs employ the vast majority of EU voters, invoking the need to help SMEs is a permanent argument

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a European Commission Impact assessment, Page 6: *"As a result of the poor legal protection and the increased risk of misappropriation of trade secrets, businesses' competitive advantages which are based on trade secrets are at risk and incentives for cross-border innovative activities within the EU are sub-optimal"*.

b See Recital 2 and 3

of big business lobbyists in Brussels, almost as common as their arguments about the risks of job losses and the threats of relocation. But was it relevant here?

Another observation of the Commission's Impact Assessment points out that it is unlikely: "large firms seem to attach greater value to trade secrets and to regard them as more important than small/medium-sized firms".<sup>5</sup> And part of the reason they do so is that they can better use these protections to keep competition at bay.

Overall, it feels like the European Commission's DG Internal Market was convinced of the necessity of this Directive by multinational corporations and cherry-picked the evidence it needed to justify its legislative proposal. As the British Intellectual Property Law Professor Tanya Aplin put it, "the Commission seems conveniently to pluck out the evidence from the B&M Report that supports the case for harmonization while ignoring the evidence that might make us question such an approach".<sup>6</sup>

This Directive also needs to be seen in a broader context of the increasing repression of trade secrets 'misappropriation', aiming at curbing industrial espionage but, also, fighting increasing information leaks<sup>7</sup> and the public scrutiny which has been made easier by the ubiquitous use of IT in business. The US adopted comparable legislation in May 2016, also under strong business pressure. The US' Defend

Trade Secrets Act allows companies to sue at the federal level, on top of existing state laws, former employees who 'misappropriate' trade secrets. While the US legislation contains a whistleblowers' immunity clause for reporting illegal actions to the government (which is weaker than that of the EU Directive), the legal situation on trade secrets protection in the US is very detrimental to individual rights – and, similarly as with the EU Directive, will in fact do little to protect against industrial espionage by foreign countries.<sup>8</sup>

The notes of the October 2016 round of the TTIP negotiations published by the European Commission<sup>9</sup> explain that "At the beginning of the Round the US also tabled its text proposals on Trade Secrets, on SMEs and on Designs. The EU gave some preliminary reactions but will need to consult internally and provide reactions in writing inter-sessionally. All these texts tabled by the U.S. appear, on a first assessment, to be broadly compatible with EU acquis and practice and prima facie it seems that the EU could potentially accept to work on the basis of these texts, proposing necessary adaptations where appropriate".

If the TTIP negotiations between the EU and the US continue, any attempt to make the legislation on trade secrets protection converge further between the two blocs (for instance with a regulatory cooperation chapter) will have to be monitored very closely.

# Article 1 – National legislators can worsen the text, but must respect safeguards

## *Article 1 - Subject matter and scope*

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1. *This Directive lays down rules on the protection against the unlawful acquisition, use and disclosure of trade secrets. Member States may, in compliance with the provisions of the TFEU, provide for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than that required by this Directive, provided that compliance with Articles 3, 5, 6, Article 7(1), Article 8, the second subparagraph of Article 9(1), Article 9(3) and (4), Article 10(2), Articles 11, 13 and Article 15(3) is ensured.*
2. *This Directive shall not affect:*
  - (a) *the exercise of the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;*
  - (b) *the application of Union or national rules requiring trade secret holders to disclose, for reasons of public interest, information, including trade secrets, to the public or to administrative or judicial authorities for the performance of the duties of those authorities;*
  - (c) *the application of Union or national rules requiring or allowing Union institutions and bodies or national public authorities to disclose information submitted by businesses which those institutions, bodies or authorities hold pursuant to, and in compliance with, the obligations and prerogatives set out in Union or national law;*
  - (d) *the autonomy of social partners and their right to enter into collective agreements, in accordance with Union law and national laws and practices.*
3. *Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees. In particular, in relation to the exercise of such mobility, this Directive shall not offer any ground for:*
  - (a) *limiting employees' use of information that does not constitute a trade secret as defined in point (1) of Article 2;*
  - (b) *limiting employees' use of experience and skills honestly acquired in the normal course of their employment;*
  - (c) *imposing any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.*

## Analysis of Article 1

Article 1 defines the scope of the Directive and provides very important precisions about what it is about, and not. Importantly, member states are encouraged to tighten the ‘protections’ of the text in Paragraph 1, provided they respect the Directive’s in-built safeguards.

Member states can “*provide for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than that required by this Directive*” if this additional protection respects Article 3 (Lawful acquisition, use and disclosure of trade secrets), Article 5 (Exceptions), Article 6 (General obligation), Article 7(1) (Proportionality and abuse of process), Article 8 (Limitation period), Article 9 (1) second paragraph (Preservation of confidentiality of trade secrets in the course of legal proceedings), Article 9 (3) and (4), Article 10(2) (Provisional and precautionary measures), Article 11 (Conditions of application and safeguards), Article 13 (Conditions of application, safeguards and alternative measures) and Article 15(3) (Publication of judicial decisions).

Paragraph 2 and 3 are the outcome of political negotiations between EU States and the European Parliament. The Parliament wanted to add safeguards to Article 5, listing “hard” exceptions to the text (and therefore cases where trade secrets protection could not apply), but member

states refused and eventually settled for a “negative scope”: thus paragraph 2 and 3 describe what this directive does *not* cover. While this negative scope is meant to be less protective than actual exceptions, it is still binding and gives essential information on how judges should interpret the text.

- (a) the Charter applies regardless of it being mentioned here: the fact that the Directive should not harm freedom of expression and information has been added to reassure journalists and media organisations. But it doesn’t say much about how judges should balance this right with the right of businesses to the confidentiality of their commercially sensitive information (the need to strike a balance between fundamental human rights and economic interests is one of the most serious problems created by this directive). See the analysis of Article 5 for more on this.

- (b) and (c) have been added to alleviate the concerns of many civil society organisations that the Directive could be used to fight public interest disclosure of essential data on products’ safety, such as clinical trials data for medicines or toxicology studies for pesticides. This deserves a bit of explanation.

In Europe, most scientific studies looking at product safety are done by industries themselves. These studies are sent to national or EU public regulators who then decide



whether these products meet safety standards and hence, if they should be allowed or not on the market. It should be obvious that the public and, above all, competent independent scientists can also access and review such public interest evidence, but this is actually very difficult because the companies who paid for these studies argue they contain trade secrets. Typically, it takes court cases to obtain these studies in full, and there is a vigorous fight at the moment between academia and NGOs on one side and industry on the other to obtain proper disclosure of such evidence.

The public interest case has been progressing lately, especially in the pharmaceutical sector with a recent EU regulation on clinical trial data transparency<sup>10</sup> and, in other areas such as pesticides, recent victories obtained in court<sup>11</sup> (on glyphosate) thanks to the right of access to environmental information provided by the United Nations Aarhus convention (ratified by the EU in 2005).<sup>12</sup>

But early reactions to the Directive by EU business lobby groups (especially the pharmaceutical and chemical industries) showed that industry is hoping to use it to fight back. The final text of the Directive was, according to the European Commission, “neutral” on this issue in the sense that it would not change the relevant legal framework. On top of (b) and (c), Recital (11) of the EU directive also mentions this need for transparency, without the text being

able to actually guarantee it.<sup>ab</sup> However, despite these safeguards, the perspective of costly court proceedings and heavy financial penalties might give additional ammunition to industry to discourage public authorities<sup>13</sup> to publish their data:

“ The decision whether or not to disclose a certain piece of company information is in the administration’s hands. It has to weigh the economic loss the disclosure would cause against the public interest in having the information. This is a difficult judgement call, especially when the price of getting it wrong is paying damages to the company. This all means that public authorities will be more likely to err on the side of caution by keeping company information secret, even when disclosure would serve the public interest, e.g. by protecting public health and the environment.<sup>14</sup>

— Anne Friel, Lawyer, ClientEarth

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a Recital (11) : “*This Directive should not affect the application of Union or national rules that require the disclosure of information, including trade secrets, to the public or to public authorities (...) Such rules include, in particular, rules on the disclosure by the Union’s institutions and bodies or national public authorities of business-related information they hold pursuant to (...) or pursuant to other rules on public access to documents or on the transparency obligations of national public authorities.*”

b Recital (18) : “*In particular, this Directive should not release public authorities from the confidentiality obligations to which they are subject in respect of information passed on by trade secret holders, irrespective of whether those obligations are laid down in Union or national law.*”

Paragraph 3 echoes a strong concern voiced by unions during the negotiations, that the Directive would have a “lock-in” effect on employees, in particular those with specialised and management skills. From that perspective, (b) is perhaps one of the most important safeguards built in the Directive. The reference to employees’ “*experience and skills honestly acquired in the normal course of their employment*” creates the possibility of a “honesty”/“good faith” defence against an allegation of trade secret theft (unlike in the US), so it is very important that this paragraph is transposed & translated accurately. That said, this safeguard will most certainly be tested in courts and only future court rulings at the national and EU level will bring clarity on how protective this clause will be.

# Article 2 – A catch-all definition for trade secrets

## Article 2 Definitions

*For the purposes of this Directive, the following definitions apply:*

- 1. ‘trade secret’ means information which meets all of the following requirements:
  - (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;*
  - (b) it has commercial value because it is secret;*
  - (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;**
- (2) ‘trade secret holder’ means any natural or legal person lawfully controlling a trade secret;*
- (3) ‘infringer’ means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret;*

*(4) ‘infringing goods’ means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.*

## Analysis of Article 2

What is a trade secret? In particular, should trade secrets be considered a form of intellectual property, as in the US? A trade secret can be many things: a secret formula, a technological innovation, a client list, commercial contracts (such as those revealed in the Luxleaks scandal and the Panama Papers), know-how, or a document that contains sensitive data. The main feature of a trade secret is that it gives companies a competitive advantage *precisely* because it is a secret. A trade secret ceases to be so from the day it is published.

“ The most worrying thing with this directive is that it is an a priori protection. We won’t be able to verify that all

protected information really deserve to benefit from the title of trade secret and to be sure that the protection by the secret is not used to hide information on activities that affect the public interest.<sup>xiv</sup>

— *Mélanie Vogel, Parliamentary Assistant to MEP Pascal Durand, European Green Party*

But the definition used in the Directive is broader than this specific context, to the point that most internal information within a company could potentially qualify as a trade secret. It is copied from article 39.2 in the TRIPS agreement (Trade Related Aspects of Intellectual Property Rights), an international treaty administered by the World Trade Organisation and negotiated at the end of the Uruguay round in 1994. It is also quasi-identical to the definition used in the US's Uniform Trade Secrets Act, creating a de facto legal harmonisation between the US and the EU.

While the Directive states that it does not create a new category of intellectual property for trade secrets, as is the case in the US (having trade secrets defined as intellectual property was one of the main demands of business lobby groups), the fact that it uses a definition taken from intellectual property law is problematic – one could argue that the Directive goes as far as possible in this direction, granting trade secrets holders means of redress usually associated to intellectual property owners, without actually defining trade secrets as a form of intellectual property.

“ A trade secret is not a right of intellectual property but exactly the reverse because intellectual property rights include a compensation : the disclosure of the protected information!

— *Mélanie Vogel*

In order to mitigate the risks created by the text, it is very important that national legislations transposing the Directive add that companies must pro-actively identify their trade secrets (the way, for instance, states grade their internal information (“confidential”, “secret”, “top secret” etc). As a matter of fact, the Directive does not do it explicitly, which would give companies the possibility to fight public scrutiny of information not deserving this classification.

Since the legal measures contained in the Directive are going to apply to individuals (journalists, employees, whistleblowers, etc) and not only to competitors, the breadth and vagueness of this definition has been abundantly criticised in the course of the negotiations, as it created huge legal risks and uncertainties. However, the Directive's proponents refused to touch it, and prevailed.

# Article 3 – Lawful Acquisition

## *Article 3 Lawful acquisition, use and disclosure of trade secrets*

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- 1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:
  - (a) independent discovery or creation;*
  - (b) 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;*
  - (c) exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices; any other practice which, under the circumstances, is in conformity with honest commercial practices.**
- 2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.*

## Analysis of Article 3

While the Directive's definition of trade secrets is as broad as it is vague, the list of lawful acquisitions (but not use and disclosure) is more specific. In particular, union representatives are given a right of acquisition but not of use and disclosure, which might cause problems for them (for instance in the case where the company would develop relocation plans: would unions be allowed to publish them for mobilisation purposes without being sued?).

The second paragraph is extremely important and must be transposed as is, because it enables acquisition, use and disclosure of trade secrets when other pieces of existing and future national and/or EU legislation would require or allow it, leaving open the possibility to improve the protections against trade secrets theft allegations in the future.

# Article 4 – Full powers to the trade secret holder

## *Article 4 Unlawful acquisition, use and disclosure of trade secrets*

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- 1. Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.*
- 2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:  
(a) 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;  
(b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.*
- 3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the*

*trade secret holder, by a person who is found to meet any of the following conditions:*

- (a) having acquired the trade secret unlawfully;*
  - (b) being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;*
  - (c) being in breach of a contractual or any other duty to limit the use of the trade secret.*
- 4. The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.*
  - 5. The production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, to have known that*

*the trade secret was used unlawfully within the meaning of paragraph 3.*

## Analysis of Article 4

This Article is a cornerstone of the Directive as it defines the ‘protection’ against trade secrets acquisition, use, and disclosure. Unfortunately, it does it rather extensively by not only making unlawful the acquisition of a trade secret as soon as there is no explicit authorisation from the trade secret holder, but by broadening the interdiction to related information too (*“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”*).

Paragraph 4 of Article 4 is particularly worrying because it extends the scope of the repression to persons sharing or re-publishing information without knowing that they are sharing a trade secret: *“The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret*

*unlawfully*”. Obviously, the nature of the “circumstances” in which individuals obtaining, using or publishing confidential business information from others can be sued for trade secrets violation, and “ought to have known” that their source obtained it illegally, need to be clarified, otherwise journalists and even persons sharing published information on social media might end up criminalised. But only court rulings will bring these clarifications, and this might take many years.

# Article 5 – Watch out!

## Article 5 Exceptions

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*Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:*

- (a) for exercising the right to freedom of expression and information as set out in the Charter , including respect for the freedom and pluralism of the media;*
- (b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;*
- (c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;*
- (d) for the purpose of protecting a legitimate interest recognised by Union or national law.*

## Analysis of Article 5

During the political negotiations between the Commission, member states and the European Parliament, Article 5 was probably the most contentious. Most civil society organisations and critical MEPs discovered the text very late in the process and had to focus their efforts on damage control, ie improving exceptions. The legislative proposal by the European Commission was really bad, containing threats even for journalists, but the language used to describe the exceptions was eventually improved from a public interest perspective. However, it still fails to provide fully satisfactory protection for whistleblowers – and, for all exceptions, court rulings at the national and EU level will be very important to determine how protective they are and how individuals’ political rights and companies’ economic interests should be balanced under this Directive.

It is therefore one of the most important articles to focus on during the transposition. To have an idea of how sensitive it is, the final adoption of the text was postponed for two weeks because a serious conflict erupted between the



European Parliament and member states about the translation into French of just one word, “wrongdoing”. French authorities attempted to translate “wrongdoing” as “autre faute” (“misconduct”), which could have narrowed the scope of the exception to illegal acts while the European Parliament had precisely broadened it to enable the reporting of all wrongdoing, illegal and legal<sup>a</sup> (the typical example being the Luxleaks documents or the Panama Papers, all legal but morally indefensible from a public interest perspective). This should act as a reminder that translation is a very political act too!

Below is a detailed analysis of each clause.

*“for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media”.*

It is important to know that real progress has been made on this exception in the course of the negotiations, thanks to the mobilisation of European journalists and news organisations. Early versions of the EU directive seriously put into question media freedom, freedom of expression, and freedom of information, issues that affect the whole of society. In the Commission’s proposal, journalists had

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<sup>a</sup> “The scandal is what’s legal” (Edward Snowden). <https://twitter.com/Snowden/status/718786834743050240>

to make “a legitimate use of the right to freedom of expression and information”, putting the burden on the media to prove in court the “journalistic legitimacy”<sup>15</sup> of their actions.

This unreasonable demand has been deleted in the final text and, in addition, the wish to not hinder the freedom of expression and information is now written in recital 19 and Article 1. Both the European Federation of Journalists (EFJ) and Reporters Without Borders (RWB) now consider that the final text of the Directive provides adequate protection to journalists (the situation is less clear for news organisations’ economic risks, see below). However, all called for extreme care during the transposition process, as a single additional word could put all this work into jeopardy. For this reason, all debates related to Article 5 (a) have to be closely watched.

“ The protection provided by the text appears to be sufficient. Nevertheless, the directive lets margins for improvements and aggravations. We think particularly of EU countries which are not known for their respect of the freedom of the press. That’s why we will follow closely the transposition process into national laws.

— Paul Coppin, Reporters Without Borders

The EU directive puts the freedom of information on a defensive position rather than encouraging journalists

to investigate. If the text is transposed into national law without proper safeguards (so, as we've seen above, with the EU text as a minimum), broadcasting companies will have to take a higher financial risk when publishing information deemed a trade secret by a company. Since fines can be calculated on the basis of the commercial damage (or even lost anticipated profits, see Analysis of Article 14) resulting from the disclosure of a trade secret, figures in millions of euros are not out of question.

“ With this EU directive on Trade secrets, it is not clear that scandals like Luxleaks or Panama Papers could have been revealed to the public. The financial amounts resulting from damages calculated on the basis of the commercial damage will undoubtedly have a very powerful effect. What kind of media would broadcast information of public interest if the financial risk is colossal?  
— *Virginie Marquet, Lawyer, collective “Informer n'est pas un délit”*

***“for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest”***

Indeed, whistleblowers denounce wrongdoing, either by using internal reporting mechanisms set up by the institution they work for, or, when these are neither sufficient

nor safe, by taking the risks to reveal confidential information to the public, sometimes via the press, sometimes not. Over the past decade many of them have been prosecuted (Chelsea Manning, Antoine Deltour, Raphaël Halet) by companies or governments. Given the veil of secrecy many corporate activities operate under, whistleblowers are sometimes the only available sources on corporate wrongdoing.

Journalists' work will be made much more difficult if their sources are criminalised for forwarding them confidential business information that is of public interest. Scandals can break out without material proofs (for example Watergate, Rainbow Warrior) but never without sources.

It must be said that the Directive is the first EU legislation which actually acknowledges the role of whistleblowers, in its Recital 20:

*“The measures, procedures and remedies provided for in this Directive should not restrict whistleblowing activity. Therefore, the protection of trade secrets should not extend to cases in which disclosure of a trade secret serves the public interest, insofar as directly relevant misconduct, wrongdoing or illegal activity is revealed. This should not be seen as preventing the competent judicial authorities from allowing an exception to the application of measures, procedures and remedies in a case where the respondent had every reason*

*to believe in good faith that his or her conduct satisfied the appropriate criteria set out in this Directive.”*

But while they reflect the intention of the legislator for the judges to take public interest into account when they interpret the law, recitals are not binding and such positive language is not present in the Articles.

Also, as with the exception on freedom of information, the final text is an improvement compared to the original Commission proposal, which stated: *“for revealing an applicant’s misconduct, wrongdoing or illegal activity, provided that the alleged acquisition, use or disclosure of the trade secret was necessary for such revelation and that the respondent acted in the public interest”*. This formulation put a higher burden of proof on the whistleblower as they would have had to convince the judge of both the necessity of the ‘violation’ of the trade secret and the fact that they had acted in the public interest.

Now what we have is an improved wording where the whistleblower is only judged on his intention to protect the public interest, making a “honesty” / “good faith” defence possible. However, the fundamental problem remains that the burden of the proof is on the whistleblower to demonstrate their good intentions, which, at the end of the day, can only be evaluated by a judge. This means that intimidation lawsuits by large companies against individuals can

be pursued. This reversal of the burden of the proof goes against most recent international standards, such as the 2014 definition by the Council of Europe.<sup>a</sup>

“ The scope as delimited by the EU Directive is large but not necessarily problematic for whistleblowers. However,

### The Directive meets the real world: the Luxleaks trial

The threats to whistleblowers What made the first ruling particularly shocking was the judge already found their way to the real world in the form of the Luxleaks trial. Antoine Deltour and Raphaël Halet, two ex-employees of PriceWaterHouseCoopers in Luxembourg, and Edouard Perrin, a French journalist who published their revelations, were prosecuted for trade secrets violation in Luxembourg and, for Deltour and Halet, found guilty in June 2016 after having revealed controversial tax deals in 2012.<sup>19</sup> Both parties appealed, the appeal trial was concluded in January 2017 and the final verdict will be given 15 March 2017.<sup>20</sup>

According to the Council of Europe (30 April 2014), “a whistleblower” means “any person who reports or discloses information on a threat or harm to the public or private sector.” [https://www.coe.int/t/dgbl/standardsetting/cdcj/2014/20140301\\_recommendations/CMRe2014175.pdf](https://www.coe.int/t/dgbl/standardsetting/cdcj/2014/20140301_recommendations/CMRe2014175.pdf)

the burden of proof is now placed on the whistle-blower who has to act “for the purpose of protecting the general public interest”. It is a serious concern because it goes against all international standards where the burden is placed on the claimant.<sup>16</sup>

— *Nicole Marie Meyer, Transparency International France*

“ The status attributed to the whistleblower is better than nothing, but it remains a complex situation because he/she will have to fulfil the different criteria on whistleblowing in the directive [which] will protect those who can prove they live up to the criteria, but the protection is only against the directive itself. It stays a risky situation anyway because the protection isn’t 100% guaranteed. If the case is not clear enough, the content of the directive becomes very important.<sup>17</sup>

— *Martin Jefflén, President of the Council of European Professional and Managerial Staff (Eurocadres)*

What if this Directive in reality gets used to put potential whistleblowers in the kind of financial risk originally designed for whole companies committing commercial espionage? The prospect of being sued for such amounts would deter most from speaking out. The rights given to whistleblowers and the exercise of the freedom of information are closely related issues, and the Directive fails to give whistleblowers rights that are in proportion to the potential powers it grants to trade secrets holders to punish

them. This problem is particularly serious in countries where legal protection for media sources is weak or even absent.

“ If we’re talking only about the journalist and the whistleblower’s situations, it is important to underline that the problem won’t be the same for all Member States. In several EU countries, the legislation protects journalists’ sources but in others, the protection of sources is really weak. The vigilance won’t be the same because the transition happens in different legislative environments.

— *Renate Schroeder, Director at the European Federation of Journalists*

Finally, several member states already provide a certain level of protection for whistleblowers: how will the Directive’s provisions interact with these norms? As Client Earth lawyer Anne Friel points out, in those member states where “the protection is relatively high like the UK and Ireland, the EU directive may lower that high standard of protection in the situations where the information qualifies as a trade secret. This will probably be tested in court in the coming years. It could take a long time before we have legal certainty on the issue”.<sup>18</sup>

*“disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance*

*with Union or national law, provided that such disclosure was necessary for that exercise”*

The freedom of employees to inform their union representatives is an essential right to defend workers’ interests. Despite the significant improvements to the text obtained by unions in the course of the political negotiations, it is not clear that the Directive guarantees all their rights in a satisfactory way. Indeed, the wording of the exception is the same as the original one for whistleblowers, putting a double burden of proof on the employee to convince the judge that informing their union representatives was necessary. The problem is that this “necessity” can be evaluated very differently from one country to another, considering the wide diversity of representatives’ legal positions in Europe.

“ One of the major issues for us is to secure workers’ representatives’ access to information and their right to disseminate it, even if they’re confidential, to employees and if necessary to the press. This comes to us as part of their representation duties, and it is, when necessary, the first step to build a mobilisation.

We must be vigilant on this issue because the trade-union tradition is not the same in all EU countries. In Germany, trade unions often are co-managing companies whereas in France it is not the case. The situation in terms of access to interesting documents for workers and the public interest is not the same.<sup>22</sup>

— Sophie Binet, *Confédération Générale du Travail (France)*

There are many open questions here. With the legal framework provided by the EU directive, will workers’ representatives be able to disclose confidential information transmitted by an employee to other employees or the press without being sued for the violation of a trade secret, if such disclosure was necessary for the legitimate exercise of their responsibilities? Will exceptions provided by Article 5 work for cases when workers’ interests are at stake even if it is not a matter of general interest? All these cases need to be evaluated at the national level during the transposition process.

*“for the purpose of protecting a legitimate interest recognised by Union or national law”*

This exception is important because it has an extensive scope, including future national or EU laws. Even if it looks unclear now (the word “legitimate” can lead to different meanings) this leaves open the possibility of improving protections against trade secrets theft allegations in the future. However, the application of this exception as it stands is not clear and will be tested in the courts.

# Article 7 – Protections against abusive litigation

## *Article 7 Proportionality and abuse of process*

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- 1. The measures, procedures and remedies provided for in this Directive shall be applied in a manner that:
  - (a) is proportionate;*
  - (b) avoids the creation of barriers to legitimate trade in the internal market; and*
  - (c) provides for safeguards against their abuse.**
- 2. Member States shall ensure that competent judicial authorities may, upon the request of the respondent, apply appropriate measures as provided for in national law, where an application concerning the unlawful acquisition, use or disclosure of a trade secret is manifestly unfounded and the applicant is found to have initiated the legal proceedings abusively or in bad faith. Such measures may, as appropriate, include awarding damages to the respondent, imposing sanctions on the applicant or ordering the dissemination of information concerning a decision as referred to in Article 15.*

*Member States may provide that measures as referred to in the first subparagraph are dealt with in separate legal proceedings.*

## Analysis of Article 7

Since the main threat posed by the Directive to individuals is the risk of the Directive being used by companies to deter competitors and public interest scrutiny, this article is very important to watch during the transposition. As a matter of fact, member states have the obligation to enable their courts to penalise abusive litigation such as cases of “strategic lawsuit against public participation (SLAPP)”<sup>a</sup>. This is otherwise expressed in the Directive’s Recital 22:

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<sup>a</sup> A SLAPP is “a lawsuit that is intended to censor, intimidate, and silence critics by burdening them with the cost of a legal defense until they abandon their criticism or opposition” (Wikipedia) [https://en.wikipedia.org/wiki/Strategic\\_lawsuit\\_against\\_public\\_participation](https://en.wikipedia.org/wiki/Strategic_lawsuit_against_public_participation)

*The smooth-functioning of the internal market would be undermined if the measures, procedures and remedies provided for were used to pursue illegitimate intents incompatible with the objectives of this Directive. Therefore, it is important to empower judicial authorities to adopt appropriate measures with regard to applicants who act abusively or in bad faith and submit manifestly unfounded applications with, for example, the aim of unfairly delaying or restricting the respondent's access to the market or otherwise intimidating or harassing the respondent.*

Depending on each national framework's need for it, it is very important that national legislators use strong language penalising abusive litigation using trade secrets protection.

# Article 8 – Employees : Stay where you are or forget what you know?

## *Article 8 Limitation period*

- 1. Member States shall, in accordance with this Article, lay down rules on the limitation periods applicable to substantive claims and actions for the application of the measures, procedures and remedies provided for in this Directive. The rules referred to in the first subparagraph shall determine when the limitation period begins to run, the duration of the limitation period and the circumstances under which the limitation period is interrupted or suspended.*
- 2. The duration of the limitation period shall not exceed six years.*

## Analysis of Article 8

Article 8 is another example where member states have the option, but not the obligation, to limit the risks posed by the Directive. In this case, by adopting a limitation period

that is reasonably brief: long enough to allow a company to react if one of its trade secrets has really been stolen by a competitor, but brief enough to avoid the risk that employees are prevented from changing jobs if they wish to.

This item has also generated conflict in the negotiations, the Commission having originally proposed “at least one year but no more than two years” and the member states six years. Eventually the decision was taken to give member states flexibility, but for employees anything beyond one year would be punitive. Also, it is important to keep in mind that the transposition into national laws will bring into place different ways of calculating the limitation period and different lengths.

Under the Directive, the mobility of EU workers could be undermined even if it states otherwise (see Recital 13).<sup>a</sup> By

<sup>a</sup> Recital (13) - “*This Directive should not be understood as restricting the freedom of establishment, the free movement of workers or the mobility of workers as provided for in Union law. Nor is it intended to affect the possibility of concluding non-competition agreements between employers and employees, in accordance with applicable law.*”



being able to consider broad swaths of internal information as trade secrets, a company could prevent its employees going and working for a competitor using skills and information learned at the company (see discussion on the protections given by Article 1 to employees).

“ These trade secrets do not have a specific form, they can be know-how, things learned by people through their work. Considering both that reality and the wide definition of a trade secret in the text, the EU directive will probably make wider the already-existing definition of a trade secret in several member states and, finally, will lead to more lawsuits involving companies against their employees and former employees.<sup>23</sup>

— *Lise Donovan, Swedish Confederation of Professional Employees (TCO), Swedish Committee on the Transposition of the Directive*

Despite the importance of protecting innovations, employees will most likely be those who suffer most in this situation because “most of the cases in countries where trade secrets violations are punished by law involve former employees against their company and not actual employees” (Lise Donovan). Indeed, the Commission’s impact assessment confirms that “the parties identified as being primarily responsible for the attempts or acts of misappropriation [of trade secrets] are the competitors (53% of positive responses), former employees (45%), and customers (31%)”. It

also notes that, “Instances involving former employees are slightly more frequent for large firms”.<sup>24</sup>

“ At the very beginning of the proposal, it has been said that the EU directive’s limitation period was needed to make sure that trade secrets of SMEs were protected against competitors. But in exchange for putting safeguards to limit the circulation of know-how outside SMEs, we have put a legislation in place which gives more power to large companies to succeed in legal battles. How SMEs will be able to use the directive successfully is very unclear. To compare with patent, there a company gives away its innovation to the public and in return gets a monopoly for a limited time. There is no trade-off like that in the trade secrets directive, instead many of the bad consequences are faced by the employee.

— *Lise Donovan*

As workers who deal with sensitive information are often highly skilled professionals who frequently work across borders, it will be difficult for them to know when they are at risk in different national legislations. The transposition into national laws should be more precise about this issue, also providing options to suspend the counting of the limitation period, and appreciable financial compensations for employees if the duration is long. Also, that limitation should be effective on actual and former employees.

# Article 9 – Sued without proper defense rights?

## *Article 9 Preservation of confidentiality of trade secrets in the course of legal proceedings*

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*1. Member States shall ensure that the parties, their lawyers or other representatives, court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or who has access to documents which form part of those legal proceedings, are not permitted to use or disclose any trade secret or alleged trade secret which the competent judicial authorities have, in response to a duly reasoned application by an interested party, identified as confidential and of which they have become aware as a result of such participation or access. In that regard, Member States may also allow competent judicial authorities to act on their own initiative.*

*The obligation referred to in the first subparagraph shall remain in force after the legal proceedings have ended. However, such obligation shall cease to exist in any of the following circumstances:*

*(a) where the alleged trade secret is found, by a final decision, not to meet the requirements set out in point (1) of Article 2; or*

*(b) where over time, the information in question becomes generally known among or readily accessible to persons within the circles that normally deal with that kind of information.*

*2. Member States shall also ensure that the competent judicial authorities may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret. Member States may also allow competent judicial authorities to take such measures on their own initiative.*

*The measures referred to in the first subparagraph shall at least include the possibility:*

*(a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;*

*(b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons;*

*(c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted.*

*The number of persons referred to in points (a) and (b) of the second subparagraph shall be no greater than necessary in order to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.*

- 3. When deciding on the measures referred to in paragraph 2 and assessing their proportionality, the competent judicial authorities shall take into account the need to ensure the right to an effective remedy and to a fair trial, the legitimate interests of the parties and, where appropriate, of third parties, and any potential harm for either of the parties, and, where appropriate, for third parties, resulting from the granting or rejection of such measures.*
- 4. Any processing of personal data pursuant to paragraphs 1, 2 or 3 shall be carried out in accordance with Directive 95/46/EC.*

## Analysis of Article 9

Article 9 foresees that court cases involving trade secrets should not be held publicly while discussing them, but be reserved to a number of persons “no greater than necessary” (paragraph 2) to ensure that the basic rights of the defence are respected, that is, at least, parties and their lawyers. The reason for this is to fight a trend of so-called ‘exploratory court cases’ where companies (and in particular US ones) sue competitors without real reasons but for the sole purpose of accessing their trade secrets. This also explains paragraph 1 stating that trade secrets discussed in court can not be acquired, used, or disclosed.

However, here again the text’s overly wide scope, and the fact that it risks applying legal provisions designed for companies to individuals creates excessive risks for fundamental rights. How about external experts, whose contribution might be essential for the judge to evaluate to what extent a technical file should or not qualify as a trade secret? While trade secrets should not be disclosed to the detriment of their holder during a court case, it is important that these restrictions are not applied to the point that the rights of defense would be damaged.

# Article 14 – Damages

## Article 14 Damages

1. *Member States shall ensure that the competent judicial authorities, upon the request of the injured party, order an infringer who knew or ought to have known that he, she or it was engaging in unlawful acquisition, use or disclosure of a trade secret, to pay the trade secret holder damages appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret. 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.*
2. *When setting the damages referred to in paragraph 1, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the trade secret holder*

*by the unlawful acquisition, use or disclosure of the trade secret.*

*Alternatively, the competent 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.*

## Analysis of Article 14

Article 14 provides the details of how financial compensation should be calculated; it is therefore the heart of the ‘protection’ given by the Directive to trade secrets holders. What Article 14 foresees is that judges can take into account a very extensive understanding of the prejudice suffered by the trade secret holder: even lost anticipated profits can be factored in.<sup>a</sup> The result is that damages could quickly reach very high amounts, in the millions of euros

<sup>a</sup> See also Recitals 7 and 30.

range (a minimum calculation is provided but no maximum). This can be a legitimate punishment for a company stealing another's trade secrets, but would be scandalously excessive if, for instance, individuals and news organisations were required to pay out such amounts. As it stands, this prospect is not at all out of question, all the more so if member states add criminal fines to the text (as an example, an early but aborted attempt by France to transpose the Directive foresaw fines of €375,000 for trade secret violation, and twice as much where national interests were at stake).

So, member states must use the option (again, they have no obligation to do so) left to them by the Directive to at least limit the damages due from employees, as these are probably the group risking the most. And in doing so, they should set a limit that is as reasonably low as possible, as well as specifying that 'employees' also include former employees, because this is unclear in the Directive.

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# APPENDIX

## *DIRECTIVE (EU) 2016/943 OF THE EUROPEAN PARLIAMENT AND OF 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

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee (1),

Acting in accordance with the ordinary legislative procedure (2),

Whereas:

(1) Businesses and non-commercial research institutions invest in acquiring, developing and applying know-how and information which is the currency of the knowledge economy and provides a competitive advantage. This investment in generating and applying intellectual capital is a determining factor as regards their competitiveness and innovation-related performance in the market and therefore their returns on investment, which is the underlying motivation for business research and development. Businesses have recourse to different means to appropriate the results of their innovation-related activities when openness does not allow for the full exploitation of their investment in research and innovation. Use of intellectual property rights, such as patents, design rights

or copyright, is one such means. Another means of appropriating the results of innovation is to protect access to, and exploit, knowledge that is valuable to the entity and not widely known. Such valuable know-how and business information, that is undisclosed and intended to remain confidential, is referred to as a trade secret.

- (2) Businesses, irrespective of their size, value trade secrets as much as patents and other forms of intellectual property right. They use confidentiality as a business competitiveness and research innovation management tool, and in relation to a diverse range of information that extends beyond technological knowledge to commercial data such as information on customers and suppliers, business plans, and market research and strategies. Small and medium-sized enterprises (SMEs) value and rely on trade secrets even more. By protecting such a wide range of know-how and business information, whether as a complement or as an alternative to intellectual property rights, trade secrets allow creators and innovators to derive profit from their creation or innovation and, therefore, are particularly important for business competitiveness as well as for research and development, and innovation-related performance.
- (3) Open innovation is a catalyst for new ideas which meet the needs of consumers and tackle societal challenges, and allows those ideas to find their way to the market. Such innovation is an important lever for the creation of new knowledge, and underpins the emergence of new and innovative business models based on the use of co-created knowledge. Collaborative research, including cross-border cooperation, is particularly important in increasing the levels of business research and development within the internal market. The dissemination of knowledge and information should be considered as being essential for the purpose of ensuring dynamic, positive and equal business development opportunities, in particular for SMEs. In an internal market in which barriers to cross-border collaboration are minimised and cooperation is not distorted, intellectual creation and innovation should encourage investment in innovative processes, services and products. Such an environment conducive to intellectual creation and innovation, and in which employment mobility is not hindered, is

also important for employment growth and for improving the competitiveness of the Union economy. Trade secrets have an important role in protecting the exchange of knowledge between businesses, including in particular SMEs, and research institutions both within and across the borders of the internal market, in the context of research and development, and innovation. Trade secrets are one of the most commonly used forms of protection of intellectual creation and innovative know-how by businesses, yet at the same time they are the least protected by the existing Union legal framework against their unlawful acquisition, use or disclosure by other parties.

- (4) Innovative businesses are increasingly exposed to dishonest practices aimed at misappropriating trade secrets, such as theft, unauthorised copying, economic espionage or the breach of confidentiality requirements, whether from within or from outside of the Union. Recent developments, such as globalisation, increased outsourcing, longer supply chains, and the increased use of information and communication technology contribute to increasing the risk of those practices. The unlawful acquisition, use or disclosure of a trade secret compromises legitimate trade secret holders' ability to obtain first-mover returns from their innovation-related efforts. Without effective and comparable legal means for protecting trade secrets across the Union, incentives to engage in innovation-related cross-border activity within the internal market are undermined, and trade secrets are unable to fulfil their potential as drivers of economic growth and jobs. Thus, innovation and creativity are discouraged and investment diminishes, thereby affecting the smooth functioning of the internal market and undermining its growth-enhancing potential.
- (5) International efforts made in the framework of the World Trade Organisation to address this problem led to the conclusion of the Agreement on Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement). The TRIPS Agreement contains, inter alia, provisions on the protection of trade secrets against their unlawful acquisition, use or disclosure by third parties, which are common international standards. All Member States, as well as the Union itself, are bound by this Agreement which was approved by Council Decision 94/800/EC (3).
- (6) Notwithstanding the TRIPS Agreement, there are important differences in the Member States' legislation as regards the protection of trade secrets against their unlawful acquisition, use or disclosure by other persons. For example, 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 scope of protection is not readily accessible and that scope differs across the Member States. Furthermore, there is no consistency as regards the civil

law remedies available in the event of unlawful acquisition, use or disclosure of trade secrets, as cease and desist orders are not always available in all Member States against third parties who are not competitors of the legitimate trade secret holder. Divergences also exist across the Member States with respect to the treatment of a third party who has acquired the trade secret in good faith but subsequently learns, at the time of use, that the acquisition derived from a previous unlawful acquisition by another party.

- (7) National rules also differ as to whether legitimate trade secret holders are allowed to seek the destruction of goods produced by third parties who use trade secrets unlawfully, or the return or destruction of any documents, files or materials containing or embodying the unlawfully acquired or used trade secret. Furthermore, applicable national rules on the calculation of damages do not always take account of the intangible nature of trade secrets, which makes it difficult to demonstrate the actual profits lost or the unjust enrichment of the infringer where no market value can be established for the information in question. Only a few Member States allow for the application of abstract rules on the calculation of damages based on the reasonable royalty or fee which could have been due had a licence for the use of the trade secret existed. Additionally, many national rules do not provide for appropriate protection of the confidentiality of a trade secret where the trade secret holder introduces a claim for alleged unlawful acquisition, use or disclosure of the trade secret by a third party, thereby reducing the attractiveness of the existing measures and remedies and weakening the protection offered.
- (8) The differences in the legal protection of trade secrets provided for by the Member States imply that trade secrets do not enjoy an equivalent level of protection throughout the Union, thus leading to fragmentation of the internal market in this area and a weakening of the overall deterrent effect of the relevant rules. The internal market is affected in so far as such differences lower the incentives for businesses to undertake innovation-related cross-border economic activity, including research cooperation or production cooperation with partners, outsourcing or investment in other Member States, which depends on the use of information that enjoys protection as trade secrets. Cross-border network research and development, as well as innovation-related activities, including related production and subsequent cross-border trade, are rendered less attractive and more difficult within the Union, thus also resulting in Union-wide innovation-related inefficiencies.
- (9) In addition, there is a higher risk for businesses in Member States with comparatively lower levels of protection, due to the fact that trade secrets may be stolen or otherwise unlawfully acquired more easily. This leads to inefficient



allocation of capital to growth-enhancing innovation within the internal market because of the higher expenditure on protective measures to compensate for the insufficient legal protection in some Member States. It also favours the activity of unfair competitors who, subsequent to the unlawful acquisition of trade secrets, could spread goods resulting from such acquisition across the internal market. Differences in legislative regimes also facilitate the importation of goods from third countries into the Union through entry points with weaker protection, when the design, production or marketing of those goods rely on stolen or otherwise unlawfully acquired trade secrets. On the whole, such differences hinder the proper functioning of the internal market.

- (10) It is appropriate to provide for rules at Union level to approximate the laws of the Member States so as to ensure that there is a sufficient and consistent level of civil redress in the internal market in the event of unlawful acquisition, use or disclosure of a trade secret. Those rules should be without prejudice to the possibility for Member States of providing for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets, as long as the safeguards explicitly provided for in this Directive for protecting the interests of other parties are respected.
- (11) This Directive should not affect the application of Union or national rules that require the disclosure of information, including trade secrets, to the public or to public authorities. Nor should it affect the application of rules that allow public authorities to collect information for the performance of their duties, or rules that allow or require any subsequent disclosure by those public authorities of relevant information to the public. Such rules include, in particular, rules on the disclosure by the Union's institutions and bodies or national public authorities of business-related information they hold pursuant to Regulation (EC) No 1049/2001 of the European Parliament and of the Council (4), Regulation (EC) No 1367/2006 of the European Parliament and of the Council (5) and Directive 2003/4/EC of the European Parliament and of the Council (6), or pursuant to other rules on public access to documents or on the transparency obligations of national public authorities.
- (12) This Directive should not affect the right of social partners to enter into collective agreements, where provided for under labour law, as regards any obligation not to disclose a trade secret or to limit its use, and the consequences of a breach of such an obligation by the party subject to it. This should be on the condition that any such collective agreement does not restrict the exceptions laid down in this Directive when an application for measures, procedures or remedies provided for in this Directive for alleged acquisition, use or disclosure of a trade secret is to be dismissed.

- (13) This Directive should not be understood as restricting the freedom of establishment, the free movement of workers or the mobility of workers as provided for in Union law. Nor is it intended to affect the possibility of concluding non-competition agreements between employers and employees, in accordance with applicable law.
- (14) It is important to establish a homogenous definition of a trade secret without restricting the subject matter to be protected against misappropriation. Such definition should therefore be constructed so as to cover know-how, business information and technological information where there is both a legitimate interest in keeping them confidential and a legitimate expectation that such confidentiality will be preserved. Furthermore, such know-how or information should have a commercial value, whether actual or potential. Such know-how or information should be considered to have a commercial value, for example, where its unlawful acquisition, use or disclosure is likely to harm the interests of the person lawfully controlling it, in that it undermines that person's scientific and technical potential, business or financial interests, strategic positions or ability to compete. The definition of trade secret excludes trivial information and the experience and skills gained by employees in the normal course of their employment, and also excludes information which is generally known among, or is readily accessible to, persons within the circles that normally deal with the kind of information in question.
- (15) It is also important to identify the circumstances in which legal protection of trade secrets is justified. For this reason, it is necessary to establish the conduct and practices which are to be regarded as unlawful acquisition, use or disclosure of a trade secret.
- (16) In the interest of innovation and to foster competition, the provisions of this Directive should not create any exclusive right to know-how or information protected as trade secrets. Thus, the independent discovery of the same know-how or information should remain possible. Reverse engineering of a lawfully acquired product should be considered as a lawful means of acquiring information, except when otherwise contractually agreed. The freedom to enter into such contractual arrangements can, however, be limited by law.
- (17) In some industry sectors, where creators and innovators cannot benefit from exclusive rights and where innovation has traditionally relied upon trade secrets, products can nowadays be easily reverse-engineered once in the market. In such cases, those creators and innovators can be victims of practices such as parasitic copying or slavish imitations that free-ride on their reputation and innovation efforts. Some national laws dealing with unfair competition address those practices. While this Directive does not aim to reform or harmonise the law on

unfair competition in general, it would be appropriate that the Commission carefully examine the need for Union action in that area.

- (18) Furthermore, the acquisition, use or disclosure of trade secrets, whenever imposed or permitted by law, should be treated as lawful for the purposes of this Directive. This concerns, in particular, the acquisition and disclosure of trade secrets in the context of the exercise of the rights of workers' representatives to information, consultation and participation in accordance with Union law and national laws and practices, and the collective defence of the interests of workers and employers, including co-determination, as well as the acquisition or disclosure of a trade secret in the context of statutory audits performed in accordance with Union or national law. However, such treatment of the acquisition of a trade secret as lawful should be without prejudice to any obligation of confidentiality as regards the trade secret or any limitation as to its use that Union or national law imposes on the recipient or acquirer of the information. In particular, this Directive should not release public authorities from the confidentiality obligations to which they are subject in respect of information passed on by trade secret holders, irrespective of whether those obligations are laid down in Union or national law. Such confidentiality obligations include, inter alia, the obligations in respect of information forwarded to contracting authorities in the context of procurement procedures, as laid down, for example, in Directive 2014/23/EU of the European Parliament and of the Council (7), Directive 2014/24/EU of the European Parliament and of the Council (8) and Directive 2014/25/EU of the European Parliament and of the Council (9).
- (19) While this Directive provides for measures and remedies which can consist of preventing the disclosure of information in order to protect the confidentiality of trade secrets, it is essential that the exercise of the right to freedom of expression and information which encompasses media freedom and pluralism, as reflected in Article 11 of the Charter of Fundamental Rights of the European Union ('the Charter'), not be restricted, in particular with regard to investigative journalism and the protection of journalistic sources.
- (20) The measures, procedures and remedies provided for in this Directive should not restrict whistleblowing activity. Therefore, the protection of trade secrets should not extend to cases in which disclosure of a trade secret serves the public interest, insofar as directly relevant misconduct, wrongdoing or illegal activity is revealed. This should not be seen as preventing the competent judicial authorities from allowing an exception to the application of measures, procedures and remedies in a case where the respondent had every reason to

believe in good faith that his or her conduct satisfied the appropriate criteria set out in this Directive.

- (21) In line with the principle of proportionality, measures, procedures and remedies intended to protect trade secrets should be tailored to meet the objective of a smooth-functioning internal market for research and innovation, in particular by deterring the unlawful acquisition, use and disclosure of a trade secret. Such tailoring of measures, procedures and remedies should not jeopardise or undermine fundamental rights and freedoms or the public interest, such as public safety, consumer protection, public health and environmental protection, and should be without prejudice to the mobility of workers. In this respect, the measures, procedures and remedies provided for in this Directive are aimed at ensuring that competent judicial authorities take into account factors such as the value of a trade secret, the seriousness of the conduct resulting in the unlawful acquisition, use or disclosure of the trade secret and the impact of such conduct. It should also be ensured that the competent judicial authorities have the discretion to weigh up the interests of the parties to the legal proceedings, as well as the interests of third parties including, where appropriate, consumers.
- (22) The smooth-functioning of the internal market would be undermined if the measures, procedures and remedies provided for were used to pursue illegitimate intents incompatible with the objectives of this Directive. Therefore, it is important to empower judicial authorities to adopt appropriate measures with regard to applicants who act abusively or in bad faith and submit manifestly unfounded applications with, for example, the aim of unfairly delaying or restricting the respondent's access to the market or otherwise intimidating or harassing the respondent.
- (23) In the interest of legal certainty, and considering that legitimate trade secret holders are expected to exercise a duty of care as regards the preservation of the confidentiality of their valuable trade secrets and the monitoring of their use, it is appropriate to restrict substantive claims or the possibility of initiating actions for the protection of trade secrets to a limited period. National law should also specify, in a clear and unambiguous manner, from when that period is to begin to run and under what circumstances that period is to be interrupted or suspended.
- (24) The prospect of losing the confidentiality of a trade secret in the course of legal proceedings often deters legitimate trade secret holders from instituting legal proceedings to defend their trade secrets, thus jeopardising the effectiveness of the measures, procedures and remedies provided for. For this reason, it is necessary to establish, subject to appropriate safeguards ensuring the right to an effective remedy and to a fair trial, specific requirements aimed at protecting

the confidentiality of the litigated trade secret in the course of legal proceedings instituted for its defence. Such protection should remain in force after the legal proceedings have ended and for as long as the information constituting the trade secret is not in the public domain.

- (25) Such requirements should include, as a minimum, the possibility of restricting the circle of persons entitled to have access to evidence or hearings, bearing in mind that all such persons should be subject to the confidentiality requirements set out in this Directive, and of publishing only the non-confidential elements of judicial decisions. In this context, considering that assessing the nature of the information which is the subject of a dispute is one of the main purposes of legal proceedings, it is particularly important to ensure both the effective protection of the confidentiality of trade secrets and respect for the right of the parties to those proceedings to an effective remedy and to a fair trial. The restricted circle of persons should therefore consist of at least one natural person from each of the parties as well as the respective lawyers of the parties and, where applicable, other representatives appropriately qualified in accordance with national law in order to defend, represent or serve the interests of a party in legal proceedings covered by this Directive, who should all have full access to such evidence or hearings. In the event that one of the parties is a legal person, that party should be able to propose a natural person or natural persons who ought to form part of that circle of persons so as to ensure proper representation of that legal person, subject to appropriate judicial control to prevent the objective of the restriction of access to evidence and hearings from being undermined. Such safeguards should not be understood as requiring the parties to be represented by a lawyer or another representative in the course of legal proceedings where such representation is not required by national law. Nor should they be understood as restricting the competence of the courts to decide, in conformity with the applicable rules and practices of the Member State concerned, whether and to what extent relevant court officials should also have full access to evidence and hearings for the exercise of their duties.
- (26) The unlawful acquisition, use or disclosure of a trade secret by a third party could have devastating effects on the legitimate trade secret holder, as once publicly disclosed, it would be impossible for that holder to revert to the situation prior to the loss of the trade secret. As a result, it is essential to provide for fast, effective and accessible provisional measures for the immediate termination of the unlawful acquisition, use or disclosure of a trade secret, including where it is used for the provision of services. It is essential that such relief be available without having to await a decision on the merits of the case, while having due respect for the right of defence and the principle of

proportionality, and having regard to the characteristics of the case. In certain instances, it should be possible to permit the alleged infringer, subject to the lodging of one or more guarantees, to continue to use the trade secret, in particular where there is little risk that it will enter the public domain. It should also be possible to require guarantees of a level sufficient to cover the costs and the injury caused to the respondent by an unjustified application, particularly where any delay would cause irreparable harm to the legitimate trade secret holder.

- (27) For the same reasons, it is also important to provide for definitive measures to prevent unlawful use or disclosure of a trade secret, including where it is used for the provision of services. For such measures to be effective and proportionate, their duration, when circumstances require a limitation in time, should be sufficient to eliminate any commercial advantage which the third party could have derived from the unlawful acquisition, use or disclosure of the trade secret. In any event, no measure of this type should be enforceable if the information originally covered by the trade secret is in the public domain for reasons that cannot be attributed to the respondent.
- (28) It is possible that a trade secret could be used unlawfully to design, produce or market goods, or components thereof, which could be spread across the internal market, thus affecting the commercial interests of the trade secret holder and the functioning of the internal market. In such cases, and when the trade secret in question has a significant impact on the quality, value or price of the goods resulting from that unlawful use or on reducing the cost of, facilitating or speeding up their production or marketing processes, it is important to empower judicial authorities to order effective and appropriate measures with a view to ensuring that those goods are not put on the market or are withdrawn from it. Considering the global nature of trade, it is also necessary that such measures include the prohibition of the importation of those goods into the Union or their storage for the purposes of offering or placing them on the market. Having regard to the principle of proportionality, corrective measures should not necessarily entail the destruction of the goods if other viable options are present, such as depriving the good of its infringing quality or the disposal of the goods outside the market, for example, by means of donations to charitable organisations.
- (29) A person could have originally acquired a trade secret in good faith, but only become aware at a later stage, including upon notice served by the original trade secret holder, that that person's knowledge of the trade secret in question derived from sources using or disclosing the relevant trade secret in an unlawful manner. In order to avoid, under those circumstances, the corrective measures or

injunctions provided for causing disproportionate harm to that person, Member States should provide for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure. Such compensation should not, however, exceed the amount of royalties or fees which would have been due had that person obtained authorisation to use the trade secret in question, for the period of time for which use of the trade secret could have been prevented by the original trade secret holder. Nevertheless, where the unlawful use of the trade secret would constitute an infringement of law other than that provided for in this Directive or would be likely to harm consumers, such unlawful use should not be allowed.

- (30) In order to avoid a person who knowingly, or with reasonable grounds for knowing, unlawfully acquires, uses or discloses a trade secret being able to benefit from such conduct, and to ensure that the injured trade secret holder, to the extent possible, is placed in the position in which he, she or it would have been had that conduct not taken place, it is necessary to provide for adequate compensation for the prejudice suffered as a result of that unlawful conduct. The amount of damages awarded to the injured trade secret holder should take account of all appropriate factors, such as loss of earnings incurred by the trade secret holder or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the trade secret holder. As an alternative, for example where, considering the intangible nature of trade secrets, it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due had the infringer requested authorisation to use the trade secret in question. The aim of that alternative method is not to introduce an obligation to provide for punitive damages, but to ensure compensation based on an objective criterion while taking account of the expenses incurred by the trade secret holder, such as the costs of identification and research. This Directive should not prevent Member States from providing in their national law that the liability for damages of employees is restricted in cases where they have acted without intent.
- (31) As a supplementary deterrent to future infringers and to contribute to the awareness of the public at large, it is useful to publicise decisions, including, where appropriate, through prominent advertising, in cases concerning the unlawful acquisition, use or disclosure of trade secrets, on the condition that such publication does not result in the disclosure of the trade secret or disproportionately affect the privacy and reputation of a natural person.
- (32) The effectiveness of the measures, procedures and remedies available to trade secret holders could be undermined in the event of non-compliance with the

relevant decisions adopted by the competent judicial authorities. For this reason, it is necessary to ensure that those authorities enjoy the appropriate powers of sanction.

- (33) In order to facilitate the uniform application of the measures, procedures and remedies provided for in this Directive, it is appropriate to provide for systems of cooperation and the exchange of information as between Member States on the one hand, and between the Member States and the Commission on the other, in particular by creating a network of correspondents designated by Member States. In addition, in order to review whether those measures fulfil their intended objective, the Commission, assisted, as appropriate, by the European Union Intellectual Property Office, should examine the application of this Directive and the effectiveness of the national measures taken.
- (34) This Directive respects the fundamental rights and observes the principles recognised in particular by the Charter, notably the right to respect for private and family life, the right to protection of personal data, the freedom of expression and information, the freedom to choose an occupation and right to engage in work, the freedom to conduct a business, the right to property, the right to good administration, and in particular the access to files, while respecting business secrecy, the right to an effective remedy and to a fair trial and the right of defence.
- (35) It is important that the rights to respect for private and family life and to protection of personal data of any person whose personal data may be processed by the trade secret holder when taking steps to protect a trade secret, or of any person involved in legal proceedings concerning the unlawful acquisition, use or disclosure of trade secrets under this Directive, and whose personal data are processed, be respected. Directive 95/46/EC of the European Parliament and of the Council (10) governs the processing of personal data carried out in the Member States in the context of this Directive and under the supervision of the Member States' competent authorities, in particular the public independent authorities designated by the Member States. Thus, this Directive should not affect the rights and obligations laid down in Directive 95/46/EC, in particular the rights of the data subject to access his or her personal data being processed and to obtain the rectification, erasure or blocking of the data where it is incomplete or inaccurate and, where appropriate, the obligation to process sensitive data in accordance with Article 8(5) of Directive 95/46/EC.
- (36) Since the objective of this Directive, namely to achieve a smooth-functioning internal market by means of the establishment of a sufficient and comparable level of redress across the internal market in the event of the unlawful acquisition, use or disclosure of a trade secret, cannot be sufficiently achieved

- by Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective.
- (37) This Directive does not aim to establish harmonised rules for judicial cooperation, jurisdiction, the recognition and enforcement of judgments in civil and commercial matters, or deal with applicable law. Other Union instruments which govern such matters in general terms should, in principle, remain equally applicable to the field covered by this Directive.
- (38) This Directive should not affect the application of competition law rules, in particular Articles 101 and 102 of the Treaty on the Functioning of the European Union ('TFEU'). The measures, procedures and remedies provided for in this Directive should not be used to restrict unduly competition in a manner contrary to the TFEU.
- (39) This Directive should not affect the application of any other relevant law in other areas, including intellectual property rights and the law of contract. However, where the scope of application of Directive 2004/48/EC of the European Parliament and of the Council (11) and the scope of this Directive overlap, this Directive takes precedence as *lex specialis*.
- (40) The European Data Protection Supervisor was consulted in accordance with Article 28(2) of Regulation (EC) No 45/2001 of the European Parliament and of the Council (12) and delivered an opinion on 12 March 2014,

HAVE ADOPTED THIS DIRECTIVE:

## CHAPTER I

### Subject matter and scope

#### Article 1

##### Subject matter and scope

1. This Directive lays down rules on the protection against the unlawful acquisition, use and disclosure of trade secrets.  
Member States may, in compliance with the provisions of the TFEU, provide for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than that required by this Directive, provided that compliance with Articles 3, 5, 6, Article 7(1), Article 8, the second subparagraph of Article 9(1), Article 9(3) and (4), Article 10(2), Articles 11, 13 and Article 15(3) is ensured.
2. This Directive shall not affect:
  - (a) the exercise of the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
  - (b) the application of Union or national rules requiring trade secret holders to disclose, for reasons of public interest, information, including trade secrets, to the public or to administrative or judicial authorities for the performance of the duties of those authorities;
  - (c) the application of Union or national rules requiring or allowing Union institutions and bodies or national public authorities to disclose information submitted by businesses which those institutions, bodies or authorities hold pursuant to, and in compliance with, the obligations and prerogatives set out in Union or national law;
  - (d) the autonomy of social partners and their right to enter into collective agreements, in accordance with Union law and national laws and practices.
3. Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees. In particular, in relation to the exercise of such mobility, this Directive shall not offer any ground for:
  - (a) limiting employees' use of information that does not constitute a trade secret as defined in point (1) of Article 2;
  - (b) limiting employees' use of experience and skills honestly acquired in the normal course of their employment;

- (c) imposing any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.

## Article 2

### Definitions

For the purposes of this Directive, the following definitions apply:

- (1) 'trade secret' means information which meets all of the following requirements:
  - (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
  - (b) it has commercial value because it is secret;
  - (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;
- (2) 'trade secret holder' means any natural or legal person lawfully controlling a trade secret;
- (3) 'infringer' means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret;
- (4) 'infringing goods' means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

## CHAPTER II

### Acquisition, use and disclosure of trade secrets

#### Article 3

##### Lawful acquisition, use and disclosure of trade secrets

- I. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:
  - (a) independent discovery or creation;
  - (b) 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;

- (c) exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices;
  - (d) any other practice which, under the circumstances, is in conformity with honest commercial practices.
- 2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.

#### Article 4

##### Unlawful acquisition, use and disclosure of trade secrets

- 1. Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.
- 2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:
  - (a) 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;
  - (b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.
- 3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:
  - (a) having acquired the trade secret unlawfully;
  - (b) being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;
  - (c) being in breach of a contractual or any other duty to limit the use of the trade secret.
- 4. The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret

- had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.
5. The production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully within the meaning of paragraph 3.

#### Article 5 Exceptions

Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

- (a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
- (b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;
- (c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;
- (d) for the purpose of protecting a legitimate interest recognised by Union or national law.

### CHAPTER III Measures, procedures and remedies

#### Section 1 General provisions

#### Article 6 General obligation

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

2. The measures, procedures and remedies referred to in paragraph 1 shall:
- (a) be fair and equitable;
  - (b) not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays; and
  - (c) be effective and dissuasive.

#### Article 7 Proportionality and abuse of process

1. The measures, procedures and remedies provided for in this Directive shall be applied in a manner that:
- (a) is proportionate;
  - (b) avoids the creation of barriers to legitimate trade in the internal market; and
  - (c) provides for safeguards against their abuse.
2. Member States shall ensure that competent judicial authorities may, upon the request of the respondent, apply appropriate measures as provided for in national law, where an application concerning the unlawful acquisition, use or disclosure of a trade secret is manifestly unfounded and the applicant is found to have initiated the legal proceedings abusively or in bad faith. Such measures may, as appropriate, include awarding damages to the respondent, imposing sanctions on the applicant or ordering the dissemination of information concerning a decision as referred to in Article 15.
- Member States may provide that measures as referred to in the first subparagraph are dealt with in separate legal proceedings.

#### Article 8 Limitation period

1. Member States shall, in accordance with this Article, lay down rules on the limitation periods applicable to substantive claims and actions for the application of the measures, procedures and remedies provided for in this Directive.
- The rules referred to in the first subparagraph shall determine when the limitation period begins to run, the duration of the limitation period and the circumstances under which the limitation period is interrupted or suspended.
2. The duration of the limitation period shall not exceed 6 years.

## Article 9

### Preservation of confidentiality of trade secrets in the course of legal proceedings

1. Member States shall ensure that the parties, their lawyers or other representatives, court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or who has access to documents which form part of those legal proceedings, are not permitted to use or disclose any trade secret or alleged trade secret which the competent judicial authorities have, in response to a duly reasoned application by an interested party, identified as confidential and of which they have become aware as a result of such participation or access. In that regard, Member States may also allow competent judicial authorities to act on their own initiative.

The obligation referred to in the first subparagraph shall remain in force after the legal proceedings have ended. However, such obligation shall cease to exist in any of the following circumstances:

- (a) where the alleged trade secret is found, by a final decision, not to meet the requirements set out in point (1) of Article 2; or
  - (b) where over time, the information in question becomes generally known among or readily accessible to persons within the circles that normally deal with that kind of information.
2. Member States shall also ensure that the competent judicial authorities may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret. Member States may also allow competent judicial authorities to take such measures on their own initiative.  
The measures referred to in the first subparagraph shall at least include the possibility:
    - (a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;
    - (b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons;
    - (c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version

of any judicial decision, in which the passages containing trade secrets have been removed or redacted.

The number of persons referred to in points (a) and (b) of the second subparagraph shall be no greater than necessary in order to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.

3. When deciding on the measures referred to in paragraph 2 and assessing their proportionality, the competent judicial authorities shall take into account the need to ensure the right to an effective remedy and to a fair trial, the legitimate interests of the parties and, where appropriate, of third parties, and any potential harm for either of the parties, and, where appropriate, for third parties, resulting from the granting or rejection of such measures.
4. Any processing of personal data pursuant to paragraphs 1, 2 or 3 shall be carried out in accordance with Directive 95/46/EC.

## Section 2

### Provisional and precautionary measures

## Article 10

### Provisional and precautionary measures

1. Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer:
  - (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis;
  - (b) 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;
  - (c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.
2. Member States shall ensure that the judicial authorities may, as an alternative to the measures referred to in paragraph 1, make the continuation of the alleged unlawful use of a trade secret subject to the lodging of guarantees intended to ensure the compensation of the trade secret holder. Disclosure of a trade secret in return for the lodging of guarantees shall not be allowed.



## Article 11

### Conditions of application and safeguards

1. Member States shall ensure that the competent judicial authorities have, in respect of the measures referred to in Article 10, the authority to require the applicant to provide evidence that may reasonably be considered available in order to satisfy themselves with a sufficient degree of certainty that:
  - (a) a trade secret exists;
  - (b) the applicant is the trade secret holder; and
  - (c) the trade secret has been acquired unlawfully, is being unlawfully used or disclosed, or unlawful acquisition, use or disclosure of the trade secret is imminent.
2. Member States shall ensure that in deciding on the granting or rejection of the application and assessing its proportionality, the competent judicial authorities shall be required to take into account the specific circumstances of the case, including, where appropriate:
  - (a) the value and other specific features of the trade secret;
  - (b) the measures taken to protect the trade secret;
  - (c) the conduct of the respondent in acquiring, using or disclosing the trade secret;
  - (d) the impact of the unlawful use or disclosure of the trade secret;
  - (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties;
  - (f) the legitimate interests of third parties;
  - (g) the public interest; and
  - (h) the safeguard of fundamental rights.
3. Member States shall ensure that the measures referred to in Article 10 are revoked or otherwise cease to have effect, upon the request of the respondent, if:
  - (a) the applicant does not institute legal proceedings leading to a decision on the merits of the case before the competent judicial authority, within a reasonable period determined by the judicial authority ordering the measures where the law of a Member State so permits or, in the absence of such determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer; or
  - (b) the information in question no longer meets the requirements of point (1) of Article 2, for reasons that cannot be attributed to the respondent.

4. Member States shall ensure that the competent judicial authorities may make the measures referred to in Article 10 subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the respondent and, where appropriate, by any other person affected by the measures.
5. Where the measures referred to in Article 10 are revoked on the basis of point (a) of paragraph 3 of this Article, where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no unlawful acquisition, use or disclosure of the trade secret or threat of such conduct, the competent judicial authorities shall have the authority to order the applicant, upon the request of the respondent or of an injured third party, to provide the respondent, or the injured third party, appropriate compensation for any injury caused by those measures.

Member States may provide that the request for compensation referred to in the first subparagraph is dealt with in separate legal proceedings.

## Section 3

### Measures resulting from a decision on the merits of the case

## Article 12

### Injunctions and corrective measures

1. Member States shall ensure that, where a judicial decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may, at the request of the applicant, order one or more of the following measures against the infringer:
  - (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret;
  - (b) 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;
  - (c) the adoption of the appropriate corrective measures with regard to the infringing goods;
  - (d) 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.
2. The corrective measures referred to in point (c) of paragraph 1 shall include:

- (a) recall of the infringing goods from the market;
  - (b) depriving the infringing goods of their infringing quality;
  - (c) 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.
3. Member States may provide that, when ordering the withdrawal of the infringing goods from the market, their competent judicial authorities may order, at the request of the trade secret holder, that the goods be delivered up to the holder or to charitable organisations.
  4. The competent judicial authorities shall order that the measures referred to in points (c) and (d) of paragraph 1 be carried out at the expense of the infringer, unless there are particular reasons for not doing so. Those measures shall be without prejudice to any damages that may be due to the trade secret holder by reason of the unlawful acquisition, use or disclosure of the trade secret.

#### Article 13

##### Conditions of application, safeguards and alternative measures

- I. Member States shall ensure that, in considering an application for the adoption of the injunctions and corrective measures provided for in Article 12 and assessing their proportionality, the competent judicial authorities shall be required to take into account the specific circumstances of the case, including, where appropriate:
  - (a) the value or other specific features of the trade secret;
  - (b) the measures taken to protect the trade secret;
  - (c) the conduct of the infringer in acquiring, using or disclosing the trade secret;
  - (d) the impact of the unlawful use or disclosure of the trade secret;
  - (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties;
  - (f) the legitimate interests of third parties;
  - (g) the public interest; and
  - (h) the safeguard of fundamental rights.

Where the competent judicial authorities limit the duration of the measures referred to in points (a) and (b) of Article 12(1), such duration shall be sufficient to eliminate any commercial or economic advantage that the infringer could have derived from the unlawful acquisition, use or disclosure of the trade secret.

2. Member States shall ensure that the measures referred to in points (a) and (b) of Article 12(1) are revoked or otherwise cease to have effect, upon the request of the respondent, if the information in question no longer meets the requirements of point (1) of Article 2 for reasons that cannot be attributed directly or indirectly to the respondent.
3. Member States shall provide that, at the request of the person liable to be subject to the measures provided for in Article 12, the competent judicial authority may order pecuniary 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.
 Where pecuniary compensation is ordered instead of the measures referred to in points (a) and (b) of Article 12(1), it shall not exceed the amount of royalties or fees which would have been due, had that person requested authorisation to use the trade secret in question, for the period of time for which use of the trade secret could have been prohibited.

#### Article 14

##### Damages

- I. Member States shall ensure that the competent judicial authorities, upon the request of the injured party, order an infringer who knew or ought to have known that he, she or it was engaging in unlawful acquisition, use or disclosure of a trade secret, to pay the trade secret holder damages appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret.
 

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.
2. When setting the damages referred to in paragraph 1, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the

trade secret holder by the unlawful acquisition, use or disclosure of the trade secret.

Alternatively, the competent 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.

#### Article 15

##### Publication of judicial decisions

1. Member States shall ensure that, in legal proceedings instituted for the unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the decision, including publishing it in full or in part.
2. Any measure referred to in paragraph 1 of this Article shall preserve the confidentiality of trade secrets as provided for in Article 9.
3. In deciding whether to order a measure referred to in paragraph 1 and when assessing its proportionality, the competent judicial authorities shall take into account, where appropriate, the value of the trade secret, the conduct of the infringer in acquiring, using or disclosing the trade secret, the impact of the unlawful use or disclosure of the trade secret, and the likelihood of further unlawful use or disclosure of the trade secret by the infringer.

The competent judicial authorities shall also take into account whether the information on the infringer would be such as to allow a natural person to be identified and, if so, whether publication of that information would be justified, in particular in the light of the possible harm that such measure may cause to the privacy and reputation of the infringer.

## CHAPTER IV

### Sanctions, reporting and final provisions

#### Article 16

##### Sanctions for non-compliance with this Directive

Member States shall ensure that the competent judicial authorities may impose sanctions on any person who fails or refuses to comply with any measure adopted pursuant to Articles 9, 10 and 12.

The sanctions provided for shall include the possibility of imposing recurring penalty payments in the event of non-compliance with a measure adopted pursuant to Articles 10 and 12.

The sanctions provided for shall be effective, proportionate and dissuasive.

#### Article 17

##### Exchange of information and correspondents

For the purpose of promoting cooperation, including the exchange of information, among Member States and between Member States and the Commission, each Member State shall designate one or more national correspondents for any question relating to the implementation of the measures provided for by this Directive. It shall communicate the details of the national correspondent or correspondents to the other Member States and the Commission.

#### Article 18

##### Reports

1. By 9 June 2021, the European Union Intellectual Property Office, in the context of the activities of the European Observatory on Infringements of Intellectual Property Rights, shall prepare an initial report on the litigation trends regarding the unlawful acquisition, use or disclosure of trade secrets pursuant to the application of this Directive.
2. By 9 June 2022, the Commission shall draw up an intermediate report on the application of this Directive, and shall submit it to the European Parliament and to the Council. That report shall take due account of the report referred to in paragraph 1.  
The intermediate report shall examine, in particular, the possible effects of the application of this Directive on research and innovation, the mobility of employees and on the exercise of the right to freedom of expression and information.
3. By 9 June 2026, the Commission shall carry out an evaluation of the impact of this Directive and submit a report to the European Parliament and to the Council.

Article 19  
Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 9 June 2018. They shall immediately communicate the text of those measures to the Commission.  
When Member States adopt those measures, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.
2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 20  
Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Article 21  
Addressees

This Directive is addressed to the Member States.

Done at Strasbourg, 8 June 2016.

For the European Parliament

The President

M. SCHULZ

For the Council

The President

A.G. KOENDERS

- (1) OJ C 226, 16.7.2014, p. 48.
- (2) Position of the European Parliament of 14 April 2016 (not yet published in the Official Journal) and decision of the Council of 27 May 2016.
- (3) Council Decision 94/800/EC 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) (OJ L 336, 23.12.1994, p. 1).
- (4) Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (OJ L 145, 31.5.2001, p. 43).
- (5) Regulation (EC) No 1367/2006 of the European Parliament and of the Council of 6 September 2006 on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to Community institutions and bodies (OJ L 264, 25.9.2006, p. 13).
- (6) Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003 on public access to environmental information and repealing Council Directive 90/313/EEC (OJ L 41, 14.2.2003, p. 26).
- (7) Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1).
- (8) Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).
- (9) Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).
- (10) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31).
- (11) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004, p. 45).
- (12) Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).



