



International Distribution Institute

HOW TO PROTECT TRADE SECRETS

EU DIRECTIVE 2016/943



HOW TO PROTECT TRADE SECRETS

- Businesses value trade secrets as much as patents and other IP rights.
- Different legal rules within EU countries:
Unprecise definitions and protection.
- Directive 2016/943 provides definitions and principles.



DEFINITION OF TRADE SECRETS

Information that meets all these requirements:

- To be secret: not generally known or accessible
- To have commercial value because of its secret character
- To have been subject to measures to keep it secret



DEFINITION OF TRADE SECRETS

Includes:

- Technical knowledge
- Commercial data: information on customers and suppliers
- Business plans
- Market research
- Strategies



DEFINITION OF TRADE SECRETS

There should be a legitimate interest in keeping the information confidential

and

There should be a legitimate expectation that the confidentiality will be preserved



DEFINITION OF TRADE SECRETS

The information should have commercial value, real or potential: its unlawful disclosure could damage the interests of the legal owner.



EMPLOYEES

Information and capabilities acquired by employees during the normal course of their career is not a commercial secret.

Non compete agreements are valid, subject to limits and requirements provided by each national law.



LAWFUL ACQUISITION

- a) Independent discovery or creation
- b) Observation, study, disassembly or testing of a product legally acquired if the acquirer is free from a duty to keep the secrecy.
- c) Workers' representatives right to information according to national laws. But does not allow disclosure or commercial exploitation.
- d) Any other practice which, under the circumstances, is in conformity with honest practices.



UNLAWFUL ACQUISITION

- a) Unauthorised access to, appropriation of, copying of any documents, objects, materials, substances or e-files, which are under the control of the trade secret holder.
- b) Any other conduct which, under the circumstances, is considered contrary to honest practices.
- c) Acquisition from a person that has acquired the information unlawfully, or in breach of confidentiality agreement



EXCLUSIVITY

The provisions of the Directive should not create any exclusive right to know-how or information protected as trade secret.

The independent discovery of the same know how or onfirmation should remain possible.

Revrese engineering: posible unless otherwise contractually agreed,



TIME LIMIT

Member States should establish a time limit for the exercise of the legal actions, not longer than 6 years.

Member States should clearly establish when the period starts to run and under what circumstances is it interrupted or suspended.



COMPENSATIONS

Could include:

- Lost profits
- Unfair profits made by the infringer
- Moral prejudice caused to the trade secret holder
- Alternatively, a lump sum on the amount or royalties or fees which would have been due

Employees: their liability could be limited if they cause damages without intent.



TRADE SECRETS PROTECTION PLAN

1. Create an in-house working team: one member from at least the following departments: HRR, IT, R&D and Legal.
2. Make an inventory of the existing commercial secrets; identify the departments that hold them or will develop them.
3. State the secret character of the information.
4. Evaluate the existing protection measures: specially review the company's policy regarding use of IT: PC's, laptops, smartphones, pen-drives, e-mail, VPN, data bases, etc.



TRADE SECRETS PROTECTION PLAN

5. Evaluate and, if necessary, re-draft, confidentiality and non competition clauses in labor agreements. Different categories of employees may have different clauses.
6. Review and, if necessary, amend the company's policy regarding monitoring the employees' use of the company's tools (e-mail, smartphones, etc.).
7. Review procedure applicable at dismissals. Make sure dismissed employees do not have remote access to the company's information.



TRADE SECRETS PROTECTION PLAN

8. Review what information is disclosed to other parties: board members, shareholders, purveyors, clients, franchisees or distributors, etc.
9. Draft the necessary confidentiality clauses, including recommendations and policies to avoid involuntary or careless disclosure of information.
10. Create a protocol including the above actions and follow its implementation.
11. Franchising companies: adapt and, if necessary, simplify, the protocol and apply to franchisees.



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Thank you!

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