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### **BUSINESSEUROPE PRELIMINARY COMMENTS TO COMMISSION PROPOSAL FOR A DIRECTIVE ON THE PROTECTION OF UNDISCLOSED KNOW-HOW AND BUSINESS INFORMATION (TRADE SECRETS) AGAINST THEIR UNLAWFUL ACQUISITION, USE AND DISCLOSURE**

BUSINESSEUROPE welcomes the Commission's proposal for a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. In this context, we would like to share our initial views on the proposed directive.

BUSINESSEUROPE members represent a wide range of industries across the EU. Many European companies rely on trade secrets to protect business confidential information.

The current fragmentation of divergent national rules means more business risk in sharing confidential information across borders. It also means more costs for companies to protect and enforce their trade secrets. This hampers innovation that increasingly relies on cooperation among businesses.

This is why the proposed directive is a positive step forward for European business and in particular SMEs. BUSINESSEUROPE supports the overall aim of protecting companies against theft and misuse of their know-how. It will also make technology transfer and investment in R & D more rewarding for companies and will make Europe more attractive as an investment location generating growth and jobs for European citizens.

BUSINESSEUROPE calls for rapid adoption of the proposal by the Council and the European Parliament.

The proposed directive contains a number of positive provisions. Among them, we strongly support the requirement that Member States ensure the confidentiality of trade secrets during legal proceedings in Article 8. The definitions of Article 2 and the outline of the unlawful acts in Article 3 are essential elements to harmonise the protection of trade secrets in the EU. We also welcome the provisions requiring Member States to provide remedies including injunctions to prevent the use or disclosure of trade secrets or the making, offering, or placing of infringing goods on the market.

At the same time, we believe that the proposal would benefit from some clarifications and improvements to ensure consistent implementation across the European Union, while maintaining the overall balanced approach.

The proposal includes a broad definition of "infringing goods". This definition encompasses goods and their components whose design, quality, value, manufacturing process or marketing "significantly benefits" from misappropriated trade secrets without further clarifying the concept of significant benefit.



Article 3 on "Unlawful acquisition, use and disclosure of trade secrets" could also consider products obtained with the use of misappropriated trade secrets or used beyond the limits of a license. It could also reflect cases for which the know-how has been licenced together with the sale and use of a machinery and then used independently from it beyond the limits of the licence.

Article 4 lists situations where acquisition of trade secrets shall be considered lawful and where e.g. damages or other measures listed in the directive are not possible to be awarded or used.

However, the specific situations listed in Article 4 paragraph 2 and its various subparagraphs lack clarity and could potentially contradict the objectives of the proposal. It is unclear when acquisition, use and disclosure of trade secrets does not lead to payment of damages. In addition, they could conflict with relevant national legislation regarding trade secrets protection (e.g. Contracts of Employment Act in Finland).

Article 4 paragraph 2 sub-paragraph (a) refers to the right of freedom of expression and information. Such a vague formulation could potentially be used in many situations. In sub-paragraph (b) (whistle-blowing), it is not stated to whom trade secrets can be revealed.

The formulation "as part of the legitimate exercise of their representative function" in sub-paragraph (c) is also too vague and could be used as a justification in almost any situation. It would be important to clarify that workers may disclose trade secrets to their representatives only when it is necessary for the representatives to be able to carry out their tasks – and if possible the word necessary should be linked to individual cases/disputes the representative is trying to solve (e.g. if there is a dispute over a bonus linked to the sales margin (could be a trade secret), the information of a sales margin could be disclosed to the representative of an employee in order to solve the individual dispute.

The purpose of sub-paragraphs (d) and (e) is unclear and too wide.

Finally, it appears unclear how the protection of trade secrets applies to a "recipient" of a trade secret (the disclosure of which is covered by Article 4 paragraph 2). Can such a recipient be held liable to pay damages?

The proposed directive introduces a number of helpful procedural and interim measures which will assist trade secret holders to keep their information confidential. Trade secret owners often face difficulties in obtaining the necessary evidence to show misuse of trade secrets and/or to demonstrate damages. Still the issues of evidence gathering (e.g. allowing civil ex parte search orders), empowering judicial authorities to compel defendants to present specific evidence to opposing parties and order defendants and other third parties to disclose information about infringing goods and their distribution chain are important to strengthen protection against misappropriation in the proposed legal framework.



Regarding damages, BUSINESSEUROPE considers it essential that trade secret holders are adequately compensated.

Finally, we also note that the limitation period for trade secret actions set out in Article 7 of the proposed directive is considerably shorter than what is currently the case for such actions in some Member States. We believe that a 3-6 years limitation period would be more appropriate.

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