

Bird & Bird

Practical challenges of trade secrets protection in a digital environment

Domien Op de Beeck

IP for the EU in a world of challenges

Zagreb, 20 February 2020

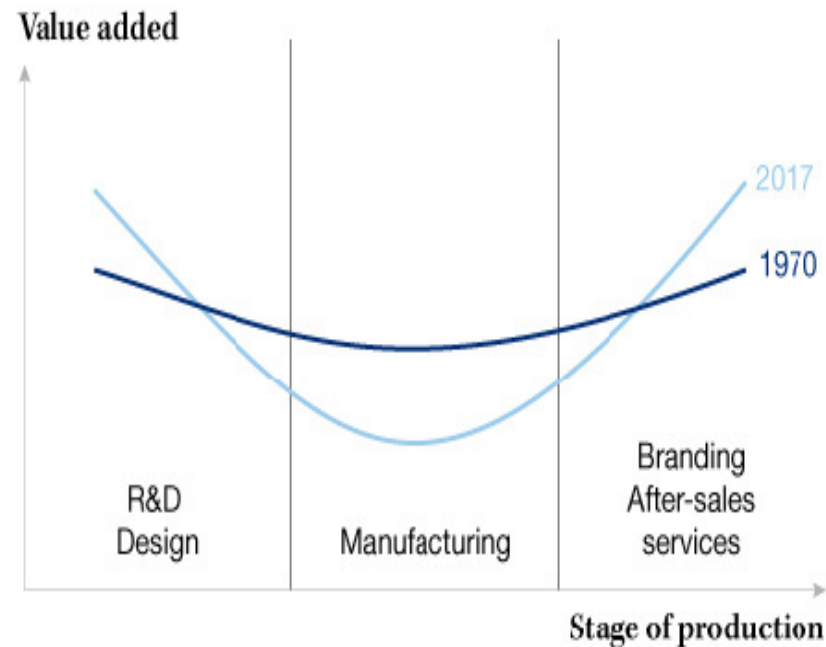


Trade secrets in a digital environment

Setting the scene

Setting the scene – why are we here?

Production in the 21st century – a growing smile





Trade Secret protection

What did the European Directive bring?

Trade Secrets Directive

Awareness

- **TRIPs treaty**
 - Recognising trade secrets since 1994 (art. 39.2)
 - Big demand by industry
- **EU Trade Secrets directive (2016-2018)**
- **Other recent legal changes throughout the world**
 - Japan changes its Unfair Competition Prevention Act (2015)
 - US Defend Trade Secrets Act (2016)
 - China changes Anti-Unfair Competition Law (2019)

Trade Secrets Directive

Structure

Four areas of harmonisation

- Definition of a 'trade secret'
- Articulates circumstances in which the acquisition, use or disclosure is lawful/unlawful
- Measures the Courts can use to protect trade secrets during legal proceedings
- Remedies available after unauthorised acquisition, use or disclosure of trade secrets

Not "full" harmonization

(minimum harmonisation, so more extensive protection is permitted in national law)

Does not address criminal law

(but some Member States have used the opportunity to update their criminal law)

No new tools for collection of evidence

'Trade secret' – one definition

- Information which meets all of the following requirements

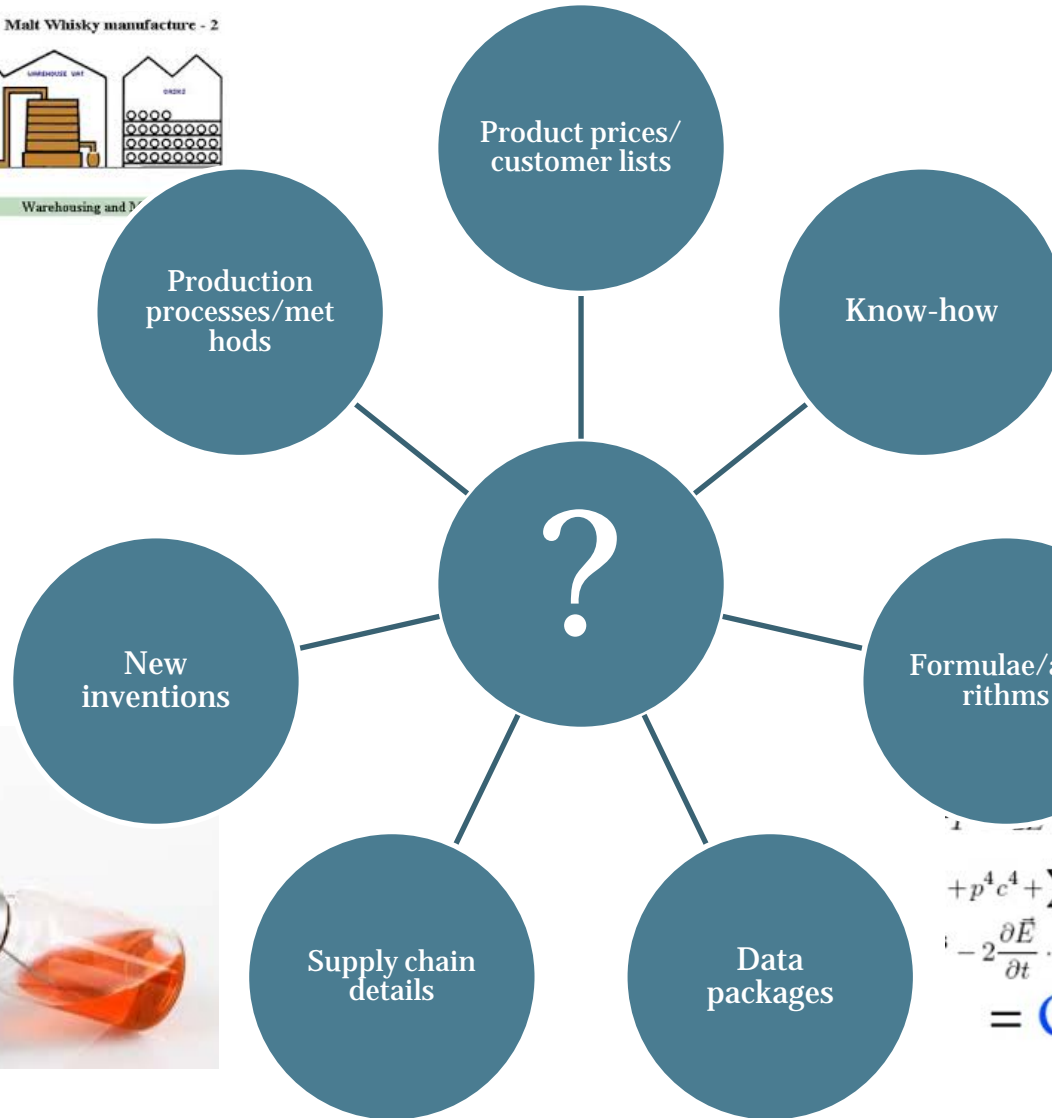
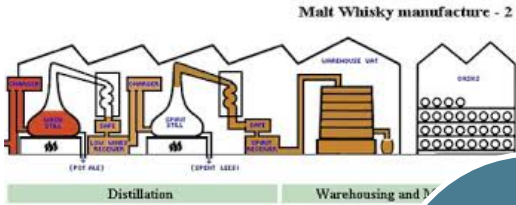
it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

it has commercial value because it is secret;

it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.



'Trade Secret' – broad definition

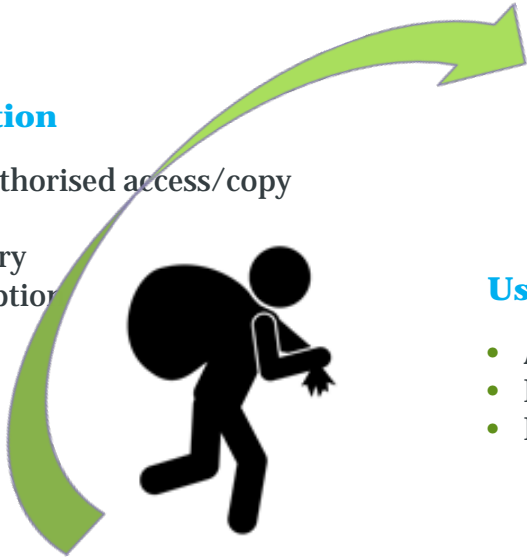


$$\begin{aligned}
 & \dots + p^2 V^2 - 2\Phi\sigma T^4 + \sum \vec{F}_{ext} \cdot \dots \\
 & \dots - m^2 c^4 - \delta Q^2 + m^4 c^8 + \frac{d\vec{L}_O}{dt} \cdot \frac{d\vec{L}_t}{dt} \\
 & + p^4 c^4 + \sum \vec{M}_{ext} \cdot \sum \vec{M}_{ext} + n^2 R^2 T^2 - : \\
 & \dots - 2 \frac{\partial \vec{E}}{\partial t} \cdot \text{rot} \vec{B} + E^4 - \frac{4hc^2}{\lambda^5} \frac{1}{\exp(\frac{hc}{\lambda kT}) - 1} \\
 & = \text{GOOGLE}
 \end{aligned}$$

Trade secret protection: entire life cycle

Acquisition

- Unauthorised access/copy
- Theft
- Bribery
- Deception
- ...



Use or disclosure

- Acquired TS unlawfully
- Breached confidentiality agreement
- Breached legal contractual duty

Acquisition, use or disclosure

- of a TS obtained (in)directly from 3rd party
- if 3rd party used or disclosed the TS unlawfully
- and one knew or should have known that



Commercialising of infringing goods

- Produce, offer, market, import, export or store
- Significantly benefit from TS
- Knew or should have known illicit use



Trade Secrets enforcement

Some practical issues and considerations

Practical issues with enforcement

Evidence

- **Proving confidentiality/breach**
 - Burden of proof ?
 - A trade secret exists
 - The applicant is the trade secrets holder
 - A breach has occurred
- **Difficulties in collecting appropriate evidence**
 - In essence a self-proclaimed right (+ a negative fact)
 - Breach within the confinement of another company's premises
 - Clash of fundamental interests: finding proof v (employee) privacy
- **Legal means for obtaining/preserving evidence vary significantly**
 - Evidentiary seizure mostly un-available (exc. *descrizione*)
 - Forensic evidence likely to be essential

Practical issues with enforcement

Secrecy in court proceedings

- **Protection of trade secrets during proceedings**
 - Confidentiality clubs
 - Hearings within chambers
 - Several versions of judgment
 - General confidentiality obligation
- **Broad implementation in some countries**
 - Plaintiff and defendant
 - Different areas of law
 - A new dynamic altogether?

Practical issues with enforcement

Appropriate relief

- **Provisional measures & remedies**
 - Injunctive relief normally most important
 - Return/destruction of documents/data
 - Damages – quantification issues

- **Introducing: the concept of "*infringing goods*"**

"goods the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secret unlawfully acquired, used or disclosed"

- Secondary infringers (where does it stop?)
- Forum shopping

Practical issues with enforcement

Reasonable steps

- **Prime condition to qualify as a legal trade secret**
 - required to comply with legal standard (next to being secret and having value)
 - directive is written from perspective of trade secret holder, "controlling" a trade secret
- **Evidence:**
 - aids in proving a given acquisition, use or disclosure is unlawful (art. 4 TS Directive)
 - the "honestly acquired skills" problem
- **Relief:**
 - affects availability of (interim + final) relief other than damages (art. 11/13 Directive)
- **In practice:**
 - indispensable measure to effectively safeguard valuable assets

Practical issues with enforcement

Reasonable steps: company policies scrutinised ex post

Factors include:

- How information is sourced and accessed
- Degree of protection ascribed;
- The value ascribed (subjectively & objectively)

No magic ingredients...

- You make it work for yourself (or not) !

Circumstances change...

- Review and update

Practical issues with enforcement

Policies - review & adapt

- **Specialisation** -> outsourcing -> longer chain -> more inherent risk
- More employee/employer **mobility** (less loyalty?)
- **Globalisation**, delocalisation, more/new competition
- Proliferation of **digital technologies**
 - Communication means -> smaller world; ease and speed of copying
 - Reverse engineering has just become very easy (e.g. 3D printing)
- New threats (e.g. **cybercrime**)



Practical issues with enforcement - new reality



Michele D'Ottavio

Ransomware shuts down production at Flemish multinational

Colin Clapson
Mon 13 Jan 14:59

A cyber-attack partially incapacitated operations at West Flemish weaving machine producer Picanol. Plants in Ieper (Belgium), Romania and China are hit.

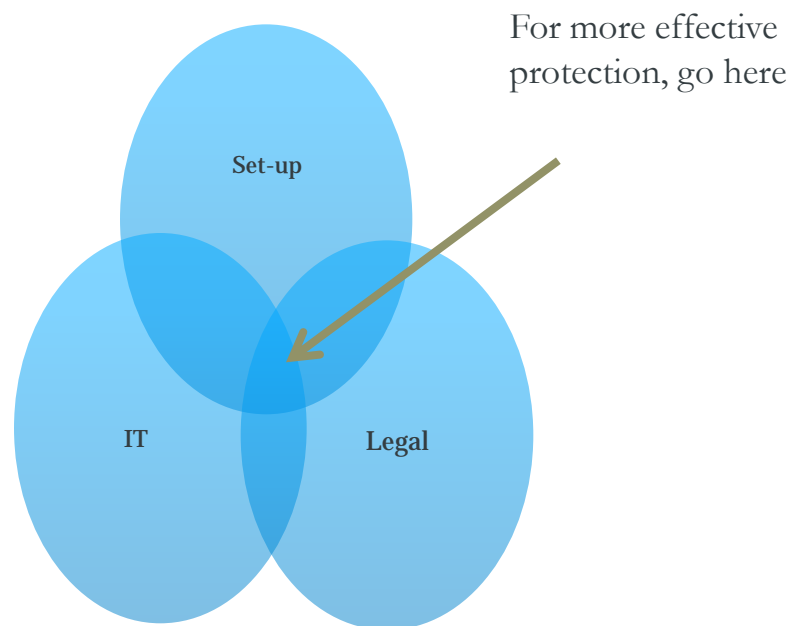
O vernight Picanol received the news that Chinese colleagues had been unable to log onto several IT systems. Also in Ieper there were problems.



Practical issues with enforcement

Policies - the main message

- Legislative frameworks can only work when they are use and accompanied by concrete measures
- Contracts are not enough. What is required is a professional, thought-through policy
 - ✓ Organisation
 - ✓ Technical/IT
 - ✓ Legal measures
- Prevention is better than any cure





Questions?

Thank you & Bird & Bird

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