

**PROTECTING TRADE SECRETS IN LITIGATION -  
THE IMPACT OF ARTICLE 9 OF THE EU  
TRADE SECRET DIRECTIVE ESPECIALLY ON FINNISH LAW**

Joanna Rindell  
600669  
Master's thesis  
OTMU2241 Advanced  
Studies in Law and  
Information Society  
University of Turku  
Faculty of Law  
May 2016

TURUN YLIOPISTO

Oikeustieteellinen tiedekunta

RINDELL JOANNA: PROTECTING TRADE SECRETS IN LITIGATION - THE  
IMPACT OF ARTICLE 9 OF THE EU TRADE SECRET DIRECTIVE  
ESPECIALLY ON FINNISH LAW

Pro gradu, XXI + 60

Immateriaalioikeus

Toukokuu 2016

Turun yliopiston laatujärjestelmän mukaisesti tämän julkaisun alkuperäisyys on tarkastettu Turnitin Originality Check -järjestelmällä. Opinnäytetyön ID tunnustenumero Turnitinissa on 675597599

---

In November 2013 the European Commission issued the “Proposal for a Directive on the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure” (referred to as “TSD”). The TSD offers minimum harmonisation and aims at promoting sharing of knowledge, and the exploitation of innovations on the Internal Market. The European Parliament adopted the TSD on April 14, 2016 and the EU Member States will have two years to implement it.

The TSD includes a harmonised definition of a trade secret that builds on the definition provided in Article 39 of the TRIPS Agreement. Moreover, it also ensures the freedom of expression and information and the protection of whistle-blowers. Appropriate means of actions and remedies against unlawful acquisition, use and disclosure of trade secrets are also included, such as provisional and pecuniary measures, injunctions and corrective measures or allocation of damages.

This study examines the protection of trade secrets in the course of litigation regulated in Article 9 of the TSD. Currently, the protection of trade secrets within the EU is fragmented especially in this regard, which makes companies reluctant to resort to litigation when a trade secret has unlawfully been misappropriated or it is suspected that a trade secret is being misused. The regulations in Article 9 expand only to the hearing in court. Such protection is welcomed and a step in the right direction. However, in my study I have found that in order for the protection to be sufficient there is a need to further establish measures to protect trade secrets during the entire process, from the filing of the claim to the end when the judgement is given. Consequently, I also discuss different measures that could be used to strengthen the protection of trade secrets before the hearing in court, as evidence are gathered.

\*\*\*

KEY WORDS/ASIASANAT: Trade Secret Directive, European Union, Article 9, TRIPS Agreement, trade secret, litigation, evidence, confidentiality, Finland, Germany, United Kingdom, Hungary, Sweden, France, Düsseldorf Procedure, Confidentiality Club, in camera procedure, Euroopan Unioni, erityssalaisuus direktiivi, erityssalaisuus, erityssalaisuuksien suojaaminen, oikeudenkäynti.

“A secret's worth depends on the people from whom it must be kept.”

- Carlos Ruiz Zafón, *The Shadow of the Wind*

## CONTENTS

REFERENCES.....	VI
ARTICLES AND BOOKS.....	VI
OFFICIAL SOURCES AND OPINIONS OF EXPERT ORGANISATIONS .....	IX
ONLINE MATERIAL AND PRESS RELEASES .....	XI
TREATIS, CONVENTIONS AND DIRECTIVES .....	XVII
NATIONAL LEGISLATION AND GOVERNMENT PROPOSALS .....	XVIII
TABLE OF CASES.....	XIX
European Union .....	XIX
Finland.....	XIX
United Kingdom.....	XIX
LIST OF ABBREVIATIONS.....	XX
1.    INTRODUCTION .....	1
1.1    FORMING THE QUESTION .....	1
1.2    EXCLUSION.....	3
1.3    SOURCE MATERIAL.....	4
1.4    METHODOLOGY .....	4
2.    THE CURRENT RELATIONSHIP BETWEEN TRADE SECRETS AND IPRS .....	7
3.    BACKGROUND AND ASPECTES OF THE CURRENT REGULATION OF TRADE SECRETS IN EUROPE.....	9
3.1    INTRODUCTION.....	9
3.2    GERMANY .....	10
3.2.1    The Düsseldorf Procedure .....	12
3.3    THE UNITED KINGDOM.....	13
3.3.1    Confidentiality Clubs .....	17
3.4    HUNGARY .....	17
3.5    SWEDEN .....	19
3.6    FRANCE .....	20
3.7    THE IN CAMERA PROCEDURE .....	23
3.8    CONCLUSION .....	24
4.    THE PROTECTION OF TRADE SECRETS IN FINLAND .....	25
4.1    REGULATING TRADE SECRETS IN FINLAND .....	25
4.2    PROTECTION OF TRADE SECRETS IN LITIGATION .....	29
4.3    CONCLUSION .....	35
5.    THE TRADE SECRET DIRECTIVE.....	36
5.1    EVALUATING THE NEED OF A TSD .....	36
5.2    THE STRUCTURE OF THE TSD.....	38
5.3    CONCLUSION .....	43

6	ARTICLE 9: PROTECTING TRADE SECRETS IN JUDICIAL PROCEDURES.....	47
6.1	INTRODUCTION.....	47
6.2	THE OUTLINE OF ARTICLE 9.....	47
6.3	CONFLICTS BETWEEN ARTICLE 9 OF THE TSD AND ARTICLE 6 OF THE ECHR.....	48
6.4	METHODS TO PRESERVE TRADE SECRETS IN LITIGATION.....	51
6.4.1	Protecting the trade secret before the hearing.....	52
6.4.2	Protecting the trade secret during the hearing.....	53
6.4.3	Protecting the trade secret after the hearing.....	54
6.5	CONCLUSION.....	54
7.	CONCLUDING REMARKS.....	56

## REFERENCES

### ARTICLES AND BOOKS

*Aplin et.al 2012*

*Aplin, Tanya - Bently L, - Johnson P, - Malynicz S: Gurry on Breach of Confidence: The Protection of Confidential Information. Second Edition. Oxford Press 2012.*

*Aplin 2014*

*Aplin, Tanya: A critical evaluation of the proposed EU trade secrets directive. King's College London Dickson Poon School of Law Legal Studies Research Paper Series, paper no. 2014-25 2014.*

*Bone 1998*

*Bone, Robert: A New Look at Trade Secret Law: Doctrine in Search for Justification. California Law Review. Volume 86 Issue 2 Article 1 1998.*

*Brant-Lohse 2014*

*Brant, Jennifer, - Lohse, Sebastian: Trade Secrets: Tools for innovation and collaboration. Study for the International Chamber of Commerce 2014.*

*Bronckers - McNeils 2012*

*Bronckers, Marco - McNeils, Natalie: Is the EU Obligated to Improve the Protection of Trade Secrets? An Inquiry into TRIPS, the European Convention on Human Rights and the EU Charter of Fundamental Rights. E.I.P.R Issue 10 2012. Thomson Reuters (Professional) UK Limited and Contributors 2012.*

*Castrén 1973*

*Castrén, Martti: Liikesalaisuuksien oikeussuojasta. Lakimiesliiton kustannus. Helsinki 1973.*

*Castrén 2015*

*Castrén, Martti: Korvaus keksinnöstä. Keksijän, patentin ja hyödyllisyysmallioikeuden haltijan oikeus korvaukseen keksintöoikeuksista luovuttaessa ja niitä loukattaessa. Suomalaisen lakimiesyhdistyksen julkaisuja. Helsinki 2015.*

*Czapracka 2008*

*Czapracka, Katarzyna*: Antitrust and Trade Secrets: the U.S. and the EU Approach. Santa Clara computer and high tech L.J vol 24 2008.

*Falce 2015*

*Falce, Valeria*: Trade Secrets: Looking for (full) Harmonisation in the Innovation Union. IIC (2015) 46 pp.940-964 2015.

*Faludi 2014*

*Faludi, Gàbor*: Trade Secrets in the New Civil Code of Hungary. ELTE Law Journal 2014.

*Haarman 2006*

Haarman, Pirkko-Liisa: Immateriaalioikeus. Talentum. Jyväskylä 2006.

*Harenko-Niiranen-Tarkela 2006*

Harenko, Kristiina – Niiranen, Valtteri – Tarkela, Pekka: Tekijänoikeus – Kommentaari ja käsikirja. WSOY pro. Porvoo 2006.

*Helgesson 2000*

*Helgesson, Christina*: Affärshemligheter i samtid och framtid. Juridiska fakulteten vid Stockholms universitet. Stockholm 2000.

*Harding- Öricü 2002*

*Harding, Andrew- Öricü, Esin*: Comparative Law in the 21st Century. Kluwer Academic Publishers. 2002.

*Huhtamäki 2014*

*Huhtamäki, Heikki*: Kilpailukiello ja salassapito sopimussuhteissa. Helsingin kauppakamari. Helsinki 2014.

*Husa et al 2008*

*Husa, Jaakko - Mutanen, Anu – Pohjolainen, Teuvo*: Kirjoitetaan juridiikkaa. Talentum. Helsinki 2008.

*Husa 2013*

*Husa, Jaakko*: Oikeusvertailu. Lakimiesliiton kustannus. Helsinki 2013.

*Kekkonen 1999*

*Kekkonen, Jukka*: Suomen oikeuden historiallisia kehityslinjoja. Helsingin yliopiston oikeustieteellisen tiedekunnan julkaisut. Helsinki 1999.

*Kur-Dreier 2013*

*Kur, Annette –Dreier, Thomas*: European Intellectual Property Law. Text, cases & materials. Edward Elgar Publishing Limited 2013.

*Lemley 2008*

*Lemley, Mark*: The Surprising Virtues of Treating Trade Secrets as IP Rights. 61 Stanford Law Review 311 2008-2009.

*McGuire 2015*

*McGuire, Mary-Rose*: Know-how: Stiefkind, Störenfried oder Sorgenkind? Lücken und Regelungsalternativen vor dem Hintergrund des RL-Vorschlags. GRUR 2015, 424 Beck-online 2015.

*McGuire presentation paper 2015*

*McGuire, Mary-Rose*: Trade Secrets, Confidential Court Proceedings and Fair Trials: Art. 8 of the Proposed EU-Directive on the Protection of Trade Secrets. Presentation during the IP Summer School Helsinki 2015.

*Mäenpää 2006*

*Mäenpää, Olli*: Liikesalaisuudet viranomaisen toiminnassa. Edita publishing. Edilex 2006.

*Nyblin 2003*

*Nyblin, Klaus*: Yrityssalaisuuden suoja ja entiset työntekijät. Defensor Legis N:o 2/2003 2003.

*Rautio-Frände 2016*

*Rautio, Jaakko- Frände, Dan*: Todistelu Oikeudenkäymiskaaren 17 luvun kommentaari. Edita Publishing Oy. Keuruu 2016.

*Pors 2015*

*Pors, Wouter*: The Trade Secret Directive – The New Council Proposal published 15.1.2015 by Bird&Bird.



*Schiller 1930*

*Schiller, Arthur*: Trade Secrets and the Roman law: The Actio Servi Corrupti. Columbia law review 837 1930.

*Siltala 2011*

*Siltala, Raimo*: Johdatus oikeusteoriaan. Forum Iuris. Helsinki 2001.

*Torremans 2015*

*Torremans, Paul*: The road towards the harmonisation of trade secrets law in the European Union. Revista la propiedad immaterial No 20 – julio- diciembre de 2015 pp.27-38 2015.

*Vapaavuori 2005*

*Vapaavuori, Tom*: Yrityssalaisuudet ja salassapitosopimukset. Talentum. Helsinki 2005.

*Van Caenegem 2014*

*Van Caenegem, William*: Trade Secrets and Intellectual Property. Breach of Confidence, Misappropriation and Unfair Competition. Wolters Kluwer 2014.

*Watkins- Burton 2013*

Watkins, Dawn – Burton, Mandy: Research methods in law. Routledge 2013.

*Watson 1996*

Watson Alan: Trade Secrets and Roman Law: The Myth Exploded. Scholarly Works. Paper 476. Tulane European & Civil Law Forum Vol 11 1996.

*Zweigert-Kötz 1998*

Zweigert, Konrad – Kötz, Hein. Translated by Tony Weir: Introduction to comparative law. 3. rev. ed. Oxford University Press. 1998.

**OFFICIAL SOURCES AND OPINIONS OF EXPERT ORGANISATIONS**

*B&M 2013*

Study on Trade Secrets and Confidential Information in the Internal Market (Baker and McKenzie Study) Final Study. April 2013. Prepared for the European Commission. Contract number MARKT/2011/128/D.

*European Parliament's recommendations on the TTIP*

Report containing the European Parliament's recommendations to the European Commission on the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) (2014/2228(INI)). 1.6.2015 <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=%2f%2fEP%2f%2fTEXT%2bREPORT%2bA8-20150175%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN>  
Accessed 12.5.2016.

*Finnish Bar Association opinion 2014*

Lausunto direktiiviehdotukseen liikesalaisuuksien suojasta. TEM/2755/03.02.01/2013, 18.12.201.

*GRUR opinion 2014*

Opinion on the proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, COM (2013) 813 final.

*HL study 2010*

Hogan Lovells Report on Trade Secrets for the European Commission Study on Trade Secrets and Parasitic Copying (Look-alikes) MARKT/2010/20/D.

*Impact Assessment 2013*

Commission Staff Working Document: Impact Assessment Accompanying the document proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. Brussels, 28.11.2013 SWD(2013) 471 final.

*Judicial Decisions 2002*

Judicial Decisions. Commonwealth law bulletin vol 28 issue 1 p. 302-405. 2002.

*Lagrådsremiss 13.12.2013*

Lagrådsremiss 13.12.2013 av den Svenska regeringen. Ett bättre skydd för företagshemligheter. <http://www.regeringen.se/contentassets/8725a3b45991401a971255f84bd67b9c/ett-battre-skydd-for-foretagshemligheter>  
Accessed 24.4.2016.

### *Max Planck opinion 2014*

Comments of the Max Planck institute for innovation and competition of 3 June 2014 on the Proposal of the European Commission for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure of 28 November 2013, COM (2013) 813 final.

### *Online consultation*

Public consultation on the protection against misappropriation of trade secrets and confidential business information. Launched on 11 December and closed on 8 March 2013.

### *Spay opinion 2014*

Suomen patenttiasiamiesyhdistys ry. Lausunto direktiiviehdotuksesta liikesalaisuuksien suojasta COM (2013) 813. 2014

### *Todistelututkimus 2012*

Oikeusministeriö: Todistelu yleisissä tuomioistuimissa 69/2012.

### *TEM2015-00305*

Työ – ja elinkeino ministeriö. Perusmuistio. Ehdotus parlamentin ja neuvoston direktiiviksi (liikesalaisuuksien suoja). Suomen kanta.

### *U 5/2014vp*

U 5/2014vp Valtioneuvoston kirjelmä eduskunnalle ehdotuksesta Euroopan Parlamentin ja neuvoston direktiivistä (liikesalaisuuksien suoja).

## **ONLINE MATERIAL AND PRESS RELEASES**

### *Book 2015*

Book, Pernilla: Förslaget om enhetligt skydd för företagshemligheter i EU innebär nya möjligheter. Informationsbrev från Mannheimer Swartling. Nummer 2. Juni 2015.  
<http://www.mannheimerswartling.se/globalassets/nyhetsbrev-imm-utvalt-juni-2015.pdf>  
Accessed 24.4.2016.

*Corporate Europe Observatory 2014*

EU trade secrets directive threat to health, environment, free speech and worker mobility. December 17, 2014.  
<http://corporateeurope.org/power-lobbies/2014/12/eu-trade-secrets-directive-threat-health-environment-free-speech-and-worker>  
Accessed 3.2.2016.

*Cronin - Guillemin 2012*

Cronin, Charles - Guillemin, Claire: Trade Secrets: European Union challenge in a Global Economy. Policy Paper on behalf of the International Fragrance Association 2012.  
[file:///C:/Users/jrin0/Downloads/22900\\_PR\\_2012\\_02\\_09\\_Trade\\_Secrets\\_EU\\_Challenge\\_in\\_a\\_Global\\_Economy%20\(1\).pdf](file:///C:/Users/jrin0/Downloads/22900_PR_2012_02_09_Trade_Secrets_EU_Challenge_in_a_Global_Economy%20(1).pdf)  
Accessed 20.11.2016.

*Couet et al 2015*

Couet, Guillaume - Jiménez-Serrania, Vanessa - Lajnef, Nizar - Logeais, Elisabeth: Question for National Reporters of LIDC STOCKHOLM 2015. The protection of trade secrets and know-how. Are countries providing enough or too much protection.  
<http://www.ligue.org/uploads/documents/cycle%202015/Cycle%202015/Rapports%20B/2015RapportBfran%C3%A7ais.pdf>  
Accessed 9.4.2016.

*Dittmer 2016*

Dittmer, Stefan: Trade Secrets Directive - Agreement between Commission, Parliament and Council. Lexology 2.2.2016.  
<http://www.lexology.com/library/detail.aspx?g=b1da5d0f-ce1e-4650-9153-3ffe339e5dae>  
Accessed 23.4.2016.

*Goldman 2016*

Goldman Eric: The New 'Defend Trade Secrets Act' Is The Biggest IP Development In Years. Forbes/ Tech. 28.4.2016.  
<http://www.forbes.com/sites/ericgoldman/2016/04/28/the-new-defend-trade-secrets-act-is-the-biggest-ip-development-in-years/#1b0915aaa64f>  
Accessed 12.5.2016.

*Guide on Article 6 2013*

Guide on Article 6 right to a fair trial.  
[http://www.echr.coe.int/Documents/Guide\\_Art\\_6\\_ENG.pdf](http://www.echr.coe.int/Documents/Guide_Art_6_ENG.pdf)  
Accessed 17.5.2016

*Josefson 2015*

Josefson, Per: Stopp för utökat straffansvar enligt lagen om skydd för företagshemligheter. Mannheimer Swartling nyhetsbrev 1 2015. [http://www.mannheimerswartling.se/globalassets/nyhetsbrev/nyhetsbrev\\_imm.pdf](http://www.mannheimerswartling.se/globalassets/nyhetsbrev/nyhetsbrev_imm.pdf)

Accessed 24.4.2016.

*Katila 2016*

Saana Katila: Oikeusprofessori Koskenniemi TTIP-sopimuksesta: Tässä luodaan suursijoittajien hallitsemaa maailmaa. Article in the Blog Minimahti. 10.5.2016.

<https://minimahti.net/2016/05/10/oikeusprofessori-koskenniemi-ttip-sopimuksesta-tassa-luodaan-suursijoittajien-hallitsemaa-maailmaa/>

Accessed 12.5.2016.

*Künzel 2016*

Künzel Jens: Germany: special inspection proceedings and trade secrets. Blog post in World Intellectual Property Review.

<http://www.worldipreview.com/contributed-article/germany-special-inspection-proceedings-and-trade-secrets>

*Linklaters 2016*

Article on trade secrets by Linklaters 2016: The EU Trade Secrets Directive: what do you need to know?

[https://www.google.com/url?sa=t&rct=j&q=&src=s&source=web&cd=4&ved=0ahUKEwjsolW06abMAhWmDZoKHeBtC0cQFggxMAM&url=http%3A%2F%2Fwww.linklaters.com%2Fpdfs%2Fmkt%2Flondon%2FArticle\\_Trade\\_Secrets\\_Directive.pdf&usg=AFQjCNHgKKREEZrD6Y-livLlaoamauFO-Q&sig2=tvac0S8npd8MtpnbO3yGKw&bvm=bv.119745492,d.bGs](https://www.google.com/url?sa=t&rct=j&q=&src=s&source=web&cd=4&ved=0ahUKEwjsolW06abMAhWmDZoKHeBtC0cQFggxMAM&url=http%3A%2F%2Fwww.linklaters.com%2Fpdfs%2Fmkt%2Flondon%2FArticle_Trade_Secrets_Directive.pdf&usg=AFQjCNHgKKREEZrD6Y-livLlaoamauFO-Q&sig2=tvac0S8npd8MtpnbO3yGKw&bvm=bv.119745492,d.bGs)

Accessed 24.4.2016.

*O'Donoghue - Thomas*

O'Donoghue, Cynthia – Thomas, Philip: Progress made on the Trade Secrets Directive. Lexology 6.1.2016.

<http://www.lexology.com/library/detail.aspx?g=80da4f9e-fc7d-4a8d-9921-e819f16d806e>

Accessed 2.3.2016.

*OECD report 2015*

Approaches to the protection of trade secrets.

<http://www.oecd.org/sti/ieconomy/Chapter3-KBC2-IP.pdf>

Accessed 16.3.2016.

*Opinion of the SFIR 2013*

Svenska Föreningen för Immaterialrätt: Europeiska kommissionens förslag till direktiv om skyddet för företagshemligheter. Issued 14.12.2013.

<http://sfir.se/uploads/Foretaggh.pdf>

Accessed 23.4.2016

*Osborne Clarke 2015*

Osborne Clarke: Protecting trade secrets under English law. Published 21.5.2015.

<http://www.osborneclarke.com/connected-insights/blog/protecting-trade-secrets-under-english-law/>

Accessed 23.4.2016.

*Ridgway 2016*

Ridgway Mark: The secret is out! Agreed text of the EU Trade Secret Directive now available. IP Kat Blog 4.1.2016.

<http://ipkitten.blogspot.fi/2016/01/the-secrets-out-agreed-text-of-eu-trade.html>

Accessed 23.4.2016.

*Sandeen 2016*

Sandeen Sharon K.: The Pros and (Scary) Cons of the New EU Trade Secret Directive. Part 1 (Guest Blog Post) in Eric Goldman's blog. Technology and Marketing Law Blog. 5.5.2016.

<http://blog.ericgoldman.org/archives/2016/05/the-pros-and-scary-cons-of-the-new-eu-trade-secret-directive-part-1-guest-blog-post.htm>

Accessed 12.5.2016.

*Seyfarth Shaw 2016*

Seyfarth Shaw LLP: Latest Updates on Federal Trade Secrets Legislation. 11.4.2016.

<http://www.tradesecretslaw.com/latest-update-on-federal-trade-secret-legislation/>

Accessed 23.4.2016.

*Statement of the Administration Policy 2016*

Statement of the Administration Policy. 4.4.2016

[http://www.tradesecretslaw.com/files/2016/04/saps1890s\\_20160404.pdf](http://www.tradesecretslaw.com/files/2016/04/saps1890s_20160404.pdf)

Accessed 23.4.2016.

*Trade secrets: analysis requested by the JURI department*

Directorate general for internal policies. Policy department. Citizens' rights and constitutional affairs. Trade secrets. In'depth analysis requested by the JURI Committee. 2014  
[http://www.europarl.europa.eu/RegData/etudes/note/join/2014/493055/I\\_POL-JURI\\_NT\(2014\)493055\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2014/493055/I_POL-JURI_NT(2014)493055_EN.pdf)  
Accessed 12.5.2016.

*Ward 2016*

Ward Annsley Merelle. The Secrets Out! Agreed text on EU Trade Secrets Directive now available. 4.1.2016.  
<http://ipkitten.blogspot.fi/2016/01/the-secrets-out-agreed-text-of-eu-trade.html>  
Accessed 11.2.2016.

*Wine 2015*

Wine, Mark P: One Step Closer: European Parliament Legal Affairs Committee Approves Trade Secret Directive. Trade Secret Watch. June 2015.  
<http://blogs.orrick.com/trade-secrets-watch/2015/06/26/one-step-closer-european-parliament-legal-affairs-committee-approves-trade-secret-directive/>  
Accessed 3.2.2016.

*Winston & Strawn LLP 2013*

Antitrust and competition—the EU weekly briefing, vol. 1, issue 20. Published 25.3.2013  
<http://www.lexology.com/library/detail.aspx?g=44f356eb-050d-437e-a7a0-7e663f8e917c>  
Accessed 31.3.2016.

**Press releases**

European parliament press release 16.6.2015: Trade secrets: freedom of expression must be protected, say legal affairs MEPs  
[http://www.europarl.europa.eu/pdfs/news/expert/infopress/20150615IPR66493/20150615IPR66493\\_en.pdf](http://www.europarl.europa.eu/pdfs/news/expert/infopress/20150615IPR66493/20150615IPR66493_en.pdf)  
Accessed 3.2.2016.

Council of Europe Press release 22.12.2015: Trade secrets protection: Luxembourg presidency seals deal with Parliament  
<http://www.consilium.europa.eu/en/press/press-releases/2015/12/15-trade-secrets-protection/>  
Accessed 28.1.2016.

European Parliament press release 14.4.2016: Trade secrets: protecting businesses, safeguarding the right to information.  
[http://www.europarl.europa.eu/pdfs/news/expert/infopress/20160407IPR21787/20160407IPR21787\\_en.pdf](http://www.europarl.europa.eu/pdfs/news/expert/infopress/20160407IPR21787/20160407IPR21787_en.pdf)  
Accessed 17.4.2016.

## **AIPPI Questions**

### *Q215*

AIPPI Question Q 2015 Protection of trade secrets through IPR and unfair competition law

Finland

<http://aippi.org/wp-content/uploads/committees/215/GR215finland.pdf>

France

[http://aippi.org/wpcontent/uploads/committees/215/GR215france\\_en.pdf](http://aippi.org/wpcontent/uploads/committees/215/GR215france_en.pdf)

Germany

[https://www.aippi.org/download/commitees/215/GR215germany\\_en.pdf](https://www.aippi.org/download/commitees/215/GR215germany_en.pdf)

Hungary

<https://aippi.org/download/commitees/215/GR215hungary.pdf>

Sweden

<https://www.aippi.org/download/commitees/215/GR215sweden.pdf>

United Kingdom

[http://aippi.org/wpcontent/uploads/committees/215/GR215united\\_kingdom.pdf](http://aippi.org/wpcontent/uploads/committees/215/GR215united_kingdom.pdf)

All have been accessed 23.11.2015

### *Q247*

Finland

<http://aippi.org/wpcontent/uploads/committees/247/GR247finland.pdf>

France

<http://aippi.org/wp-content/uploads/committees/247/GR247france.pdf>

Germany

<http://aippi.org/wpcontent/uploads/committees/247/GR247germany.pdf>

Hungary

<http://aippi.org/wp-content/uploads/committees/247/GR247hungary.pdf>



Sweden

<http://aiippi.org/wp-content/uploads/committees/247/GR247sweden.pdf>

United Kingdom

[http://aiippi.org/wpcontent/uploads/committees/247/GR247united\\_kingdom.pdf](http://aiippi.org/wpcontent/uploads/committees/247/GR247united_kingdom.pdf)

All have been accessed 25.3.2016.

## **TREATIS, CONVENTIONS AND DIRECTIVES**

### *Enforcement Directive*

Directive 2004/48/EC of the European Parliament and of the Council of 29 April on the enforcement of Intellectual Property Right.

### *TRIPS Agreement*

Agreement on Trade-Related Aspects of Intellectual Property Rights

The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.

### *TSD 2013*

The Directive of the European Parliament and off the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure COM (2013) 813 Final 2013/ 0402 (COD).

### *TSD 2014*

Council of the European Union. The Directive of the European Parliament and off the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. Brussels 19 May 2014.

### *TSD 2015*

Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. Brussels18.12.2015.

*TSD*

P8\_TA-PROV (2016)0131 Protection of trade secrets against the unlawful acquisition, use and disclosure.

European Parliament legislative resolution 14 April 2016 on the proposal for a directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (COM 2013)0813-C7-0431/2013-2013/0402 (COD)).

## **NATIONAL LEGISLATION AND GOVERNMENT PROPOSALS**

### **Government proposals**

*HE 114/176*

Hallituksen esitys Eduskunnalle laiksi eräiden yleisten alueiden rekisterissä olevien alueiden järjestelystä.

*HE 114/1978*

Hallituksen esitys Eduskunnalle laeiksi sopimattomasta menettelystä elinkeinotoiminnassa ja markkinatuomioistuimesta annetun lain muuttamisesta

*HE 66/1988*

Hallituksen esitys Eduskunnalle rikoslainsäädännön kokonaisuudistuksen ensimmäisen vaiheen käsittäväksi rikoslain ja eräiden muiden lakien muutoksiksi.

*HE 30/1998*

Hallituksen esitys Eduskunnalle laiksi viranomaisten toiminnan julkisuudesta ja siihen liittyviksi laeiksi.

*HE 119/1999*

Hallituksen esitys Eduskunnalle laiksi todistelun turvaamisesta teollis- ja tekijänoikeuksia koskevissa riita-asioissa

*HE 157/2000*

Hallituksen esitys Eduskunnalle työsopimuslaiksi ja eräiksi siihen liittyviksi laeiksi.

*HE 13/2006*

Hallituksen esitys Eduskunnalle laiksi oikeudenkäynnin julkisuudesta yleisissä tuomioistuimissa ja eräiksi siihen liittyviksi laeiksi.

*HE 46/2014*

Hallituksen esitys Eduskunnalle oikeudenkäymiskaaren 17 luvun ja siihen liittyvän todistelua yleisissä tuomioistuimissa koskevan lainsäädännön uudistamiseksi.

## **TABLE OF CASES**

### **European Union**

Pilkington Group Ltd vs. European Commission. Case T-462/12 R  
European Commission vs. Microsoft. CASE T-201/04. . Decision from 2007.

### **Finland**

KKO:1991:11  
KKO 2013:20  
KKO:2013:17

### **United Kingdom**

Prince Albert vs Strange 1849 1 Mac. & G. 25.  
Saltman Engineering Co vs. Campbell Engineering 1948 65 R.P.C. 203,  
215  
Douglas vs. Hello! Ltd 2003 EWCA Civ 595  
Attorney-General -v- Guardian Newspapers Ltd (No 2) ('Spycatcher');  
HL 13 Oct 1988

## LIST OF ABBREVIATIONS

Aippi	International Association for the Protection of Intellectual Property
B&M Study	Study on Trade Secrets and Confidential Information in the Internal Market (Baker and McKenzie Study) Final Study. April 2013. Prepared for the European Commission. Contract number MARKT/2011/128/D
CC	Criminal Code of Finland
Charter of Fundamental Rights	The Charter of Fundamental Rights of the European Union
Commission	European Commission
Council	Council of the European Union
DTSA	Defend Trade Secrets Act
ECA	Employment Contracts Act
ECHR	European Convention on Human Rights
EJC	European Court of Justice
EU	European Union
HL Study	Hogan Lovells Report on Trade Secrets for the European Commission Study on Trade Secrets and Parasitic Copying (Look-alikes) MARKT/2010/20/D
IPR	Intellectual Property Right
IPR Evidence Act	Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights
Internal Market	European Union's Internal Market. Also known as the EU Single Market that strives to guarantee the four freedoms between the EU's 28 Member States
ISDS	Investor-State Dispute Settlement

Legal Affairs Committee	European Parliament's Legal Affairs Committee
Member State(s)	One of the 28 European Union Member States
Openness Act	Act on the Openness of Government Activities
Parliament	European Parliament
Publicity Act	Act on the Publicity of Court Proceedings In General Courts
SME	Small and Medium Sized Enterprise
TRIPS Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights
TSD 2013	Trade Secret Directive. Commission's initial version from November 2013
TSD 2014	Trade Secret Directive. The Council's revised version from May 2014
TSD 2015	Trade Secret Directive. The version includes the Legal Affairs Committee's opinions from 2015
TSD	Trade Secret Directive. Final version adopted on April 14, 2016
TTIP	Transatlantic Trade and Investment Partnership
UBPA	Unfair Business Practice Act
UK	United Kingdom of Great Britain and Northern Ireland.
USA	United States of America
WTO	World Trade Organization

# 1. INTRODUCTION

## 1.1 FORMING THE QUESTION

The Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as the "TRIPS Agreement") currently provides the most comprehensive definition of a trade secret on an international level. Article 39 lays out that a trade secret is information that has to be secret in the sense that it is not generally known or readily accessible for persons that normally deal with the kind of information in question. Moreover, the information needs to have commercial value due to its secrecy and be subject to reasonable steps by the person lawfully in control of the information to keep it secret.<sup>1</sup> The TRIPS Agreement incorporates by reference the main existing treaties on Intellectual Property Rights (hereinafter referred to as "IPR"), including the Paris Convention on Industrial Property from 1883, which prohibits unfair competition, and the Berne Convention for the Protection of Literary and Artistic Works from 1886. The Paris Convention mainly deals with patents while the Berne convention protects copyrights.<sup>2</sup>

Article 39 has been interpreted differently by the Member States of the European Union (hereinafter referred to as "Member States" or a "Member State"), which has led to a fragmented protection within the European Union (hereinafter referred to as the "EU"). As part of the Europe 2020 project, the European Commission (hereinafter referred to as the "Commission") decided to harmonise the protection of trade secrets, to better foster competitiveness and growth on the European Union's Internal Market (hereinafter referred to as the "Internal Market"), as well as improve sharing of knowledge and the development and exploitation of innovations.<sup>3</sup> Another aim of the TSD has also been to improve the effectiveness of legal protection of trade secrets against misappropriation on the Internal Market.<sup>4</sup> A more secure environment for sharing confidential innovation between businesses was held to benefit the

---

<sup>1</sup> Definition in Article 39 of the TRIPS Agreement

<sup>2</sup> Bronckers-McNelis 2012, p. 647. Also see Aplin et al 2012, p. 799. It is pointed out by Aplin that the adopted form of Article 39 to the TRIPS Agreement, depended on the view of WTO Member States regarding Article 10bis of the Paris Convention; whether it was considered obligating its members to protect trade secrets or not.

<sup>3</sup> B&M 2013, p. 15

<sup>4</sup> TSD 2015 Introduction

internationalisation, especially for small and medium sized enterprises (hereinafter referred to as "SMEs") in the EU.<sup>5</sup>

The Commission issued in November 2013 the *“Proposal for a Directive on the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure,”*<sup>6</sup> to harmonise the regulation of trade secrets within the EU. The directive offers minimum harmonisation and builds on the findings in the Hogan Lovells study (hereinafter referred to as the “HL study”), the Baker and McKenzie study (hereinafter referred to as the B&M study),<sup>7</sup> a public online consultation<sup>8</sup> and a Commission conference.<sup>9</sup>

There have been four versions of the initial proposal. In this study the Commission’s initial proposal will be referred to as the “TSD 2013”,<sup>10</sup> the European Council’s (hereinafter referred to as the "Council") amended proposal as the “TSD 2014”<sup>11</sup> and the third proposal, which includes remarks by the European Parliament’s Legal Affairs Committee (hereinafter referred to as the “Legal Affairs Committee”), as the “TSD 2015”.<sup>12</sup> The final version is referred to as the “TSD”, and was adopted on April 14, 2016. The Member States will have two years to implement it.<sup>13</sup>

This study undertakes an evaluation of Article 9: *“preservation of confidentiality of trade secrets in the course of legal proceedings”*. The focus lies on how the article will affect the current level of protection and regulation of trade secrets during litigation, especially in Finland. Moreover, it also evaluates different methods used by

---

<sup>5</sup> Recital 2 of the TSD. Moreover, the statement in the public online consultation supports this presumption where 67 % of SME’s that responded preserve trade secrets to have a strong impact on their innovative and competitive performance. See the Online consultation, p. 3

<sup>6</sup> Brussels 28.11.2013 COM (2013) 813 Final

<sup>7</sup> The HL study was conducted in 2012, and investigated 27 EU Member States. The B&M study was conducted in 2013, and involves 30 jurisdictions; 27 Member States and the USA, Japan and Switzerland. It also involves the results from an industry survey conducted by B&M in 2012 that investigated 537 European companies active in 17 different sectors. SMEs accounted for 60 % of the sample.

<sup>8</sup> The online consultation received 386 replies, 152 replies from individuals and 125 replies from companies.

<sup>9</sup> Trade Secrets: Supporting Innovation, Protecting Know-how Brussels 29 June 2012

<sup>10</sup> Brussels 28.11.2013 COM (2013) 813 Final

<sup>11</sup> Councils draft 19.5.2014 9840/14

<sup>12</sup> 18.12.2015 15382/1/15 Rev 1

<sup>13</sup> The final version P8\_T-PROV (2016)0131. Also see: European Parliament press release 14.4.2016

the following Member States: Germany, the United Kingdom (hereinafter referred to as the “UK”), Hungary, Sweden and France to protect trade secrets in litigation. It will be argued that no Member State has yet enforced a method that would secure a sufficient protection for trade secrets during the entire process, from the very beginning when the claim is filed to the end when the judgement is given.

## **1.2 EXCLUSION**

The focus of this study lies with the protection of trade secrets in the course of litigation. Thus, although the TSD covers a wide range of subjects relating to the protection of trade secrets, an in depth discussion concerning other aspects of the protection of trade secrets is left outside the scope of this study. Moreover, for the purpose of research, and as the TSD only aims at harmonising legislation within the EU, this study does not compare the TSD to other trade secret legislative instruments outside the EU. This study also does not compare all Member States and their respective ways of regulating the protection of trade secrets to each other, as this would be too large of a task for the intended length of this study. It has previously been done in the B&M study, the HL study and in questionnaires performed by the International Association for the Protection of Intellectual Property (hereinafter referred to as “Aippi”) through Q215<sup>14</sup> and Q247.<sup>15</sup> The questionnaires have been used as a source in this study. By reference to the focus of this study, methods afforded to the protection of trade secrets in Germany, the UK, Hungary, Sweden and France are highlighted in chapter three.

The TSD does not directly affect labour law, and the power to regulate employment contracts is left to the Member States.<sup>16</sup> Hence, although employees are often considered to be the usual suspects of trade secret misappropriation, an employee’s obligation towards his or her employer to preserve the company’s trade secrets is left outside the scope of this study. Therefore, this study does not discuss ways in which companies protect their trade secrets, such as through non-disclosure agreements, or

---

<sup>14</sup> The Aippi questionnaire Q 215 is titled “Protection of trade secrets through IPR and unfair competition law”

<sup>15</sup> The Aippi questionnaire Q 247 is titled ” Trade Secrets: overlap with restraint of trade, aspects of enforcement”

<sup>16</sup> TSD recital 39. See also Max Planck opinion 2014, p. 3



trade secret protection programmes.<sup>17</sup> Moreover, outside of the scope of the TSD is left the possibility of establishing harmonised rules regarding the judicial cooperation, the recognition and enforcement of judgments in civil and commercial matters, or the possibility to deal with applicable law.<sup>18</sup> The TSD also does not affect the application of competition rules, in particular Articles 101 and 102 of the TFEU.<sup>19</sup> Consequently, discussions relating to the relationship between trade secrets and these subjects are left outside the discussion in this study.

### **1.3 SOURCE MATERIAL**

The jurisdictional starting point of this study is the TSD, and therefore its very text is of relevance. Moreover, the subject matter of this study is distinctively European, as well as Finnish. As the regulations in the TSD are compared to the current regulations in Finland, it seems adequate and natural to observe the Finnish legal system as well. Moreover, it is also justified to examine regulations concerning the protection in Germany, UK, Hungary, Sweden and France as the methods used in the Member States are discussed and compared to the methods used in Finland in this study.

Articles and expert opinions are the main source of material used in this study. Opinions by different scholars and expert organisations in Europe on the TSD are used and observed to create an overview of the argued strengths and weaknesses with the TSD. Such opinions are of relevance as the availability of literature on the topic of trade secret regulation in Europe, and in Finland in particular, is very limited.

### **1.4 METHODOLOGY**

This study methodologically follows the approach of legal dogmatic methods to identify, interpret and systematically analyse the content of the TSD.<sup>20</sup> Moreover, one of the main aims of law is to study *de lege lata* and in my thesis, I have systematically

---

<sup>17</sup> Vapaavuori 2005, p. 309

<sup>18</sup> TSD recital 37

<sup>19</sup> Recital 38 of the TSD. Regarding the division between applying competition rules and trade secrets it is argued that the Microsoft Decisions from 2007 (CASE T-201/04) is an example of “over eager application of antitrust laws to intellectual property”. In the absence of EU standards of trade secret protection, the Commission coins trade secret protection standards as it sees fit when applying antitrust laws in particular cases. In other words, it is important to define what kind of know-how that enjoy trade secret protection and what constitutes unfair competition. See Czapracka 2008, p. 271

<sup>20</sup> Husa et al 2008, p. 20 also see Watkins – Burton, 2013 p. 9

studied and analysed current legislation, concerning the protection of trade secrets, in Germany, the UK, Hungary Sweden, France and Finland. Additionally to utter *Scientia iuris*, methods of comparative law are employed where appropriate on a *tertium comparationis* scale, to measure differences and similarities between the countries legal systems.<sup>21</sup> Furthermore, methods of *Auslandsrechtskunde* are applied where suitable in situations where a foreign legal system is described and not per se compared to a legal system of another country and *Inlandsrechtskunde* where the Finnish legal system is described.<sup>22</sup> In order to give the reader an understanding of the fragmented development of trade secrets protection within the EU, some aspects of legal history are presented. To examine aspects of legal history is a way of understanding the legal development over time. Such legal development builds a mosaic, and naturally contains both newer and older laws.<sup>23</sup>

This study progresses as follows: the research question and the exclusion as well as the source material used and the methodology used, have been presented in the introduction. In chapter two, the relationship between trade secrets and other forms of IPRs are discussed to give the reader an understanding of the differences between IPRs and trade secrets and the protection afforded to the two. It is relevant to understand this difference, as it is one of the fundamental reasons to why the TSD has been created and why trade secrets are not regulated under other EU instruments that regulate IPRs.

In chapter three, different ways of protecting trade secrets, as applied in Germany, the UK, Hungary, Sweden and France, are illustrated. The different methods to protect trade secrets in litigation, and overall the regulation of trade secrets in these Member States, are great examples of the fragmented protection of trade secrets within the EU. The countries have been chosen as the way of regulating trade secrets in the countries varies extensively from each other and because the B&M study has held that Germany, the UK and Hungary are the only countries that currently have in force methods that can be considered effective to protect the confidentiality of trade secrets during litigation. The aim of chapter three is to give the reader an understanding of the

---

<sup>21</sup> Husa 2013, p. 186

<sup>22</sup> Husa 2013, p. 185

<sup>23</sup> Kekkonen 1999, p. 24

current situation and how it might be affected by the TSD as well as the underlying reasons to the assumed need of the TSD.

In chapter four, regulations on trade secrets in Finland are discussed in detail. The aim is to clarify how trade secrets are protected, so that the reader may form an understanding of how the current protection might be affected by the TSD.

The structure of the TSD is discussed in chapter five. The aim has been to provide a general understanding of the structure of the regulations in the TSD and how the TSD will affect and harmonise the current fragmented protection between the Member States.

In chapter six, the structure of the protection of trade secrets in Article 9 is discussed. The protection has not been without difficulty and its relationship to Article 6 of the European Convention on Human Rights (hereinafter referred to as the “ECHR”) is discussed to illustrate the development of Article 9 and its relationship to the ECHR. Following the discussion concerning the relationship between Article 9 of the TSD and Article 6 of the ECHR, the protection of trade secrets before, during and after the hearing is discussed. It will be concluded that it seems as if there are not yet in place in any Member State, a method or methods that sufficiently provide protection for a trade secret throughout the process, from the beginning when the claim is filed until the judgement is given by the court. Hence, in chapter six alternative measures that could be used to structure a system that would enable protecting trade secrets more sufficiently are presented.

The concluding remarks in chapter seven summarise the findings and presents assumed and possible affects that the TSD might have on the Finnish regulations, as well as on the regulations in the countries discussed in chapter three and the overall development of the protection of trade secrets in the future.

## 2. THE CURRENT RELATIONSHIP BETWEEN TRADE SECRETS AND IPRS

*Van Caenegem* has argued that trade secrets lie “at the complex intersection between other regimes, in particular labour law, unfair competition law, equity, contract and criminal law.”<sup>24</sup> His observation rightfully reflects the situation among the EU Member States, which has led to the current fragmented protection of trade secrets within the EU. A significant difference on EU level is also that the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (hereinafter referred to as the “Enforcement Directive”)<sup>25</sup> does not apply to trade secrets, but only to IPRs.<sup>26</sup> The different understanding of the regulation of trade secrets have also fuelled a debate for many years between scholars, who argue both for and against treating trade secrets as part of the intellectual property law family.<sup>27,28</sup>

In the following some similarities between trade secrets and other IPRs will be demonstrated, in order to provide for a general understanding of the differences between IPRs and trade secrets and the protection afforded to them.

The requirement that trade secrets cannot be commonly known is similar to the non-obviousness requirement of patented inventions. However, in addition to the non-obviousness requirement, a patent must fulfil the novelty requirement.<sup>29</sup> In comparison, to preserve a trade secret it is only required that information is kept secret, not that it is new. After the expiration of a patent, the patent is available to the

---

<sup>24</sup> Van Caenegem 2014, p. 3. Also, see chapter 2.1 for more information.

<sup>25</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April on the enforcement of Intellectual Property Right

<sup>26</sup> TSD 2014, p. 3

<sup>27</sup> In 1930 Professor Arthur Schiller wrote a well-cited article where he argued that unlawful disclosure of trade secrets had already during Roman Law been treated as a violation against rules of unfair competition. In 1996, Professor Alan Watson wrote an article arguing against the thoughts of Schiller. Watson held that there are no proof that such specific intention to use unfair competition law in such fashion that Schiller referred to, have ever existed. Two other professors that have voiced well cited opinions for and against treating trade secrets as a part of the IPR family are Professor Mark Lemley and Professor Robert Bone. Lemley has argued in favour of treating trade secrets as IPR and stated that granting legal protection for inventions enables the inventor to sell his idea. Moreover, trade secrets are a cost beneficial means of protection in comparison to, for example, patents. On the contrary, Bone has argued that trade secrets only impose liability in situations where the violator has acquired, disclosed or used the information in a wrongful manner. Hence, it depends on the regulations that have been broken, which regulations should be applied. See Bone 1998, Lemley 2008, Schiller 1930 and Watson 1996.

<sup>28</sup> Cronin - Guillemin 2012, p. 3

<sup>29</sup> Haarmann 2006, p. 144

general public while, if never disclosed, trade secrets remain secret.<sup>30</sup> Therefore, trade secrets may offer a similar exclusivity as a patent, provided that competitors have not obtained the secret information.<sup>31</sup> Patents and trade secrets are also used as complimentary tools by companies in order for them to most effectively manage their intellectual assets.<sup>32</sup> However, in comparison to only having a trade secret, there can be more compelling reasons to seek a patent, such as the possibility to commercialize a new technology without revealing it to the public. Moreover, without having a patent, reverse engineering could be easy or alternatively rivals would end up at the same conclusion in due time.<sup>33</sup>

Just as for patents, trade secrets can function as a complimentary protection to copyrights. A difference between copyrights and trade secrets is that copyright gives protection to an author, or several authors together, for a creative and independent work.<sup>34</sup> Trade secrets do not set such requirements. On the other hand, most trade secret information would not qualify to be protected as a copyright, as it is not possible to speak of a work as being eligible for copyright protection before the product is created.<sup>35</sup> However, some information such as annotated customer, supplier, and competitor lists could satisfy copyright's required originality standard. Moreover, trade secrets, arguably, significantly complement copyright protection concerning the protection of computer software's source codes, which the creator often wishes to keep confidential.<sup>36</sup>

Trademarks and trade secrets have little in common. Possibilities of continuous protection exist, as long as their respective perpetual elements of secrecy or publicity are maintained.<sup>37</sup>

The greatest difference between trade secrets and the protection afforded to the other members of the IPR family is that the exclusive right is still obtained when the IPR is

---

<sup>30</sup> Vapaavuori 2005, p. 16

<sup>31</sup> Cronin - Guillemin 2012, p. 2

<sup>32</sup> Brant - Lohse 2014, p. 5

<sup>33</sup> Van Caenegem 2014, p. 4

<sup>34</sup> Harenko-Niiranen-Tarkela 2006, p. 13

<sup>35</sup> Castrén 2015, p. 64

<sup>36</sup> Vapaavuori 2005, p. 23

<sup>37</sup> Cronin - Guillemin 2012, p. 3

disclosed to the general public, whereas the trade secret loses its value when it is disclosed to the general public.<sup>38</sup>

### **3. BACKGROUND AND ASPECTES OF THE CURRENT REGULATION OF TRADE SECRETS IN EUROPE**

#### **3.1 INTRODUCTION**

In this chapter, the protection of trade secrets in Germany, the UK, Hungary, Sweden and France is discussed. The reason to why these countries are discussed is that it was held in the B&M study that only the three first mentioned countries have in place effective procedural measures to prevent disclosure of trade secrets during civil litigation; Germany through the Düsseldorf procedure, the UK through the Confidentiality Clubs, and Hungary through the *in camera* procedure.<sup>39</sup> Moreover, Sweden has in place, as the only Member State, a *sui generis* law governing trade secrets that is interesting to review, as introducing a new law to implement the TSD might be a viable option for some Member States. Lastly, the protection in France is discussed. In comparison to most other civil law Member States, legislation concerning the protection of trade secrets in France is quite non-existing.

In this chapter, it will be shown that the development of trade secret regulations in civil law countries build on the notion that trade secrets constitute property of the trade secret holder, and acts of misappropriation to gain personal benefit should be punishable. Thus, several civil law countries protect trade secret, at least partially, through unfair competition laws. On the contrary, trade secrets are regulated through the doctrine of breach of confidence under the English common law system, which considers property right a source of rights and obligations between parties. It generates an obligation for a party to keep confidential information entrusted to the party confidential. Hence, the courts of England and Wales approach a breach of confidence through equity rather than for example unfair competition.<sup>40</sup> In comparison to civil

---

<sup>38</sup> B&M 2013, p. 149. Among the 537 responding companies in the industry survey, the most important reasons for relying on trade secrets rather than other IPRs were found to be the need not to disclose information (52 %), the lack of eligibility (30%) and the sort of duration of information (19%) as well as inadequate protection of other IPRs (19%).

<sup>39</sup> B&M study 2013, p. 35

<sup>40</sup> Van Caenegem 2014, pp. 67-68

law, English common law also rejects remedies relating to unfair competition in connection to actions of breach of confidence. Moreover, the English common law system also resists the application of criminal law to trade secrets.<sup>41</sup>

### 3.2 GERMANY

In Germany, trade secrets are mainly protected under unfair competition law or by non-compete agreements.<sup>42</sup> Based on unfair competition law, the German system punishes acts or attempts that through disloyal actions strive to achieve economic gain rather than to give protection to an achievement.<sup>43</sup> Punishable acts under the law are the betrayal of secrets (disclosure of a trade secret by an employee to a third party while the employment contract is on-going), industrial espionage, handling of misappropriated trade secrets and piracy of samples handed over in the course of work to be performed by the supplier.<sup>44</sup>

Although acts of trade secret misappropriation are punishable, there exists no clear definition of what constitutes a trade secret, just as in many other Member States.<sup>45</sup> The definition instead builds on the interpretation by the German Supreme Court, which has defined a trade secret as *“every fact that has a connection with the business, which fact is not obvious but is known only to a restricted group of persons and which fact shall be kept secret according to the express intention of the business owner that is based on his economic interest.”*<sup>46</sup>

Commonly, the “express intention” of the business owner is executed through the use of non-disclosure agreements between the employer and the employee. As an employee in Germany has the right to use knowledge and skills acquired on the job, on the next job. Thus, non-disclosure agreements are popular tools to protect the company’s valuable information that cannot be protected by generating exclusive

---

<sup>41</sup> Van Caenegem 2014, p. 53

<sup>42</sup> Q215 Germany p. 1

<sup>43</sup> McGuire presentation paper, 2015 p. 2

<sup>44</sup> Q247 Germany p. 3

<sup>45</sup> Van Caenegem 2014, p.192 and Q215 Germany p.11

<sup>46</sup> Definition and translation provided in Q 247 Germany p. 2

rights such as patents and design rights. Moreover, non-disclosure agreements are used as a tool to hinder the possibility of reverse engineering.<sup>47</sup>

Germany does not have in force specific rules that would protect trade secrets in litigation. However, during the course of litigation, a party may apply to the court to preclude all third parties from the hearing and secure the information against unwarranted third parties if confidential information is exposed. Moreover, it is also possible to apply for a confidentiality order to prevent the opposing party from passing on the obtained information to a third party.<sup>48</sup> However, the opposing party in the litigation cannot be excluded from the hearing or any part of it. It is in Germany considered that this would violate a party's right to attend hearings. In particular in camera proceedings, where evidence are disclosed only to court representatives, are held to violate the constitutional right to a fair hearing.<sup>49</sup>

So far Germany only applies two exceptions to the strict rule of not allowing for an in camera procedure. Under the so-called Düsseldorf procedure, which is applicable in the course of a claim prior to the main proceeding, it can be admissible to present isolated exhibits to an authorised expert under an obligation of confidentiality instead of presenting them before a court.<sup>50</sup> In addition, it is also admissible to protect confidential information by blacking the respective sections in the documents disclosed.<sup>51</sup>

Moreover, the German Civil Code also allows a judge in a case where confidential material needs to be obtained as evidence to prove a committed infringement, to order a combination of a preliminary injunction and independent proceedings of taking of evidence. An independent expert can consequently be ordered to inspect the premises of the alleged infringer under the attendance of the claimant's representatives. The claimant is always excluded. The expert's opinion is submitted to the judge and made available to the parties' representatives. Only if the judge considers that an infringement has occurred will the expert's opinion be disclosed also to the party.

---

<sup>47</sup> The regulation on reverse engineering differ from many other Member States as unlawful disclosure of know-how is punishable under Section 17 in the German law "*Gesetz gegen den unlauteren Wettbewerb*" and under Section 823 in the "*II Bürgerliches Gesetzbuch*".

<sup>48</sup> Q247 Germany p. 6.

<sup>49</sup> Q247 Germany p. 6

<sup>50</sup> Q247 Germany p. 7

<sup>51</sup> Q215 Germany p. 11



Consequently the Düsseldorf procedure temporarily allows for restricted access to evidence or a hearing in favour of protecting the opponent's trade secrets.<sup>52</sup>

Experts can also be used in the form of for example public accountants in cases where a party brings forth an assertion but is unwilling to disclose further information to support the claim. The verifications of the facts can be assigned the expert, for example to confirm that the data presented (such as customer names, revenue etc.) as evidence, is accurate and can back up the assertion.

German courts may also allow a so-called *wirtschaftsprüfervorbehalt* to be used. Confidential information may be presented as evidence without being disclosed in its entirety, if the questions referred to the experts, in the possession of the confidential information, can answer the presented questions concerning the confidential information in their possession with yes or no.<sup>53</sup> *McGuire* has argued that the concept of this “*black box procedure*”, developed by German jurisprudence, may be helpful to protect trade secrets in the course of litigation, as the relevant information is not presented during the hearing but only provided to the experts.<sup>54</sup>

Damages can be awarded for actions of trade secret misappropriation to such an amount that will restore the claimant's position as it was before the misappropriation. In order for a trade secret owner to claim damages, he or she must show the precise damages suffered from the publication of the trade secret such lowered profit margins or loss of license opportunities.<sup>55</sup>

### **3.2.1 The Düsseldorf Procedure**

The Düsseldorf procedure is an evidence procedure that was initially structured to be used in patent litigation by the courts in Düsseldorf. In 2009 the Federal Court of Justice in Germany however established that the procedure could also be used in trade secret cases. The procedure consists of the following combination: A court appointed expert's opinion and preliminary injunction. The expert's written opinion often consists of the expert's observations of a specific device or machine to determine if a particular right has been violated. For the injunction, the defendant must allow an expert to inspect the premises and give the expert all information needed for the expert

---

<sup>52</sup> Q247 Germany p. 7

<sup>53</sup> *ibid.*

<sup>54</sup> *McGuire* presentation paper 2015, p. 8

<sup>55</sup> Q 247 Germany p.10

to conduct the inspection. The main intention is to use the Düsseldorf procedure to strike a balance between the claimant's interest to acquire knowledge and all facts needed to establish a possible infringement and the defendant's interest to keep his or her trade secret confidential. In order to prevent the claimant from using the Düsseldorf procedure to "lurk", in other words to claim that the defendant has infringed the claimant's trade secret to gain knowledge of the defendant's trade secret, the expert's opinion is not submitted to the claimant before it can be established that the claimant can invoke the claim.<sup>56</sup>

Lurking, is prevented by using three security measures.<sup>57</sup> When learning that trade secret might have been misused, the right holder must file an application for an inspection order. The claim and the information it contains are presented to experts, who after careful examination present their written opinion to the court. Only if it is considered that there is a high likelihood that the claimant's trade secret is being misused, can the information be given to the defendant. Moreover, the third measure to prevent lurking, is that the claimant becomes liable to pay damages to the defendant if it is established that the claimant had no reason to accuse the defendant for trade secret misappropriation.<sup>58</sup>

The positive effect with the Düsseldorf procedure has been argued to be that it reduces the possibility for the other party to lurk for a competitor's trade secret. However, the procedure does not provide sufficient assistance for a claimant that considers whether or not to raise a claim against a violator; it does not provide for regulations on how to continue without revealing the own trade secret. This puts the dilemma of whether or not to reveal information in the centre of the procedure instead of the trade secret.<sup>59</sup>

### **3.3 THE UNITED KINGDOM**

The English common law system speaks of rights and obligations in relation to confidential information because confidential information is not considered a property right but rather a source of rights and obligations between parties.<sup>60</sup> On the contrary to

---

<sup>56</sup> Künzel 2016

<sup>57</sup> McGuire 2015, p. 8

<sup>58</sup> McGuire 2015, p. 9

<sup>59</sup> McGuire 2015 p. 9

<sup>60</sup> Q247 UK p. 1

the English Common law system, the United States of America (hereinafter referred to as the “USA”) have adopted the view that trade secrets give rise to property rights.<sup>61</sup>

Breach of confidence *"gives rise to an action that enables any person who has an interest in information that is confidential to prevent others who have received, or acquired, the information with notice of its confidential quality from using or disclosing the information."*<sup>62</sup> The doctrine has arisen from case law and independently of contract.<sup>63</sup> Therefore, it has the capacity to regulate non-contractual situations. Moreover, the breach of confidence doctrine is also extended to include family and governmental information.<sup>64</sup>

Under the English common law system confidential information is broadly divided into four categories: trade secrets, artistic and literary information, government secrets and personal information.<sup>65</sup> Trade secrets are regulated by contract and under the laws of equity. The protection under laws of equity extend to information which: has the necessary quality of confidence, was imparted in circumstances importing an obligation of confidence and which is used without the consent of the trade secret holder.<sup>66</sup> Concerning personal information, it should be noted that the right to privacy is not recognized at the fundamental constitutional or human rights level and also traditionally not recognized as a tort. This has resulted in that the right of individuals to control the spreading of information about their private life, and the right of the press to report on matters of personal privacy is mediated through the action of breach of confidence.<sup>67</sup> However, after the English Human Rights Act (1998), which incorporates the regulations in the ECHR, entered into force in the UK in the year 2000, confidence has become important as a ground for refusing disclosure. The basis for refusal constitutes the right under confidentiality not to disclose information in

---

<sup>61</sup> Aplin 2014, p. 2

<sup>62</sup> Aplin et.al 2012, p. 3

<sup>63</sup> Significant cases for the development constitute Prince Albert vs Strange and Saltman.

<sup>64</sup> Attorney General v Guardian Newspapers Ltd (No 2) (Spycatcher); HL 13-Oct-1998. The Spycatcher case have been of significance in developing case law.

The case concerned the British government's right to stop the publication of an autobiography written by a former secret service agent. The court ruled that the media could publish extracts from the book because it would not cause more harm than its publication abroad already had.

<sup>65</sup> Aplin et al 2012, p. 175

<sup>66</sup> Linklaters 2016

<sup>67</sup> Van Caenegem 2014, pp. 62-63. See also the case Douglas vs Hello! EWCA Civ 595

legal proceedings. Furthermore, this right constitutes a significant difference to other national laws governing trade secrets within the EU.<sup>68</sup>

Trade secrets do not have a settled meaning but are in general divided into technical secrets and business secrets. The technical secrets relate to the production of goods and services, and business secrets to information a business entity generates about its own activities. The term “trade secret”, that incorporates either technical or business secrets, tends to be used in two different ways by the courts. Firstly, in relation to particularly post-employment restraints that is legitimately imposed on former employees either through restrictive covenants or implied obligations of confidence. Secondly, it has been used in a more general fashion as a synonym for commercial or industrial confidential information.<sup>69</sup>

Technical secrets also embody know-how. Just as trade secrets, the term know-how does not have a specific meaning. However, the doctrine makes a distinction between especially two classes of information. Information in the form of skills and experience built up by an individual employee in relation to the practical implementation of techniques or processes. An employee is allowed to acquire the skills and experience for the own benefit. Accordingly, know-how constituting of skills and experience acquired on the job, does not compromise a trade secret in the sense that an employer would be able to prevent the employee from using it.<sup>70</sup> The second category of know-how constitutes of information in the form of non-patented information, which is the result of experience and testing that is secure, substantial and identified. Such know-how is considered to be trade secrets.<sup>71</sup>

There is no regulated way of protecting trade secrets in litigation. Thus, the main rule is that parties are obligated to, in the course of the disclosure process, disclose relevant documents despite the fact that they might contain confidential information. However, the courts do have a general discretion to impose terms of confidentiality on parties and legal representatives in litigation. Proceedings may also take place in camera. Therefore there are in practice ways in which confidential information can be protected during litigation; one specific way applied by the English and Wales courts

---

<sup>68</sup> Aplin et al 2012, p. 5

<sup>69</sup> Aplin et al 2012, p. 176-179

<sup>70</sup> Aplin et al. 2012, p. 177

<sup>71</sup> Aplin et al. 2012, p. 178

are the so called *Confidentiality Clubs*.<sup>72</sup> They provide the courts with a tool with which the court can limit an individuals' permit to inspect documents.<sup>73</sup>

In order to raise a claim the claimant must provide sufficient evidence. For the collection of evidence the, the court may order for a premise to be searched, if the claimant has given the court sufficient reasons to assume that there is a need for it, as the opponent possesses incriminating documents or other relevant evidence, and the suspicion that the respondent will not obey an injunction for the preservation of evidence. Actions may include carrying out a search for or inspection of anything described in the order and to make or obtain a copy, photograph, or sample or other records of anything described in the order. An order issued by the court may also direct the person or persons concerned to provide any information or article described in the order as well as to retain described information for safe keeping.<sup>74</sup> As the search is conducted, an impartial "supervising solicitor" should be present to supervise the search and make a list of all the material removed from the premises. A search cannot be conducted, and material cannot be removed without the respondent or the respondent's representative being present. If material is being removed it should not be retained for more than two days after which it should be returned to the owner. However, if material in a dispute is removed pending trial, the material should be placed in the custody of the respondent's solicitor by the claimant's solicitor for safekeeping in order to be produce to the court when required.<sup>75</sup>

For actions of trade secret misappropriation damages are available and the damages shall put the suffering party in the same position, as would it have been had the misappropriation not occurred. No difference is made concerning whether the act is committed intentionally or by negligence and thus is there no such thing as a double or triple damage. In order for a trade secret owner to claim damages he or she must show the precise damages suffered from the publication of the trade secret such lowered profit margins or loss of license opportunities.<sup>76</sup>

Damages for breach of confidence is primarily awarded as compensation to the victim and in some cases to punish the wrongdoer. The damages depend on the injury the

---

<sup>72</sup> Q215 UK p. 7

<sup>73</sup> Q247 UK p. 6

<sup>74</sup> Q247 UK p. 10

<sup>75</sup> Q247 UK p. 10

<sup>76</sup> Q 247 Germany p.10

victim has suffered; if no injury is suffered the court can award only nominal damages.<sup>77</sup>

### **3.3.1 Confidentiality Clubs**

In the UK the court may order parties to form so-called Confidentiality Clubs. Within a Confidentiality Club, the members are permitted to agree on the following: who has access to the information, who may copy those documents, where the documents may be viewed and the dissemination of information contained in the documents. A person involved in a Confidentiality Club is strictly bound by undertakings of confidence, and may thus not disclose any evidence that the person might have obtained in the course of the participation in the established Confidentiality Club.<sup>78</sup> Confidentiality Clubs are particularly used early in a pre-trial stage, as it becomes more difficult to exclude parties as the trial approaches.<sup>79</sup>

In the TSD 2013, the possibility was initiated to create Confidentiality Clubs, as a court was given the possibility to only allow access to hearings and documents to legal representatives of the parties and authorised experts.<sup>80</sup> However, as will be discussed further in chapter 6, the wording has been changed in Article 9 and thus is the possibility to create Confidentiality Clubs has been removed.

## **3.4 HUNGARY**

The Hungarian Civil Code incorporates a definition of a trade secret, which covers facts, information, solution or data and also the compilation prepared thereof.<sup>81</sup> Additionally, trade secrets are regulated in the Competition Act, the Labour Law and the Criminal Code.<sup>82</sup> The provisions in the Code of Civil Procedure, ensures the protection of trade secrets during all types of civil litigation. The general principal is that a hearing is open to the general public. However, proceedings in camera are possible, as a judge possesses the authority to exclude the general public from the

---

<sup>77</sup> Q247 UK p.13

<sup>78</sup> Judicial Decisions 2002, p. 395

<sup>79</sup> Q247 UK p. 6

<sup>80</sup> Pors p. 6

<sup>81</sup> Q215 Hungary p. 2. Hungary has received a new Civil Code in 2013. "The compilation prepared thereof" was added to the new code to make the scope broader.

<sup>82</sup> Q215 Hungary pp. 5-8

hearing if information of trade secret nature is disclosed. If the public is excluded, the parties are also not allowed to make any copies of the minutes of such hearings or of documents containing the concerned trade secrets.<sup>83</sup> Also, in order to protect a trade secret in a hearing a witness has the right to refuse to testify if the testimony would breach their obligation of confidentiality.<sup>84</sup>

Apart from having the power to exclude the public from a hearing, a judge may decide about a party's right to access documents containing trade secrets.<sup>85</sup> Moreover, if documents containing trade secrets are submitted during litigation, the parties' right to inspection is subject to a special declaration of non-disclosure and the judge may establish a special procedure to review such documents. Noteworthy is also that the trade secret holder must consent to the disclosure of the trade secret, otherwise can no one inspect the concerned document except for the judge and the court clerk.<sup>86</sup> Concerning third parties access to documents, information on the proceeding is given only to parties with a legitimate interest in the case and its conduct and outcome and also in such cases may their right be restricted if the trade secret holder has not consented to the disclosure of the trade secret information. The court's final judgement is always published but it is possible to remove the names of the parties and other relevant information to identify the case.<sup>87</sup>

Under the Hungarian Competition Act the party may request the court to order preliminary injunction if the party can show a consequent attempt at the recovery of gains made from the infringement or that the payment of damages is jeopardized.<sup>88</sup> Protecting measures can consist of the pledging of security for a monetary claim and also the seizure of goods. The right to initiate a procedure for preliminary collection of evidence is available to the party both before and during the trial. Moreover, if there is a risk that evidence is being destroyed the court may order an ex parte relief, where any delay is likely to cause irreparable harm.<sup>89</sup>

A party can claim damages for actual loss, and loss of profit, as well as for financial advantage acquired by the infringement in accordance with the principle of unjust

---

<sup>83</sup> Q215 Hungary p. 10

<sup>84</sup> Q247 Hungary p. 4

<sup>85</sup> Q247 Hungary p. 3

<sup>86</sup> Q215 Hungary p. 10

<sup>87</sup> Q247 Hungary p. 4

<sup>88</sup> Act LVII 1996 on the Prohibition of Unfair and restrictive Market Practices. Applicable as of September 1<sup>st</sup> 2015. Article 88 (5)

<sup>89</sup> Q247 Hungary p. 8

enrichment. A party must sufficiently prove the link between the claimed damages and the other party's unlawful activity.<sup>90</sup>

### 3.5 SWEDEN

German legal ideas have influenced the Swedish *sui generis* Trade Secret Act (*The Act on the Protection of Trade Secrets 1990:409*).<sup>91</sup> The Act has its roots in the Swedish Act on Unfair Competition (1919:446), which in turn has its roots in the German Unfair Competition Act.<sup>92</sup> The trade Secret Act includes a definition of a trade secret, provisions concerning penalty for acts of trade secret misappropriation, regulations concerning damages as well as regulations on injunctions and expropriation of a stolen trade secret, which gives the court the power to order that the trade secret is returned, destroyed or subject to other methods that would prevent the trade secret from being exposed.<sup>93</sup> It should be noted, that the Act does not regulate the protection of trade secrets in litigation, or securing of evidence.<sup>94</sup> These are instead regulated in the Code of Judicial Procedure (1942:740).<sup>95</sup> Moreover, the Public Access to Information and Security Act (2008:400)<sup>96</sup> supports the regulation concerning access to information in relation to litigation proceedings.

The procedure in litigation is regulated in the Swedish Code of Judicial Procedure.<sup>97</sup> Courts should order for a hearing to be held behind closed doors in situations where it is considered that revealing the information will cause significant harm. In a proceeding behind closed doors only the parties and their counsel(s), the judge(s) and the officers of the court may be present. Moreover, the court can order all parties present at the proceeding not to disclose to third parties the information obtained during the procedure. Confidential information in otherwise public documents can be kept secret for twenty years; however, a ruling in a lower instance to maintain

---

<sup>90</sup> Q247 Hungary p. 5

<sup>91</sup> In Swedish: Lag om skydd för företagshemligheter 1990:409

<sup>92</sup> Zweigert Kötz 1998, p. 284

<sup>93</sup> Q247 Sweden p. 4. Also see the Trade Secret Act Section 14

<sup>94</sup> Q247 Sweden p. 1

<sup>95</sup> In Swedish: Rättegångsbalken 1942:740.

<sup>96</sup> In Swedish: Offentlighets-och sekretesslag (2008:400) Chapter 36 Section 2

<sup>97</sup> In Swedish: Rättegångsbalk 1942:740



information confidential is not binding in an appeals process. Consequently, it is up to each court separately to decide on protection for trade secrets.<sup>98</sup>

Similarly as in Finland, discovery is not available in Swedish court proceedings, except in situations where a party possesses an important document and the court consider that it should be disclosed.<sup>99</sup> Moreover, a person called as a witness may also refuse to testify regarding information of secret nature, if the court does not find extraordinary reason to examine the witness on this particular matter.<sup>100</sup>

Together with the implementation of the Enforcement Directive in Sweden, a sanction was introduced that gives the court the right to issue an "order to provide information" concerning the origin and distribution networks for the infringement of goods and services. Such an order can be issued against the potential infringer and for example, an Internet Service Provider, if a right holder shows that there is probable cause of infringement.<sup>101</sup> The court also has a possibility to order interim measures called "infringement investigations". However, the court is, similarly as in Finland, always obligated according to Section 14 in the Trade Secret Act, to first balance the interests to assure that the reasons in favour of an investigation outweigh the harm potentially caused to the trade secret holder.

### **3.6 FRANCE**

French law adopts a very general unfair competition approach based on remote foundations to the protection of trade secrets. The approach is based on general provisions developed through case law,<sup>102</sup> and statutory intervention has been minimal, in both civil and criminal law.<sup>103</sup> Therefore, a patchwork of unfair

---

<sup>98</sup> Q215 Sweden p. 9.

<sup>99</sup> Q247 Sweden p. 9

<sup>100</sup> Q215 Sweden p. 9

<sup>101</sup> Q215 Sweden p.10

<sup>102</sup> Q215 p. 2

<sup>103</sup> Van Caenegem 2014, p. 67. See also Q215 France p. 5: Article 247 of the Code of Civil Procedure states: " If the opinion of the expert, whose disclosure infringes one's privacy or any other legitimate interest, may not be used outside the proceeding, except with the judge's permission or with the consent of the concerned party."

competition law, contract law, labour law, and criminal law has evolved to assist in protecting trade secrets.<sup>104</sup>

Under French law no definition of a trade secret has been adopted; rather the term “manufacturing secrets” (*secret de fabrication*) is used.<sup>105</sup> Case law has however developed a notion of trade secrets, which refer to industrial means with the aim of production. Hence, the understanding of a trade secret under French law seem to be that it functions as a complementary tool to patents as they may cover production methods and processes that have the characteristics of a patentable invention. Moreover, they may also cover details or patentable techniques, which would not be patentable due to the lack of an inventive step. Thus, it has been regarded that a trade secret can be an original patentable or non-patentable technical industrial process. It might also cover source codes of part of the programs installed on products if it can be used for their production. Trade secrets are thus foremost understood as precise limited technical knowledge and should never be understood as general knowledge acquired by an employee.<sup>106</sup>

The principles of adversary proceedings and open court proceedings are favoured in France.<sup>107</sup> According to the open-court principle, hearings are open to the public except in situations where the law requires it to be held in chambers. Moreover, a closed hearing may also be granted based on the parties’ joint request. Nonetheless, if the request is not filed jointly, the court does not have the authority to order one.<sup>108</sup> Regardless of whether a hearing is held behind closed doors or not, the judgement will be accessible to the public.<sup>109</sup> Moreover, if the judge considers it useful for the public to gain knowledge of some confidential information disclosed by either one or both parties, such information may also become accessible to the public.<sup>110</sup> Such situations

---

<sup>104</sup> Van Caenegem 2014, p. 125

<sup>105</sup> Q215 France p. 1: Article 621-1 in the Intellectual Property Code states “[t]he penalties for violation of manufacturing secrets are set forth in Article L152-7 of the Labour Code reproduced hereafter: “Article L152-7. The fact of revealing or attempting to reveal a manufacturing secret by any director or salaried person of the enterprise in which he is employed shall be punishable by imprisonment of two years and a fine of FRF 200,000.” “The Court may also order as an additional penalty for a period of not more than five years the prohibition of civic, civil and family rights provided for by Article 131-26 of the Penal Code.”

<sup>106</sup> Q247 France p. 5

<sup>107</sup> Q247 France P.10

<sup>108</sup> Q215 France pp. 16-18

<sup>109</sup> Q215 France pp. 14-14

<sup>110</sup> Q215 France p. 18

can for example occur when confidential information is discussed regarding compensation for a holder of a patent application.<sup>111</sup>

In situations where confidential information is disclosed, there exist no regulations that would prevent the opponent or any other participant to the hearing from disclosing obtained information to third parties. Therefore, it is theoretically possible for parties to use information that they have obtained during a hearing for their own benefit. Courts rarely give decisions that would hinder the exchange of obtained documents in order to keep them confidential.<sup>112</sup> However, the Code of Civil Procedure, gives the parties a possibility to agree with the court prior to any hearing on measures to avoid leaking of trade secrets during litigation.<sup>113</sup> Measures available are for example expert evaluations, were an expert is requested to conduct a certain investigation for example concerning accounting audits or search confidential documents. After an investigation, an expert is obligated to account for the work conducted. Where the parties instead wish to verify the information supplied to the experts, the courts have accepted a system that allows only the parties counsels to be present at the expert's procedures and have access to the confidential information. The experts can then later adapt their report in order to protect a secret, either by not mentioning the secret information if it is not necessary for the judge, or by not disclosing the confidential information itself, but by indicating the conclusion to which the confidential information leads. Furthermore, it is also possible that the expert places the information in a sealed envelope, which is turned over to the court and opened only under conditions specified by the court.<sup>114</sup>

A specialist's opinion, whose disclosure would violate the intimacy and private life or other legitimate interests of a person, is prohibited outside proceedings unless such use

---

<sup>111</sup> Q215 France p. 18: Regulated in Article L 612-10 in the Intellectual Property Code.

<sup>112</sup> Q215 France p. 17

<sup>113</sup> The possibility of parties to request for preparatory inquiries are stated in Section 143: "The factual circumstances upon which the resolution of the dispute depends, may, at the request of the parties be subjected to any legally permissible preparatory inquiry." Moreover, under Section 145 in the same law it is stated "if there is a legitimate reason to preserve or to establish, before any legal process, the evidence of the facts upon which the resolution of the dispute depends, legally permissible preparatory inquiries may be ordered at the request of any interested party, by way of a petition or by way of a summary procedure." Also, under Section 275 it is stated "the parties must give immediately to the expert all documents that the latter deems necessary for the implementation of his mission. In the event of failure of the parties, the expert will inform the judge thereof and the latter may order the production of documents, if necessary, under a periodic penalty payment, or, where appropriate, will allow him to disregard it and to submit his minutes as it stands. The trial bench may draw any such inference in law resulting from failure to produce the necessary documents to the expert.

<sup>114</sup> Q215 France p. 15

is authorized by the judge or conducted with the consent of the interested party.<sup>115</sup> The parties might be required to transmit documents containing confidential information during the hearing. For such documents, the exceptional rules do not apply; parties must simply disclose such material. Parties usually agree to regulate the use and access to exchanged documents and the court can restrict access to documents, which have been exchanged in order to keep them from being disclosed to third parties.

Regarding criminal procedures, no procedure can be invoked in order to refuse transmission of a trade secret required by the examined magistrate (except medical). However, the investigation file and the information it contains are not accessible to the parties or third parties. Only the parties' attorneys may request permission to obtain a copy of certain documents and turn them over to the client who must undertake to keep them confidential and use them only within the context of the case. Similarly to civil proceedings, no statutory provisions hinder the disclosure of obtained information.

Under French law the trade secret holder may claim damages from the party liable for the trade secret misappropriation regardless of whether the violator acted in good or in bad faith. When ordering damages the court takes into consideration the circumstances of the case and the intention of the trade secret violation as well as the claimant's loss of profit. The amount of damages can never be greater than the loss suffered.<sup>116</sup>

### **3.7 THE IN CAMERA PROCEDURE**

The in camera procedure is a term used to describe a form of a closed hearing that is applied in several Member States. An in camera procedure can be adopted differently, but the most common form of in camera procedure used by Member States appears to be to exclude the general public and only allow the parties, their representatives,

---

<sup>115</sup> Q215 France p. 15. Information that can be covered by secrecy are: particulars which are covered by process secrecy, which covers manufacturing techniques such as the description of materials used and the personnel employed; particulars which are protected by economic and financial secrecy, a category which includes information dealing with the company's economic position, its financial health, or the state of its credit such as, for example, turnover, the workforce and, in general, any level of information which may reveal the level of activity; particulars which are protected by commercial strategy secrecy, a category which includes information dealing with prices and trade practices such as the list of suppliers, the amount of discounts granted etc."

<sup>116</sup> Q247 France p.12

judges and court officials to be present. Additionally, documents containing trade secrets may also be prohibited from being disclosed to the general public, in whole or in part. Depending on the situation, an in camera procedure can also refer to a situation where the other party is excluded from the hearing.

The HL study noted that there is inconsistency between Member States on the use of in camera proceedings and the protection of information contained in court documents.<sup>117</sup> This is also shown in this chapter; in France, it is hard to protect confidential information in documents although a closed hearing has been granted when, on the other hand, Hungary gives a party the right under Hungarian law to either consent to or prohibit another party from access to documents containing trade secrets. Moreover, differences can also be found concerning the prohibition of making copies of documents containing trade secrets if the general public is excluded from the proceeding and the right for a judge to establish special procedures to review documents. Thus, in comparison to other Member States, Hungary has in force measures that allows a party to prevent the other party from accessing information concerning the on-going proceeding to which it is a party.

### **3.8 CONCLUSION**

Based on the presented ways of regulating trade secrets in different Member States, it can be concluded that countries whose judicial system stems from roman law, and more specifically from the German legal system, foremost protect trade secrets through a combination of unfair competition law, labour law, forms of marketing practice acts, criminal law and procedural law. On the other hand, common law resorts to breach of confidence and case law. France is an exception to the way trade secrets are protected by civil law countries, as it similarly to the UK, extensively relies on case law.

Concerning means of protection for trade secrets in the course of legal proceedings, it has been found that many countries tend to resort to some form of in camera procedure to protect the confidentiality of trade secrets. As will further be discussed in chapter six, this most likely is a result of the approval by the European Court of Justice

---

<sup>117</sup> HL study 2012, p. 44

(hereinafter referred to as “ECJ”) and the European Court of Human Rights, to resort to such means without considering it contrary to the right of a fair trial.<sup>118</sup>

Moreover, several countries provide a possibility to allow for expert opinion in the phase of evidence gathering. Depending on the regulations in the country in question, an expert’s opinion weights differently as evidence. However, as a way of gathering evidence to prove an infringement of a trade secret, an expert’s opinion can potentially allow a trade secret holder to raise a claim against an alleged infringer without having to disclose the own trade secret completely, which is valuable in order not to expose the secret to the opponent. To resort to expert opinion as a means of preserving the confidentiality in Finland of a trade secret is discussed further in chapter 6.4.1.

## **4. THE PROTECTION OF TRADE SECRETS IN FINLAND**

### **4.1 REGULATING TRADE SECRETS IN FINLAND**

There are currently in force three laws in Finland, that regulate the protection of trade secrets: the Unfair Businesses Practice Act “*laki sopimattomasta menettelystä elinkeinotoiminnassa*” (1061/1978) as amended (hereinafter referred to as “UBPA”), the Employment Contracts Act “*työsopimuslaki*” (55/2001) as amended (hereinafter referred to as “ECA”) and the Criminal Code of Finland “*rikoslaki*” (39/1889) as amended (hereinafter referred to as “CC”). These laws interlink with each other, but apply different definitions of a trade secret. All the definitions nevertheless share the same general understanding of what constitutes a trade secret, and the definition is based on praxis. Thus, the differences are merely nuanced.<sup>119</sup>

The UBPA uses the term “*liikesalaisuus*” (“translated into “trade secret”) and the ECA “*liike- ja ammattisalaisuudet*” (translated into “trade and professional secrets”). The only existing definition of a trade secret is incorporated in Section 30:11 of the CC,

---

<sup>118</sup> Aplin 2014, p. 48

<sup>119</sup> Helgesson 2000 p. 66. In her dissertation Helgesson argues that having different definitions in different laws for information of confidential nature might lead to gaps in the legislation. She also refers to the German scholar Hauck who has stated that it is important not to use words that can be falsely associated. Helgesson argues that the use of different definitions under Finnish laws for the protection of the same purpose can diversify the understanding of the elements of trade secrets and what sort of information is protected. Also see Castrén 1973, p. 10

which uses the term “*yrityssalaisuudet*” (translated into “business secret”, which refers to a “business- or a professional secret”). “Business- or professional secret” is defined as “*a business or professional secret and to other corresponding business information that an entrepreneur keeps secret and the revelation of which would be conducive to causing financial loss to him or her or to another entrepreneur who has entrusted him or her with the information.*”<sup>120</sup> As can be noted, the definition incorporates the requirements set out in Article 39 of the TRIPS Agreement.<sup>121</sup> In addition, “*other corresponding business information*” has been incorporated because of the desire to have a broad definition.<sup>122</sup>

In Finland, trade secrets are commonly associated with intellectual property rights, because they are encompassed in the UBPA.<sup>123</sup> The UBPA and the ECA generally recognises two different types of trade secrets: commercial information relating to the business that is of financial value, and technical information, which also incorporates know-how. Under Section 4 in the UBPA, information of financial value can be commercial information relating to the business’s organisation, business relations and information concerning business contracts, while technical information is understood as, for example, the construction of, or composition of, materials and information concerning transportation as well as technical instructions that can be used in the course of business. Moreover, know-how is understood as experience-based knowledge.<sup>124</sup> The protection of trade secrets under the UBPA lasts as long as the information has financial value for the business.<sup>125</sup>

Under Section 3:4 in the ECA an employee is prohibited from utilizing or divulging to a third party the employer’s trade or business secret.<sup>126</sup> The ECA does not incorporate a definition of a trade secret; the basis for Section 3:4 in the ECA has been section 4 in the UBPA and the provided understanding in the UBPA of what constitutes a trade secret. In addition, to the established understanding of what constitutes a trade secret in the UBPA, it is also regarded in the ECA that a trade or professional secret can be, for example, commercial or technical information, information concerning the

---

<sup>120</sup> Unofficial translation of the Criminal Code

<sup>121</sup> Government proposal HE 30/1998

<sup>122</sup> Vapaavuori 2005, p. 37

<sup>123</sup> HL study 2012, p. 16

<sup>124</sup> Government proposal HE 144/1978 p. 14

<sup>125</sup> Government proposal HE 157/2000 p. 80

<sup>126</sup> Government proposal HE 157/2000 p. 80

production process, computer programs, formulas and customer lists. In order for information to be considered a trade secret in the ECA it is to be valuable for the employer.<sup>127</sup>

An employee's strict liability towards the employer concerning not to take advantage of the employer's trade secret or to disclose it to third parties, does not extend to skills and knowledge lawfully acquired on the job, which the employee is allowed to use on the next job. Furthermore, an employee is also allowed to use a trade or professional secret that was obtained during the employment relationship if the use takes place at least two years after the termination of the employment relationship.<sup>128</sup> There naturally also exists measures that an employer can resort to, in order to prevent an employee from ever using acquired trade secrets; non-disclosure agreements are among the most commonly used. The validity of a non-disclosure agreement does not have an upper limit, and can thus last as long as the parties agree.<sup>129</sup>

In addition to the regulations under the ECA, an employees' obligation to maintain secrecy concerning trade and professional secrets are also regulated under Section 12 in the *Act on co-operation with undertakings*<sup>130</sup> and under Section 12 in the *Act on Personnel Representation in the Administration of Undertakings*.<sup>131</sup> However, in comparison to the ECA, that automatically imposes a strict liability on the employee, the two laws require that the employer inform the employee about the confidential nature of the information and the requirement to keep it confidential.<sup>132</sup>

Acts against the regulations under the UBPA and the ECA are foremost criminalised under the CC.<sup>133</sup> In addition, misappropriation of technical information is also penalised under Section 10 in the UBPA. The criminalisation of trade secret misappropriation emerged as it was considered necessary to protect a business's commercial and technical developments because of the extensive investments they

---

<sup>127</sup> Government proposal HE 157/2000 p. 81

<sup>128</sup> Q215 Finland p. 5

<sup>129</sup> ECA Section 15. Also see the Government proposal HE 157/2000 p. 81

<sup>130</sup> In Finnish: Laki yhteistoiminnasta yrityksissä 334/2007

<sup>131</sup> In Finnish: Laki henkilöstön edustuksesta yritysten hallinnossa

<sup>132</sup> Government proposal HE 157/2000 p. 81

<sup>133</sup> Huhtamäki 2014, p. 236. To protect trade secrets under the CC has been considered purposeful to establish a better protection



might comprise. Moreover, the Market Court in Finland<sup>134</sup> can order injunctions, but only after the damage is already done, which also made legislation that criminalise attempts and makes it possible to penalize them, necessary as preventive measures.<sup>135</sup>

The actions for which criminal sanctions can be ordered correlate with the punishable acts under the UBPA and the ECA. The acts under the CC are punishable by a fine or imprisonment up to two years.<sup>136</sup> The punishable acts can roughly be divided into three groups: 1) unlawful acquisition of information, which also incorporate industrial espionage; 2) unlawful use and disclosure of received confidential information; and 3) the use or further disclosure of unlawfully acquired confidential information or of shared confidential information by another party.<sup>137</sup> Group 1); unlawful acquisition of information, is considered to be at hand if a person in the service of another, holding a position of trust, conducting a task on behalf of someone or in connection with the business reconstruction unlawfully has obtained information to gain personal benefit or benefit for someone else.<sup>138</sup> Group 2); misuse occurs when a person unlawfully acquires a business secret for personal benefit or for the benefit of someone else.<sup>139</sup> Group 3); use and further disclosure of information is considered to occur when a person holding a position of trust or a third party who knows that the confidential information disclosed to him or her has been obtained unlawfully by the person disclosing the information, is restricted from sharing the secret information and thus has an obligation to maintain secrecy for an indefinite future.<sup>140</sup>

---

<sup>134</sup> In Finnish: *Markkinaoikeus*. The Market Court is a special court that deals with issues concerning the business market in Finland such as competition and consumer relating issues.

<sup>135</sup> Government proposal HE 66/1988 p. 76

<sup>136</sup> Nyblin 2003, p. 241

<sup>137</sup> Nyblin 2003, p. 233. Business secrets are regulated in chapter 30 under the CC. Section 30:4 regulates business espionage, Section 30:5 the violation of a business secret and Section 30:6 the misuse of a business secret. Additionally, regulations in Section 3:4 under the ECA, concerning an employee's obligation to maintain secrecy, can also be considered in situations of industrial espionage

<sup>138</sup> The regulations under Section 30:4 in the CC build on the ones under Section 4 in the UBPA. Also see the decision by the Supreme Court (KKO: 2013:20): An employee that had copied information from the employer shortly before ending the employment, and shortly afterwards set up a competing business, was held liable for industrial espionage as the information copied was central both for the ex-employee's business and the former employer's business.

<sup>139</sup> Government proposal HE 66/1988. Section 30:6 principally criminalise the actions regulated under Sections 4 (3), 4 (4) and 10 in the UBPA that concerns the misuse of a technical model or instructions.

<sup>140</sup> Government proposal HE 114/1978 p. 15. Also see the decision by the Supreme Court KKO: 2013:17. The owner and CEO was held to be aware of industrial espionage conducted abroad by his company, and thus was it considered that the owner was aware of the trade secret misappropriation and could be held liable.

## 4.2 PROTECTION OF TRADE SECRETS IN LITIGATION

There is no law in Finland that specifically regulates the disclosure of trade secrets in litigation. The amount of case law is also fairly limited, which is explained by the fact that most cases are settled outside court for different reasons, one common reason being that non-disclosure agreements often so stipulate, another one being that companies want to avoid having to extensively disclose their trade secrets in a court proceeding.<sup>141</sup>

The general principles of openness and right to a fair and open trial are incorporated into the Constitution of Finland (731/1999) as amended.<sup>142</sup> The principles have influenced the regulations in the Act on the Publicity of Court Proceedings in General Courts (370/2007) as amended, (hereinafter referred to as the “Publicity Act”), which regulates the disclosure of information and empowers the courts to order for a hearing to be closed from the public if necessary.<sup>143</sup> In addition, it has also influenced the Act on the Openness of Government Activities (hereinafter referred to as the “Openness Act”), which regulates the possibility to gain access to official documents in the public domain.<sup>144</sup>

*Vapaavuori* has suggested that acts of trade secret misappropriation can be divided into the following categories: threatening, ongoing and ended. The division depends on the stage of the process. Threatening, are situations in which the trade secret holder has justifiable reasons to doubt that actions of trade secret misappropriation might occur. This can for example be the situation, where a former employee has left the employer and the employer suspects that the former employee has taken with him or her trade secrets as he or she has started working for a competitor. Another example

---

<sup>141</sup> Huhtamäki 2014, p. 241

<sup>142</sup> In Finnish: Suomen perustuslaki. Section 12 (2) in the Constitution of Finland states: ”recordings and documents in the possession of the authorities are public, unless their publication has for compelling reasons been specifically restricted by an Act. Everyone has the right of access to public documents and recordings.” The right to a fair trial is regulated under Section 21 in the Constitution of Finland. According to Section 21, everyone has the right to “have his or her case dealt with appropriately and without undue delay by a legally competent court of law or other authority, as well as to have a decision pertaining to his or her rights or obligations reviewed by a court of law or other independent organs for the administration of justice.”

<sup>143</sup> In Finnish: Laki oikeudenkäynnin julkisuudesta yleisissä tuomioistuimissa. The Act on the Publicity of Court Proceedings in General Courts regulates the publicity of court proceedings and trial documents in the High Court of Impeachment, the Supreme Court, the Court of Appeal, the District Court, the Labour Court and the Military Court and the Market Court, to the extent the Act on the Publicity of Administrative Court Proceedings does not apply.

<sup>144</sup> In Finnish: Laki viranomaisten toiminnan julkisuudesta as amended

that can be considered threatening is when a former business partner has obtained confidential information and lets it be understood that he or she is not bound by non-disclosure agreements and thus has the right to use the information.<sup>145</sup> In situations where continuous violations of trade secrets occur, trade secret information is already disclosed and used and the act of trade secret violation continues. In this situation the trade secret has however not been entirely disclosed to the general public and thus, it is still possible to prohibit further use or disclosure of the trade secret by intervening on time, for example through legal proceedings.<sup>146</sup> If the violation has occurred with the result that the trade secret is exposed, damages are often the most relevant compensation.<sup>147</sup>

To prove that an act of trade secret violation is happening or has happened, the burden of proof initially lies with the claimant to support the claim with sufficient evidence, concerning the alleged act of trade secret misappropriation.<sup>148</sup> When initiating the claim, if the claimant fears that the defendant might take actions to dispose or harm the trade secret, the claimant has the possibility to request the court to order preliminary injunctions. Moreover, the court can also order injunctions during the proceeding or without first hearing the defendant, depending on the urgency of issuing the injunction in order to preserve the evidence.<sup>149</sup> Injunctions can be sought under the Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights (344/2000) (hereinafter referred to as the “IPR Evidence Act”) as amended,<sup>150</sup> or under the Code of Judicial Procedure (4/1734) as amended.<sup>151</sup>

Basically any type of objects that are considered important evidence can be secured or seized if the right holder can show that he or she has an enforceable right against the defendant and the court deems that it is likely that the opposing party by action or negligence or in some other manner hinders or undermines the realisation of the right of the claimant or significantly decreases its value. The measures may consist of prohibiting the deed or action of the opposing party or prohibit the party to do

---

<sup>145</sup> Vapaavuori 2005, p. 301

<sup>146</sup> Vapaavuori 2005, p. 302

<sup>147</sup> Vapaavuori 2005, p. 302

<sup>148</sup> Code of judicial procedure (4/1734) as amended, Section 5:12

<sup>149</sup> Injunctions can be sought under the Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights, or under the Code of Judicial Procedure. Moreover, chapter 7 Section 3 regulates the claimant’s obligation to prove an existing right. Also see Q247 Finland p. 11

<sup>150</sup> In Finnish: Laki todistelun turvaamisesta teollis- ja tekijänoikeuksia koskevissa riita-asioissa

<sup>151</sup> In Finnish: Oikeudenkäymiskaari. Also see HL study 2012 p. 17

something under the threat of a fine. Moreover, it can also be possible to empower the claimant to do something or to have something done or to order that property of the opposing party be placed under the administration and care of a trustee. Lastly, the court may also order other measures necessary for securing the right of the claimant to be undertaken.

The seizure and preservation of evidence relating to IPRs are also, in addition to the Code of Judicial Procedure, regulated in the IPR Evidence Act. Precautionary measures can be ordered if: 1) it can sufficiently be established that the claimant possesses an enforceable right and that there is a danger that this right is being infringed or that an infringement is imminent and 2) if there is a risk that the opponent or the third party in the possession of the material hides or disposes the evidence or otherwise acts in a manner that jeopardizes the preservation of evidence.<sup>152</sup> The obligation of the claimant as established in point 1, differs from the regulations under the Code of Judicial Procedure, as it, in addition to prove that a probable danger exists, also requires the claimant to prove that he or she is the possessor of the enforceable right.<sup>153</sup>

A party may request the court to keep confidential information concealed in documents that concern trade secrets, if revealing the information to the general public would cause significant detriment or harm to the interests that the secrecy obligation provisions protect.<sup>154</sup> Similarly, confidential information in a judgement is in general removed before the judgement is made available to the general public, and only disclosed in its entirety to the parties.<sup>155</sup>

Information in documents that is usually concealed, basically concern two types of information: information concerning a private business or professional secret, and other similar information that define a private business's confidential information.<sup>156</sup> These two differ from each other based on the scope of application and the degree of protection. The degree of protection is generally stronger for information concerning a private business or professional secret, which is in the possession of a government

---

<sup>152</sup> Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights Section 4

<sup>153</sup> Government proposal HE 119/1999

<sup>154</sup> Section 10 Publicity Act

<sup>155</sup> Act on the Publicity of Court Proceedings Section 22

<sup>156</sup> Section 24 (1) (20) in the Openness Act. Also see Mäenpää 2006 p. 71

authority, than for information that is not; for example if it is in the possession of a business. A situation where this scenario usually occurs is in relation to public procurement, where a business has handed over confidential information concerning the business to a government authority. In such situations the government authority is usually reluctant to disclose confidential information to the other party.<sup>157</sup> If a claimant wishes to bring forth confidential information regarding the own business as evidence against a violator, the claimant needs to present a detailed explanation to the court concerning the reason to why it is important that its own trade secrets are not disclosed to the general public. The court makes its decision to keep information disclosed from the general public based on the submitted explanation.<sup>158</sup>

A party may also request a hearing to be closed from the general public if documents or information classified by the court as confidential information, or other information of confidential nature, will be treated and a public hearing would cause significant inconvenience or harm concerning the interests that are protected.<sup>159</sup> Proceedings may be held closed from the public only to such extent as the court deems necessary in order to secure the protected interest.<sup>160</sup> Although the general public is excluded from a hearing, parties, their representatives and lawyers as well as other persons that the court considers should be present, may attend.<sup>161</sup> Moreover, the parties are also entitled to have access to all trial documents.<sup>162</sup>

Concerning witnesses, a person may have the right not to testify in matters concerning trade or professional secrets unless there are significant reasons considering the nature of the case, and the importance of the evidence for the case or other circumstances that demand that the person in question is heard as a witness.<sup>163</sup> A balance has to be struck by the court between the interest of disclosing a trade secret and the harm disclosing

---

<sup>157</sup> According to the government proposal HE30/1998 to the Openness Act, trade and professional secrets in the possession of a government authority are documents that concern information regarding trade secrets belonging to a business. Such information should in principal always be kept confidential and never disclosed to the general public. Exceptionally, information that concerns the environment and chemicals such as stipulated in law should be public.

<sup>158</sup> Mäenpää 2006 p. 71

<sup>159</sup> Section 10 in the Publicity Act. Also see Government proposal HE 13/2006

<sup>160</sup> See the decision by the Administrative court (HO 06.06.2008 1665). The Administrative court held that when a decision has been made public it can no longer be withdrawn and considered confidential. Moreover, the court also noted the importance of specifying the reasons behind the requirement of keeping some information confidential.

<sup>161</sup> Act on the Publicity of Court Proceedings Section 17. See also Vapaavuori 2005, p.308.

<sup>162</sup> Act on the Publicity of Court Proceedings Section 12

<sup>163</sup> Section 17:19 in the Code of Judicial Procedure

confidential information will have for the trade secret holder similarly as concerning the right to official documents as regulated in the Openness Act.<sup>164</sup> However, if a person has the right to refuse to testify, the information that the person has refused to testify about, should not be obtained by using other means such as a testimony by another person or by using an expert's opinion or by presenting documents. Thus, should the person's right not to testify be respected and not bypassed.<sup>165</sup>

A party, or the parties together, or the court may appoint an expert or experts to give an expert opinion.<sup>166</sup> The procedural rules concerning a witness and expert differs as experts are appointed to review specific questions given by a party, the parties or the court concerning a matter of the expert's expertise area. The expert, or experts, issues a written report including their professional opinion and observations that can be used as evidence in a proceeding by the party that has requested for the opinion. The report usually concerns technical and otherwise specific evidence.<sup>167</sup> The expert's report is given to the defendant and the court before the hearing to give the defendant the opportunity to take part of it and prepare a defence if necessary. An expert shall not be obligated to disclose trade secret information unless there are specific reasons that required the disclosure.<sup>168</sup> Moreover, the general rule is that an expert is not heard during the hearing. The expert can only be heard if the court separately considers it necessary, or if a party requests that the expert in question should be heard, to remove uncertainties in the expert's written opinion. As an expert should give an opinion based on professional knowledge, the expert should be named already in the claim. The defendant is thus made aware of the expert in an early stage and can either oppose the offered expertise evidence or approve of it or gather own counter evidence.<sup>169</sup> This gives the parties the window of opportunity to agree on which expert that will be called to give a qualified opinion.

Damages are the most common punishment for acts of trade secret misappropriation.<sup>170</sup> The amount awarded is based on the regulations in the Tort Liability Act and awarded for personal injury or injury to the property as well as for

---

<sup>164</sup> Government proposal HE 46/2014 p. 79

<sup>165</sup> Section 17:9 (2) under the Code of Judicial Procedure. Also see todistelutkimus 2012, p. 85

<sup>166</sup> Sections 34-36 in the Code of Judicial Procedure

<sup>167</sup> Government proposal HE 46/2014 p. 100 §36

<sup>168</sup> Q247 Finland p. 5

<sup>169</sup> Todistelutkimus 2012, pp. 54-55

<sup>170</sup> Q215 Finland p. 5

injury caused by an act punishable by law or in the exercise of public authority or in similar situations where there are especially weighty reasons for the same.<sup>171</sup> Moreover, damages can also be ordered for financial damages that are not connected to personal or property damages or based on weighty reasons. In civil law cases a damages claim expires after ten years.<sup>172</sup> The claimed amount of receivable damage cannot be greater than the suffered damage.<sup>173</sup> However, concerning a criminal case, the claim for damages does not expire as long as there is a right to raise a claim in a criminal matter or as long as the matter is pending before the court.

Lastly, alleged trade secret misappropriations that are not settled outside court are almost always prosecuted under the CC. One reason is that under the Openness Act and under the Criminal Investigation Act (805/2011)<sup>174</sup> as amended, information concerning preliminary investigations, and all information disclosed during the investigation, has to be kept confidential until the matter is examined by the court, the prosecutor has decided not to investigate the matter or the matter has been left to rest.<sup>175</sup> Thus, a claimant does not have to disclose the trade secret to the defendant and may be assisted by a prosecutor.<sup>176</sup> Moreover, the greatest challenge in a trade secret case is often to gather evidence. With assistance it is thus often easier to gather evidence and with sufficient evidence it is possible to claim maximum punishment, which under criminal law is imprisonment up to two years.<sup>177</sup> Furthermore, due to strict regulations in Finland concerning an employee's right to privacy at the workplace, it can be very difficult for an employer to get permission to investigate the employee's activities at the workplace, which also makes it difficult for the employer to gather evidence to support suspicions against an own employee, without help from an authority such as the prosecutor.<sup>178</sup> Permission may often only be granted, if the personal data processed is directly necessary for the relationship between the employee and the employer and connected to the parties' rights and obligations

---

<sup>171</sup> Tort Liability Act Chapter 5 Section 1. Also see Q247 Finland p. 6

<sup>172</sup> Section 7 in the Act on the Statute of Limitations relating to Claims (728/2003) (Laki velan vanhentumisesta 728/2003)

<sup>173</sup> Finnish Bar Association opinion 2014, p. 8. See also Q247 Finland p. 7

<sup>174</sup> Esitutkintalaki 805/2011

<sup>175</sup> Section 24 (3) in the Openness Act

<sup>176</sup> Vapaavuori 2005, p. 305

<sup>177</sup> U 5/2014vp, p. 4

<sup>178</sup> Laki yksityisyyden suojasta työelämässä 759/2004 (Act on the Protection of Privacy in Working Life). The law specifically regulates processing of information relating to the employee's drug use, medical information, accessing e-mails, data collected in personality tests and video surveillance at the work place.

concerning carrying out the work task, benefits provided by the employer to the employee or benefits that arises from the special nature of the work concerned.<sup>179</sup>

### 4.3 CONCLUSION

In this chapter the current protection of trade secrets in Finland has been presented. Although the protection afforded to trade secrets under Finnish law, including the possibility of in camera proceedings, provides a good protection, the protecting under criminal law is stronger than under civil law, which makes most trade secret holders resort to criminal proceedings instead of civil proceedings.

Under Finnish law there is currently a lack of sufficient measures that would ensure sufficient protection especially during the threatening process, when the trade secret holder only suspects that the opponent might be misusing the claimant's trade secrets and the burden of proof lies with the trade secret holder, who, without disclosing the trade secret has to present sufficient evidence to the court to support the allegations. Consequently, the evidence gathered by the trade secret holder to prove an infringement most likely contains detailed information about the holder's trade secret. As the opponent in a civil procedure is served with the writ, the complaint and the proof to support it, gathered by the claimant, the opponent is possibly given a distinctive amount of confidential information belonging to the claimant.<sup>180</sup> If the opponent did not yet possess the trade secret he or she now becomes aware of it, and might take advantage of it. Only if the trade secret holder can sufficiently prove that there is a likelihood that the opponent will hide, dispose or take similar actions to harm the trade secret, the court may order an injunction to preserve evidence. Moreover, another possible measure to resort to, in order to gather evidence to support the claim and similarly avoid disclosing the entire own trade secret, might be an expert's opinion. This possibility is discussed in more detail in chapter 6.5.

In order to preserve the confidentiality of a trade secret during the hearing in court, the court can exclude the general public from the hearing as well as prevent involved parties from using such confidential information that they have become aware of during the procedure. However, if the trade secret has not yet been disclosed to the

---

<sup>179</sup> Act on the Protection of Privacy in Working Life Section 3

<sup>180</sup> Code of Judicial Procedure Section 5:12



general public, it is then no longer possible to afford it protection. Finally, the court has the possibility to exclude confidential information from the public judgement to hinder that the general public becomes aware of it.

Although there are means of protecting trade secrets during the proceeding, the means are mostly concentrated to protecting trade secrets from disclosure to the general public and not from the opponent in any stage of the process. For parties that wish to avoid having their trade secrets disclosed to the general public and also wish to avoid litigation, arbitration is a popular option. However, it is most effective if the goal is to prevent the confidential information from being disclosed to the general public. Equally as in litigation, in arbitration the claimant has to prove that the opponent has violated the claimant's trade secrets and thus reveal confidential information.

The regulations in Article 9 of the TSD, provides protection of trade secrets during the hearing in court. Thus, as the protection afforded to trade secrets during a hearing in court in Finland already fulfils most of the requirements set out in Article 9, the regulations will most likely not affect the current regulations in force in Finland in this regard. Moreover, as the regulations only offer minimum harmonisation, Finland may still provide more extensive protection such as already enforced in the CC. As the regulations in the TSD only expands to the oral hearing in court it is left to the Member States to establish measures to protect trade secrets from being disclosed during the other stages of the proceeding.

## **5 THE TRADE SECRET DIRECTIVE**

### **5.1 EVALUATING THE NEED OF A TSD**

As mentioned in chapter one, the TSD is constructed based on findings in the HL study, the B&M study, the public on-line consultation and the Commission conference. All studies in general found that the importance of trade secrets for businesses to maintain a competitive advantage is growing.<sup>181</sup> In order to foster this growth, harmonising rules were especially considered necessary in order to prevent

---

<sup>181</sup> B&M study 2013, p. 1 and HL study 2012 p. 5

misappropriation of trade secrets.<sup>182</sup> To clarify what trade secrets are to be protected, available remedies in court and prohibited acts of misappropriation as well as the definition of such acts, were also considered important factors to regulate. Moreover, better regulations of border control, uniform contractual rules on non-compete and non-disclosure clauses between trade secret holders as well as lower litigation costs when litigating in other Member States and rules on the calculation of damages were desired.<sup>183</sup>

Based on the findings in the studies conducted on behalf of the Commission, great differences concerning the protection of trade secrets and available remedies were found between the Member States. Available remedies especially differed concerning the availability of injunctions and the destruction of goods.<sup>184</sup> Concerning legal proceedings, the lack of a unified legal regime between the Member States was found to be insufficient to prevent leakage of trade secrets.<sup>185</sup> Consequently, such an insufficient protection hinders the enforcement of trade secrets in courts and makes resorting to legal proceedings as a means of protecting trade secrets an uncertain choice.<sup>186</sup> This finding was the result of the fact that out of the 537 surveyed companies in the B&M study, 140 companies reported that they had suffered misappropriation. Out of these, 57 had sought legal remedies before courts located in the EU whereas 83 had not.<sup>187</sup> Reasons not to seek legal remedies were the difficulty of collecting evidence, reputation, and litigation costs.<sup>188</sup>

Among the companies that had sought legal remedies before a court in the EU, awards of damages or other monetary compensation were the most common rewards

---

<sup>182</sup> B&M 2013, p. 127. Companies especially consider former employees, competitors, customers and suppliers threatening. Former employees make up for a slightly greater risk (25 %) than competitors (23%). Also see B&M study 2013 p. 13: Trade secret misappropriations often result in loss of sales, costs for internal investigation, increased expenditure for costs for negotiating settlements, and costs for prosecution and litigation

<sup>183</sup> B&M 2013, p. 150 Among the 537 respondents in the BM industry survey 49 % perceived common rules as beneficial while 30 % had no opinion.

<sup>184</sup> Concerning injunctions, the greatest difference is the possibility to give a cease or decess order. See Impact assessment 2013, p. 22

<sup>185</sup> The true impact of un-harmonised regulation has been discussed. Also the impact assessment showed that, although the Commission considers that there is a great need for harmonised regulation based on the findings among the responding 537 companies in the B&M industry survey, 45% did not consider that misappropriation had increased but remained the same, whereas 38 % perceived that it had increased. Moreover, over the last ten years only 5% of the respondents had suffered misappropriation of trade secrets within the EU more than 5 times. B&M 2013, p. 128

<sup>186</sup> Impact assessment 2013, p. 25

<sup>187</sup> B&M 2013, p. 129

<sup>188</sup> B&M 2013, p. 131. Collecting evidence 43 %, reputation 30 %, litigation costs 30 %

followed by court orders to search and secure evidence of misappropriation, criminal sanctions against the perpetrator, and court orders to stop the unlawful use of misappropriated trade secrets.<sup>189</sup>

## **5.2 THE STRUCTURE OF THE TSD**

Based on the findings in the HL study and the B&M study, the Commission held that the best option moving forward would be to harmonise national civil law remedies and define the scope of protection of trade secrets against misappropriation in accordance with the established definition in Article 39 under the TRIPS Agreement.<sup>190</sup> The proposal to the TSD circulated through the European Economic and Social Committee, the Council, the Legal Affairs Committee, that also took into account comments to the TSD made by the Committee on Industry, Research and Energy as well as the opinion of the Committee on the Internal Market and Consumer Protection, and the Parliament. The adopted version of the TSD is thus a product of several revisions that provides minimum harmonisation. Consequently, the Member States are given the opportunity to provide more far-reaching protection.

The TSD is built on a twofold premise.<sup>191</sup> The first is to foster competition and secure returns on investments and for the investors to promote further investment into R&D and innovative performance. The second premise is that the disparity between national legislations reduces the competitiveness of European businesses.<sup>192</sup> In combination with the first premise, the lack of competitiveness leads to inefficient allocation of capital growth-enhancing innovation within the internal market due to the higher expenditure on protective measures to compensate for the insufficient legal protection in some Member States. Moreover, the legislative differences also facilitate the importation of goods from third countries into the EU through entry points with weaker protection, which also undermines the competitiveness of Member States.<sup>193</sup>

The harmonising rules address three conditions for effective protection: 1) the scope of protection (the subject matter), 2) the remedies and 3) the measures on the

---

<sup>189</sup> B&M 2013, p.129. Compensation 32 %, search and secure evidence 32%, criminal sanctions 30 %, court orders to stop illegal use 28%.

<sup>190</sup> Impact assessment 28.11.2013 p. 6

<sup>191</sup> Aplin 2014, p. 3

<sup>192</sup> TSD final version p. 6 recital 2

<sup>193</sup> TSD recital 7

preservation of trade secrets during litigation. The rules are established to be consistent with EU rules on civil law remedies as well as the regulations under the Enforcement Directive. As the TSD was established, it was preferred by the Member States that the rules would avoid contradictions in the way that intellectual property is protected.<sup>194</sup> Thus, it was agreed that the TSD should be regarded as *Lex Specialis* in relation to the Enforcement Directive.<sup>195</sup> Moreover, it was agreed that the protection should not extend beyond civil law to criminal law protection because it could potentially create frictions in the legal system and reduce efficiency as a result of an endangered balance between civil law and criminal law on national law level.<sup>196</sup> Moreover, the Commission also justified the harmonisation of civil law over criminal law by arguing that criminal law cannot compensate for the existing shortcomings in Member States' national legislations. It was recognised that the benefit with criminal law is its stronger deterrent protection; however, as it has not been shown that penal sanctions would result in less actions of misappropriation, advantage of harmonising criminal law over civil law cannot sufficiently be established. Consequently, as not all Member States have enforced sufficient protection under criminal law, it was not considered possible to only rely on criminal law.<sup>197</sup> Moreover, the Commission argued that it is easier to build up a case under civil law to prevent a third party from using a trade secret and to claim damages compared to criminal law as that requires a higher level of proof.<sup>198</sup>

The scope of protection in Article 1 includes the rules for protection against unlawful acquisition, use and disclosure of trade secrets. Article 1 recognises two classes of information: information that does not fall within the definition of a trade secret at all and information that, although it otherwise might be confidential, is also part of an employee's experience and skills, which an employee is entitled to use.<sup>199</sup>

---

<sup>194</sup> B&M study, 2013 p. 61

<sup>195</sup> Recital 39. In this regard, the Max Planck institute has argued that the interpretation might become difficult to reconcile with the unfair competition approach adopted by the proposal, which appears to preclude the application of the Enforcement Directive. In order to avoid the referral of unclear interpretation questions to the EJU, the TSD should expressly state that the Enforcement Directive is not applicable to the protection of trade secrets, which it in its current form does not state. Max Planck opinion 2015, p. 5

<sup>196</sup> Impact assessment 2013, pp. 61-62. This is also established in recital 28 in the TSD p. 22

<sup>197</sup> B&M study 2013 p. 7. For example, Member States such as Bulgaria, the Republic of Ireland, Malta and the UK do not have enforced criminal provisions in trade secret infringement.

<sup>198</sup> Impact assessment p. 26 and Baker & McKenzie study 2013, p. 7

<sup>199</sup> Ridgway 2016. Also see Ward 2016. Ward has argued that "[a]rticle 1(2a)(a) however appear to leave open the possibility that some information will be trade secret whilst not being part of the

Additionally, employment contracts are left outside the scope of the TSD and thus it does not impose limitations to the employee's rights to use acquired skills and knowledge on the job.<sup>200</sup> It has nevertheless been argued that although the TSD strives to balance employment law and trade secret regulations the six-year limitation period set out in Article 8, creates a "lock-in effect" for workers and makes an employee avoid a job in the same field as a former employer rather than risk not being able to use own skills and competence and by doing so be liable for damages.<sup>201</sup>

Article 2 includes the definition of a trade secret,<sup>202</sup> the trade secret holder,<sup>203</sup> infringer and infringing goods.<sup>204</sup> Article 3 regulates lawful acquisition, use and disclosure of a trade secret, and includes provisions that allow independent discovery, and thus enables reverse engineering.<sup>205</sup> Article 4 requires Member States to ensure that sufficient measures are available to the trade secret holder in case of trade secret misappropriation, in situations listed in the article. Exceptions to Article 4 are

---

employee's "experience and skills honestly acquired" (eg information that goes above and beyond mere skill/experience). In such cases, the main provisions of the Directive would therefore seem to apply, allowing companies to prevent former employees from making unauthorised use of such trade secrets. It can also be argued that this will have no impact on labour mobility, since employees will remain able to move between jobs based on the use of skills and experience alone."

<sup>200</sup> Council of Europe press release 22.12.2015. Also see opinion of the Max Planck 2014, p. 3. The Max Planck institute has commented that it is no small cap in the TSD that this is left unregulated by the TSD but that it might be an overly challenging task to draft a Directive that regulates potential conflict situations in all their complexity and variety, and at the same time pays due respect to the principles of national labour and contract law.

<sup>201</sup> Corporate Europe observatory 2014.

<sup>202</sup> According to recital 14 the definition covers business information, technological information and know how. The definition of a trade secret is based on Article 39 (2) of the TRIPS Agreement, which in turn is influenced by the U.S Uniform Trade Secrets Act. However, in comparison to the definition under the Uniformed Trade Secret Act, the definition in the TSD is wider. The wider definition can be considered to be a result of the fact that also know-how is included. Moreover, in the B&M study companies reported that customer lists, bids and financial information were among the most important forms of trade secrets. A more specific definition in line with the US model could make it difficult to include for example such information. See Aplin 2014, p. 9

<sup>203</sup> Article 2. Trade secret holder refers in the TSD to a person lawfully controlling a trade secret whose scientific potential, business or financial interests, strategic positions or ability to compete is harmed by an unauthorised acquisition.

<sup>204</sup> Infringing goods refers to goods whose design, characteristics, functioning, manufacturing process or marketing significantly benefit from trade secrets unlawfully acquired used or disclosed. Recital 17 states that a deliberate act of placing such goods on the internal market is prohibited. The measures include prohibition of importing these goods into the EU or storing them for the purpose of offering them or placing them on the market. The Max Planck Institute has stated that this definition is too far-reaching as the criteria mentioned are connected to goods in very different ways and that especially marketing of goods is not connected to the use of trade secrets. Max Planck opinion 2014 p. 7

<sup>205</sup> Recital 16. It is held that reverse engineering of a lawfully acquired product is a lawful means of acquiring information, except when otherwise agreed by contracts. Also see the Opinion of Mack Planck 2014, p. 5: The Max Planck Institute has held that as the definition of a trade secret does not extend to the knowledge and skills gained by the employees in the course of their employment, the balance to be struck is between the interest of the employer and the interest of the employee to use lawfully acquired trade secrets after leaving the company.

established in Article 5. The very debated protection of whistle-blowers and journalists are now incorporated in the article to ensure that the rights under the Charter of Fundamental Rights of the European Union, including the freedom and pluralism of the media is not violated.<sup>206</sup> Article 5 also acknowledges the right of workers to disclose information to their representatives as part of their legitimate exercise in accordance with national or EU law.

The recognition of the importance not to jeopardise freedom of expression and information and freedom and pluralism of the media as well as disclosure of information including trade secrets for reason of public interest, to the public or judicial authorities for the performance of their duties, constitute a great change to TSD, compared to the TSD 2013. In cases where the disclosure of trade secrets serves the public interest, trade secrets should not be protected concerning directly relevant misconduct, wrongdoing or illegal activity is relevant.<sup>207</sup> The wording of Article 5 does not specify what is meant with “directly relevant” or for example what kind of information that can be considered in the interest of the public; it is left open for interpretation.

The TSD 2013 originally required that an acquisition of a trade secret in accordance with Article 4 should be considered unlawful whenever carried out by gross negligence. The word “gross” was removed as it was considered that although an element of dishonest behaviour would be needed; “no intentionality or gross negligence criteria should be required for an unlawful conduct to exist in case of primary infringers [...]”. The Member States also decided that criminal terms such as bribery and theft used in the TSD 2013 “should not be used and instead be described in objective terms.”<sup>208</sup> The wording in Article 4 (4) has been changed from the first version. “Acquisition” was added as well as “indirectly”. It is argued that it was done to clarify third party liability.<sup>209</sup> Recital 26 acknowledges that unlawful acquisition of a trade secret can have devastating consequences for a company. Therefore, it is regarded to be of essential importance to provide fast, effective and accessible

---

<sup>206</sup> European Parliament press release 16.6.2015. The provisions concerning freedom of expression and media freedom were added to the final version to protect the activity of whistle-blowers and journalists as a result of heavy concern that Member states otherwise could use the TSD to undermine the freedoms that are over extreme importance to such groups.

<sup>207</sup> TSD recital 20.

<sup>208</sup> Second version p. 4

<sup>209</sup> Aplin 2014, p. 18

provisional measures for immediate termination of unlawful acquisition, use or disclosure of trade secrets. Consequently, the scope of Article 4 is very wide, and can fit in knowledge, which is both indirect and secondary.<sup>210</sup>

Measures, procedures and remedies are regulated in Articles 6 to 15. Article 6 sets the obligations for Member States to assure civil law redress against unlawful acquisition, use and disclosure.<sup>211</sup> The proportionality of the measures is set out in Article 7.<sup>212</sup> The six-year limitation period applicable to substantive claims and actions for applications mentioned earlier is regulated in Article 8. Regulations concerning the preservation of confidentiality of trade secrets in the course of legal proceedings are regulated in Article 9, and will be discussed in more detail in chapter 6.<sup>213</sup> Article 10 gives the competent judicial authority the power to order pecuniary measures against an alleged infringer on the request of the trade secret holder.<sup>214</sup> In respect of the measures in Article 10, Article 11 requires the Member States to ensure that the competent judicial authority has the power to require the applicant to provide evidence to support the alleged claim. When deciding on granting or rejecting an application to safeguard evidence, the court shall assess the request's proportionality. Injunctions and corrective measures are regulated in Article 12. Cessation or prohibition to use or disclose unlawfully acquired trade secrets can be ordered as well as the prohibition to produce, offer, place on the market of infringing goods and the prohibition to import, export and store infringing goods for such purpose. In granting remedies stated in Article 12, the judicial authorities is according to Article 13 obligated to take into account the specific circumstances of a case and the legitimate interest of the

---

<sup>210</sup> Torremans 2015, pp. 33-34

<sup>211</sup> Torremans 2015, p. 36. Torremans has stated that Member States also need to put in place civil regulations that meets general standards of fairness, equitableness, effectiveness and dissuasiveness. This approach has been copied from the TRIPS Agreement and the Enforcement Directive and the application must be proportionated and provide safeguards against abuse of trade secrets.

<sup>212</sup> Ibid. Moreover, Article 6 of the TSD regulates the applicability of the measures, procedures and remedies against abuse of trade secrets. The use should be appropriate, avoid the creation of barriers on the internal market and provide for safeguards against their abuse.

<sup>213</sup> In addition to the regulations in Article 9, trade secrets are also protected through the balance offered in recital 22, which empowers the judicial authorities to take measures against claimants who submit manifestly unfounded applications with the purpose of delaying or restricting the respondent's access to the market or otherwise intimidating or harassing the respondent.

<sup>214</sup> TSD recital 29. Competent judicial authorities should assist the trade secret holder in taking measures to prevent further infringement of the trade secret holder's trade secrets, or prohibit further production or placing on the market of infringing products or seize or delivery of suspected infringing goods.

parties.<sup>215</sup> Article 13 (3) therefore gives the judiciary authority an option to order pecuniary compensation to be paid to the injured party instead for the measures given in Article 12. These rules on financial compensation appears to be based on the optional model set fort in Article 12 in the Enforcement Directive, which regulates alternative measures for compensation that can be ordered by the competent judicial authorities. Moreover, according to recital 29 an exception regarding the penalty for trade secret misappropriation should be given to persons that have acquired trade secret information in good faith and only later become aware of the situation. For such crimes could damages be ordered, however not exceeding the amount of royalties of fees due, had that person obtained authorisation to use the trade secret in question.

The wording in both Article 12 and Article 13 in the TSD reflects that the measures are alternative as the articles only state that the judicial authority may order for different, in the articles listed, measures to be applicable. Furthermore, according to Article 13 the judicial authority may also order pecuniary compensation to be paid to the injured party. Such injured third parties are considered innocent third parties who in other words may be entitled to damages instead of injunctions and corrective measures.<sup>216</sup> Article 14 awards damages to be paid by the infringer “who knew or ought to have known that he or she was engaging in unlawful acquisition, use or disclosure of a trade secret” to the infringed party. The requirement “knew or ought to have known” stems from Article 4(4) that requires that the trade secret violator was in bad faith. The wording in articles 13 and 14 are also similar to regulations in the Enforcement Directive.<sup>217</sup>

### **5.3 CONCLUSION**

The TSD lays down an EU-wide definition of a trade secret, sets out common measures against the unlawful acquisition, use and disclosure of trade secrets and strives to make it easier for national courts to deal with the misappropriation of

---

<sup>215</sup> Aplin 2014, p. 20. Aplin has stated that “there needs to be some recognition that the culpability of a third party is somewhat less than a person who is a “primary” or “direct” infringer and this can be reflected in the type of remedy awarded”.

<sup>216</sup> Aplin, 2014 p. 42

<sup>217</sup> GRUR opinion 2014 p. 11. In the opinion it is held that the current wording in the TSD is unclear concerning the compensation that is actually possible to get and thus should the wording in Article 13 in the Enforcement Directive rather be adopted; “compensating the moral prejudice” in the Enforcement Directive refers to compensating intangible damages and should therefore be designed as such.



confidential business information and to remove infringing trade secret products from the market. It also strives to make it easier for trade secret holders to claim compensation for damages caused by actions of trade secret misappropriation.<sup>218</sup> In order to assure “availability for civil redress” the TSD requires Member States to put in place the measures, procedures and remedies necessary. Member States should also make available measures to preserve the confidentiality of trade secrets during and after legal proceedings and impose a six-year limitation period during which claims can be brought.<sup>219</sup>

The TSD refers to the paradigm of unfair competition as the relevant EC model in correlation with the traditional existing international framework.<sup>220</sup> Based on the results in the B&M study, it can be concluded that the Commission indeed has strived to locate the gaps in the system and patch them up. Whether or not they have succeeded to create an effective directive remains to be seen. The need for the TSD has also been questioned by for example *Aplin*, who argues that it seems as if the Commission conveniently has plucked out the evidence from the HL and the B&M studies that support the case for harmonisation and ignored the evidence that “might make us question such an approach.” Although there perceives to exist legal benefits with common rules, she states that we cannot be confident that a coherent EU framework for trade secret protection will ensure it. The proposed directive still creates several uncertainties and leaves a significant amount of flexibility regarding implementation, resulting in doubtful likelihood of reducing legal fragmentation, or providing legal coherence. She draws a parallel to the aspirational rhetoric that justified the Database Directive and the unproven economic impact of that particular harmonisation experiment. Therefore, she states that one should not automatically assume that the TSD would lead to the claimed positive impacts.<sup>221</sup>

It has also been argued that in order to achieve the desired harmonisation, full-harmonisation would be required instead of the current minimum harmonisation because minimum standard of obligation already exists on an international level and gaps in the legislation have already been addressed.<sup>222</sup> Moreover, the outcome of the

---

<sup>218</sup> Press release, 26 May 2014, 10200/14(OR.en) Presse 306

<sup>219</sup> O’Donoghue - Thomas 6.1.2016

<sup>220</sup> Falce 2015, p. 957

<sup>221</sup> Aplin 2014, p. 260

<sup>222</sup> Falce 2015, p. 958

TSD should also be questioned as the line between patents and trade secrets has been significantly blurred and the TSD fails to take into consideration the very nature of trade secrets, which is that it allows its owner to either take advantage of the trade secret, or not to; it does not provide for a similar exclusive right as for example patents do. In its current form, the directive portrays trade secrets more as if trade secrets are inventions left unpatented. Full harmonisation would have the potential of ensuring a uniform implementation on national level as well as to create a level playing field that better could facilitate the exchange of confidential information and know-how between enterprises, investors and trade secret holders operating in Europe.<sup>223</sup> The argument is essentially that if full harmonisation is achieved, it could with better certainty achieve desired harmonisation and also prevent Member States from departing from a pure fair competition model, which the TSD is currently build on in correspondence to the TRIPS Agreement. However, although full- harmonisation would leave the Member States with less authority and thus might achieve greater harmonisation, it is safe to assume that it would be almost impossible to achieve coherence concerning such regulations among the Member States.

Consequently, the TSD has been a welcomed move towards better-unified protection within the EU. As the TSD enters into force in 2018 it is up to each Member State to decide how they wish to implement it. Possible models are for example to: 1) rely on existing law, 2) amend existing law, or 3) introduce legislation that would introduce protection according to the terms of the TSD. To rely on existing law has been held unlikely, as no Member State will be able to implement the TSD in existing law. Even Sweden who regulates trade secrets in a separate law will likely have to at least amend or replace the definition of a trade secret in order for it to correlate with the definition in the TSD. Therefore, it might be easier to implement the TSD to comply with legislation, as suggested in alternative two, where legislation is involved such as in Sweden. However, in France where the protection is spread across several laws and also build on case law, this might be more difficult to achieve. Therefore, the final option, which is to introduce specific legislation to implement the TSD, is likely to be favoured by most Member States.<sup>224</sup>

---

<sup>223</sup> Falce 2015, p. 959

<sup>224</sup> Aplin 2014, p. 44

In Finland there have been concerns expressed by expert organisations that the functioning toolkit that is currently provided for under Finnish law will be compromised. Consequently, it has been important for Finland that the directive only requires minimum harmonisation. This enables Finland to adopt a wider implementation, which might also expand to criminal law. As the TSD enters into force, Finland will most likely have to unify the different definitions of a trade secret under the different Finnish laws. Moreover, the legislation will also have to specify the regulations concerning the unlawful acquisition, use and disclosure of a trade secret.<sup>225</sup> However, apart from posing challenges on the Finnish legislation the TSD also entails positive improvements. Currently, under Finnish law, information is given back to the company from which it was retrieved, which in a case of trade secret misappropriation, partially makes it possible for the trade secret violator to continue with the illegal actions also after for example this person has been caught for trade secret misappropriation. The destruction or removal of infringing products is also considered a welcomed regulations and correlates with Section 59 in the Finnish patent act.<sup>226</sup> Article 14 is also welcomed, as it will make it easier for the trade secret holder to claim damages. The regulation in Article 15 correlates with the current regulations in Section 60 under the patent act. As such, the new regulations will bring trade secret and patent regulation closer together.<sup>227</sup>

Conclusively, it can be held that the fact that the TSD derives from both the Enforcement Directive and the TRIPS Agreement seems to have resulted in a Directive with good intentions regarding improving the current protection of trade secrets. The importance of protecting trade secrets is constantly growing, however still influenced by the unclear position of trade secrets in relation to other IPRs. As the wording in the TSD is so wide, the interpretation will finally be left to national courts and the ECJ.

---

<sup>225</sup> Finnish Bar Association opinion 2014, p. 4

<sup>226</sup> The Patents Act 550/1967 as amended (Patenttilaki 550/1967)

<sup>227</sup> Finnish Bar Association opinion, 2014 p. 7

## **6                    ARTICLE 9: PROTECTING TRADE SECRETS IN                          JUDICIAL PROCEDURES**

### **6.1                   INTRODUCTION**

The lack of unified regulations was in the surveys conducted on behalf of the Commission identified as one of the sources to the current fragmented protection of trade secrets. In addition, the lack of common measures against the unlawful acquisition, use and disclosure of trade secrets makes it harder for national courts to deal with the misappropriation of confidential business information and makes it hard for the trade secret holder to predict the outcome of the case and the application of national rules. Consequently, the Commission found it purposeful to harmonise the regulations concerning protecting trade secrets in litigation. The rules are now enacted in Article 9.

In this chapter, Article 9 is discussed in more detail, and the contradiction against fundamental rights that the article has encountered. Moreover, it is also discussed if the regulations should be regarded sufficient or too narrow. This chapter will be concluded by a discussion of some models that have been suggested by scholars to achieve the most extensive protection of trade secrets possible, in the course of litigation.

### **6.2                   THE OUTLINE OF ARTICLE 9**

Article 9 strives to observe the need for sufficient measures to keep trade secrets protected during litigation. Subsequently, it imposes two obligations on the Member States. The first obligation is to ensure that the parties and other relevant persons to the proceeding are prevented from using or disclosing any trade secrets that a competent judicial party has identified as confidential. The restriction can also concern such information that the parties to the trial have become aware of during the course of the proceeding. The evaluation shall be done at the request of a party. If the information does not fulfil the requirements for a trade secret according to Article 2 in the TSD, the court may deny the request.

The second obligation is that it should be ensured that a competent judicial authority has the right mentioned in the first obligation to, based on a duly reasoned application

by a party, take the specific measures required to preserve the confidentiality of any trade secret or alleged trade secret in the course of the legal proceeding relating to the unlawful use, acquisition or disclosure of a trade secret. The measures include restricting the access, in whole or in part, to documents submitted by the parties or third parties containing trade secrets or alleged trade secrets. The access to such documents can be limited to a number of persons. Moreover, the court is also given the authority to restrict parties' access to hearings where trade secrets will be revealed. Furthermore, if the access is denied to third parties, the court may also prohibit the parties from using information that has been obtained during the hearing after it has ended.<sup>228</sup>

In addition to excluding the public from a hearing, Article 9 also gives the court the possibility to remove or deduct passages containing information concerning a trade secret from a judgment, in order to make it available to a person outside the limited number of persons that have the right to the full judgment.<sup>229</sup>

### **6.3 CONFLICTS BETWEEN ARTICLE 9 OF THE TSD AND ARTICLE 6 OF THE ECHR**

As mentioned in the introduction to this chapter, the conformity of the wording in Article 9 with fundamental rights has been questioned. In the TSD 2013, the possibility of forming Confidentiality Clubs in order to preserve the confidentiality of trade secrets in the course of litigation was introduced. This possibility has however been removed from the TSD and Confidentiality Clubs are no longer possible to be enacted in the course of litigation. Nevertheless, the revision has not totally excluded the question of whether the article should be considered to clash with fundamental rights or not. The clash between Article 9 and the right to a fair trial, the right to hearing, the right to be heard, the equality of arms and the guarantee of public promulgation of the judgment under Article 6 of the ECHR, will be discussed in the following.<sup>230</sup> The aim is to demonstrate the difficulty of achieving a measure to protect trade secrets, without compromising the fundamental rights such as the right to a fair and open hearing. Thus, to find a measure that can both protect confidentiality

---

<sup>228</sup> TSD Article 9 (1)

<sup>229</sup> TSD Article 9 (2)

<sup>230</sup> McGuire 2015. p. 6

and not jeopardise fundamental rights means achieving a balance that takes into consideration the claimant's interest of preserving confidentiality of the trade secret and the opposing party's right to a fair hearing.

Each Member State is individually a member to the ECHR and thus bound to secure a fair trial according to the regulations in Article 6 of the ECHR.<sup>231</sup> Moreover, the right to a fair trial and effective remedies are also guaranteed under the regulations in Article 47 in the Charter of Fundamental Rights of the European Union (hereinafter referred to as the "Charter of Fundamental Rights").<sup>232</sup> The right to a fair trial is constructed in the light of the rule of law, and requires that the litigant be provided effective judicial remedy, which enables the litigant to assert his or her civil rights.<sup>233</sup> The requirements apply to proceedings in their entirety, and are not confined to hearings *inter partes*.<sup>234</sup> Article 6 also gives the litigant the right to all relevant documents in the possession of the administrative authorities that is needed for the defence. If such documents are denied or their existence is falsely denied, this should be considered the same as denying them a fair hearing.<sup>235</sup> The meaning of the "fairness" concerning the right to a fair trial refers to a procedural fairness, which translates into adversarial proceedings where both parties' submissions are heard and placed on an equal footing before the court and assessed and examined in their entirety.<sup>236</sup> The adversarial proceeding, which in principle is the same for both civil and criminal proceedings, refers to the right of the parties to have knowledge and opportunity to comment on all evidence presented or observations filed that could influence the court's decision.<sup>237</sup>

The principle of equality of arms under Article 6 also requires that both parties have the same opportunity to present their case, including evidence, and holds that it is inadmissible for one party to make a submission to the court without the other having knowledge of this and without the other party being able to comment. Moreover, even though information would be submitted to the court without any of the parties'

---

<sup>231</sup> Kur- Dreier 2013, p. 79

<sup>232</sup> Kur- Dreier 2013, p. 80

<sup>233</sup> Guide on Article 6 2013, p. 12

<sup>234</sup> Guide on Article 6 2013, p. 32

<sup>235</sup> Guide on Article 6 2013, p. 34

<sup>236</sup> Guide on Article 6 2013, p. 39

<sup>237</sup> Guide on Article 6 2013, p. 41

knowledge, it would be considered an infringement of the broader fairness of the proceeding.<sup>238</sup>

The TSD has been seen less conflicting with fundamental rights than the TSD 2013.<sup>239</sup> Many Member States also already allow an exception to the principle of fair trial, which is similar to the wording in Article 9.<sup>240</sup> This developed custom is the result of the established exception to Article 6 of the ECHR that allow courts based on own careful deliberation to exclude the public and the press from all, or part of the trial, to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice.<sup>241</sup> In addition to allowing courts to exclude the public from the hearing based on their own assessment, the courts may also exclude the public on the request of a party.

Concerning the relationship between the protections afforded under Article 6 of the ECHR and Article 47 of the Charter of Fundamental Rights, it should be noted that while the regulations under both Article 6 and Article 47 primarily protect the interest of the defendant, the regulations under Article 9 promote and protect the interest of the claimant. This should be welcomed, as the trade secret holder also should be entitled to efficient remedies as he is forced to disclose the trade secret if the intention is to conduct a legal proceeding on its merits.<sup>242</sup> Nevertheless, the regulations in Article 9 are drawn up against a person who may or may not be an infringer and thus it is also important that the regulations under Article 6 of the ECHR are not breached.<sup>243</sup>

---

<sup>238</sup> Guide on Article 6 2013, p. 42

<sup>239</sup> Article 9 (then Article 8) of the TSD 2013 held that: "competent judicial authorities may restrict the parties' access to those hearings and order them to be carried out only in the presence of the legal representatives of the parties and authorised experts [...]"

<sup>240</sup> Article 9 now requires that the number of persons in a closed hearing shall be "no greater than what is necessary in order to ensure compliance with the right to an effective remedy and to a fair trial of the parties to the proceedings and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the proceedings." The restricted circle of people referred to in the article is specified in recital 25: "should therefore consist of at least one natural person from each of the parties as well as the respective lawyers and, where applicable, other representatives appropriately qualified in accordance with national law in order to defend, represent or serve the interest of a party in a legal proceeding covered by this Directive who all have full access to such evidence or hearings."

<sup>241</sup> ECHR Article 6 (1)

<sup>242</sup> McGuire presentation paper 2015, p. 5

<sup>243</sup> McGuire presentation paper 2015, p. 4

## 6.4 METHODS TO PRESERVE TRADE SECRETS IN LITIGATION

As presented in chapter three, Member States resort to different methods in order to preserve the confidentiality of trade secrets in litigation. Most measures, as well as the regulations in Article 9, regulate the preservation of trade secrets in the hearing. However, in order to preserve the confidentiality of a trade secret throughout the whole legal process, and make litigation a more liable option for the trade secret holder, it would be important to establish sufficient measures that would protect the trade secret from being disclosed during the entire process. Currently, there is not in force such protection as the focus of Article 9 is only on protection during a hearing and securing evidence has also been left outside the scope of the TSD.<sup>244</sup>

It has been argued that an effective prevention would require that the protection of confidentiality would be enforced preferably already as the claim is filed and last until the judgement is given.<sup>245</sup> This would be important, as confidentiality needs to be preserved independent of whether a trade secret is presented as evidence or the subject matter in the proceeding; if the trade secret is presented as a piece of evidence in the claim, the trade secret is lost if the claim becomes public. If the trade secret is the subject matter, the foundation for the claim and its disclosure are required for a procedure to be conducted.<sup>246</sup> Consequently, a sufficient protection would require establishing sufficient and functioning methods to preserve the confidentiality of trade secrets throughout the entire procedure.

Before the implementation of the Enforcement Directive, it was held that the directive was necessary as Member States, despite the TRIPS Agreement, have great disparities regarding enforcement of IPRs for instance concerning preserving evidence, calculation of damages and arrangements for applying injunctions.<sup>247</sup> Quite similar reasons were in the B&M study highlighted as reasons for the need of harmonising trade secret rules.<sup>248</sup> Consequently, although the scope of the Enforcement Directive and the TSD differ, the protection of trade secrets could also benefit from a similar

---

<sup>244</sup> The Regulation 1206/2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters is however applicable on Member States and require them to assist each other in obtaining evidence.

<sup>245</sup> McGuire 2015, p. 424

<sup>246</sup> McGuire presentation paper 2015, pp. 5-6

<sup>247</sup> Enforcement Directive recital 7

<sup>248</sup> B&M study 2013, p. 6 and p. 150



structure of the protection, where trade secrets are protected at the beginning of the process and until the end.<sup>249</sup>

#### **6.4.1 Protecting the trade secret before the hearing**

The Düsseldorf procedure and the Confidentiality Clubs are arguably best suited to protect a trade secret during pre-trial when evidence is presented to support a claim of trade secret misappropriation whereas the *in camera* procedure preserves confidentiality in the hearing by excluding parties.<sup>250</sup> However, the Confidentiality Club is somewhat controversial to the requirements of a fair trial in Article 6 of the ECHR and the Düsseldorf procedure does not allow for sufficient protection in litigation. Thus, *McGuire* has argued that it could be sufficient to also consider other measures and has introduced “stage proceedings” as alternative methods. As the name “stage proceedings” allows to be understood, the idea is that the claimant would have to establish three facts: 1) that he is the rightful holder of the trade secret, 2) that the opponent has made unlawful use of the claimant’s trade secret and 3) that the opponent has obtained it in a dishonest matter. The three stages would have to be proved in order to establish that a trade secret misappropriation has occurred, but not necessarily in the mentioned order. For example, the claimant could start by proving that the opponent has hired his former employee, who to the opponent has disclosed confidential information stolen from the claimant. If the claimant proves that his former employee has been hired by the opponent, or that a specific number of files have been copied or transmitted, it is safe to assume that the opponent already is aware of the trade secret and thus can the claimant without any risk reveal the trade secret. The main advantage with such a procedure is argued to be that the information *per se* is not withheld but the disclosure of it is merely postponed.<sup>251</sup>

The use of experts’ opinions as evidence to prove a misappropriation is, as discussed in chapters three and four, allowed in several Member States, also in Finland. Chapter 17, Sections 34-36 in the Finnish Judicial Code currently allows for the use of experts to gather an experience-based opinion or an opinion based on the expert’s observations.<sup>252</sup> These rules allow a party or the court to appoint an expert, who may issue an opinion based on the expert’s experience concerning the trade secret, which

---

<sup>249</sup> OECD report 2015, p. 34

<sup>250</sup> McGuire presentation paper 2015, pp. 8-9

<sup>251</sup> McGuire presentation paper 2015, p. 9

<sup>252</sup> Rautio-Frände 2016, p. 223, and p. 228

may be attached as evidence to the claim. The use of an expert should always be notified to the opponent or, if appointed by the court, to the parties.<sup>253</sup> The expert should be a person skilled in the art, trustworthy and bias.<sup>254</sup>

An expert's opinion is always issued in writing. The reason is that the opinion often concerns technicalities of the concerned target and thus is considered easier to grasp in writing for the defendant.<sup>255</sup> Moreover, the court also always has the opportunity to choose which value it places on opinions by experts appointed by a party. The parties may also agree on which expert that should be used in the case. Concerning the principle of equality of arms, the court might consider that an expert opinion places the parties in unequal positions. Nevertheless, the use of experts can allow a party to present evidence without having to disclose the whole trade secret. This should not be overlooked as a useful measure to resort to in a proceeding. Moreover, the experts' are not heard during the hearing if there are not significant reasons for it.<sup>256</sup> If they are heard they should only be required to make statements concerning the report if, for example, the court considers that the report requires clarifications.<sup>257</sup>

#### **6.4.2 Protecting the trade secret during the hearing**

It was concluded in chapter three that many Member States uses some form of in camera procedure to protect trade secrets in litigation, if their disclosure is required for a procedure to be conducted. In Member States where an in camera procedure is available, it is often possible to exclude the general public from the proceeding, but the parties and their legal representatives cannot be excluded and they have access to all the relevant documents. This form of in camera procedure is also consistent with the regulations in Article 9 of the TSD.<sup>258</sup> Thus, it can be expected that after the implementation of the TSD, this form of in camera procedure will become an even more accepted exception to the right to a fair trial than it perhaps already is. Also, the current wording in Article 9 is better in line with that of Article 6 of the ECHR.

The TSD 2013 established the possibility to exclude a party from the hearing. This possibility is removed from the TSD, and although more in line with Article 6 of the

---

<sup>253</sup> Rautio-Frände 2016, p. 225.

<sup>254</sup> Section 35 in chapter 17 in the Finnish Judicial Code. Also see Rautio-Frände 2016, pp. 230-231

<sup>255</sup> Rautio-Frände 2016, p. 236

<sup>256</sup> Rautio-Frände 2016, p. 238

<sup>257</sup> Government proposal HE 46/2014 p. 100 Section 36

<sup>258</sup> McGuire presentation paper 2015, p. 8

ECHR, it has been argued that it might have been a step back, as the possibilities for a party who wishes not to have his or her trade secret disclosed to the other party now is significantly diminished.<sup>259</sup> Thus, it could be beneficial to propose a use of the in camera procedure to preserve confidentiality during the hearing, which could allow the court to partially exclude a party for example as the other party is presenting evidence, if a sufficient level of preserving confidentiality during the procedure otherwise could not be achieved and if the fulfilment of a party's legal protection depends on the court having all relevant evidence at its disposal and the opposing party otherwise would receive information concerning the trade secret. In order to obtain a sufficient protection it has also been argued that an in camera procedure would be beneficial both in the process of the preliminary question and in order to utilize the trade secret as a judgement basis.<sup>260</sup>

### **6.4.3 Protecting the trade secret after the hearing**

After the proceeding has ended the judgement should be pronounced publicly, which principally requires that the judgement shall be red out in an open court. However, other means of rendering a judgement publicly may be applicable if the court assesses this to be necessary based on the features of the proceedings and by reference to the objective of Article 6 (1) of the ECHR.<sup>261</sup> As Article 6 (1) allows for exceptions in order to preserve confidentiality, an analogy could be made to justify the necessity to deviate from this rule. It could therefore be established that the rules under Article 9 to restrict the public from the judgement in its full is justified. Moreover, as stated previously it is important that the possibility to preserve confidentiality last from the beginning of the claim to the end of the procedure, which includes the judgement. If the chain is broken in the middle, the purpose of it could be questioned as once a trade secret is in the public domain; there is no possibility to protect it anymore.

## **6.5 CONCLUSION**

The measure a company chooses, to prohibit that a suspected misuse of the company's trade secret continues, or to acquire damages from a trade secret violator, depends on from who the company wishes to protect the disclosure of their trade secret. If the

---

<sup>259</sup> McGuire presentation paper 2015, p. 8

<sup>260</sup> McGuire 2015, p. 10

<sup>261</sup> Guide on Article 6 2013, p. 49

trade secret has already become known to the public, litigation, whether public or not, can be an option as the trade secret is already lost. However, if a claimant only suspects that the defendant has violated its trade secret, the secret is not yet lost and thus, it most likely wants to prohibit the disclosure of the trade secret from the defendant. In such situations can both arbitration and a closed hearing be unsatisfactory options as the trade secret holder must disclose information concerning the trade secret to prove an infringement. In addition, one of the most significant reasons not to seek legal remedies for a company is the difficulty of collecting evidence.<sup>262</sup> In order to successfully bring a civil law action against a trade secret infringer, the claimant is generally forced to provide evidence on the existence of a trade secret, the infringement of the trade secret and the unlawfulness of the misappropriation or use by the information of the defendant.<sup>263</sup> To provide such extensive evidence can naturally be difficult without disclosing the trade secret to the general public and the defendant. Thus, in order to provide for a better protection in the course of litigation for the claimant, Article 9 allows the court to exclude the general public from the hearing. Although it is possible to exclude the public from the court hearing, it does not enforce any measures that would allow the preservation of confidentiality of a trade secret throughout the procedure, especially at the beginning when evidence is gathered.

There is a consistency of criminal court proceedings in the Member States concerning trade secrets, which can be assumed to be a consequence of the difficulty of for example gathering evidence and preserving the confidentiality as well as more established sanctions under criminal law for acts of trade secret misappropriation. In many Member States, the prosecutor is not subject to special requirements regarding the type of evidence brought before the court to prove the offence, while in other jurisdictions the prosecutor must show that the offender has committed the crime beyond reasonable doubt.<sup>264</sup> If a prosecutor assists the claimant, there is thus a greater possibility to successfully bring a claim.

---

<sup>262</sup> Baker & McKenzie 2013, p. 131 Of the 67 companies that decided not to seek legal remedies the difficulty of collecting evidence (43%), reputation (30 %) and litigation costs (30%) were the decisive factors.

<sup>263</sup> B&M study 2013, p. 27

<sup>264</sup> B&M study 2013, pp. 8-9.

## 7. CONCLUDING REMARKS

As the TSD enters into force it will require that all Member States adopt legislation to comply with the requirements, as there are no Member States whose legislation would already comply with all the requirements. This is a natural result of the fact that the TSD takes the approach to combine the best practices of all Member States. Common to all Member States will be the implementation of the definition of a trade secret as no state yet has enforced a sufficient definition. In addition, all Member States will naturally also have country specific regulations to amend.

More specifically regarding the discussed countries in this study can be concluded that Germany will likely have to introduce new legislation concerning reverse engineering, as it is permitted in the TSD and reverse engineering is currently illegal in most cases in Germany. However, as the TSD only sets minimum standards, Germany may choose to introduce an option to allow to contractually restricting the right, as was proposed, but not adopted, by the Parliament.<sup>265</sup> Moreover, in Germany, there has not been a requirement for the secret to have commercial value based on the secret quality, nor has such a requirement been considered necessary by German legislators. It has been considered sufficient that the disclosure will lead to financial damage. Furthermore, there has also not existed a requirement that the information is subject to reasonable steps to keep it secret. Currently, every employee is subject to a duty of care without a special agreement.<sup>266</sup> The initial two-year limitation period was in Germany considered to short, as in many other countries including Finland, Sweden and the UK.<sup>267</sup>

Under English common law, there exists the possibility that the TSD will be given statutory basis.<sup>268</sup> It has been held that the breach of confidence doctrine would have to be developed in order to comply with the regulations in the TSD, in particularly would courts have to limit their conditions to those stipulated in Article 2 (1) of the TSD, when for example considering whether reasonable steps have been taken to preserve trade secrets.<sup>269</sup> However, concerning procedural aspects, the English

---

<sup>265</sup> Dittmer 2016

<sup>266</sup> GRUR opinion 2014, p. 4

<sup>267</sup> GRUR opinion 2014, p. 9

<sup>268</sup> Osborne Clarke 2015

<sup>269</sup> Aplin 2014, p. 44

common law seems to be satisfactory, but the Enforcement Regulations in the UK should be extended to be applicable to trade secrets.<sup>270</sup>

Trade secrets are in Sweden currently regulated in the Trade Secret Act. Most likely, the trade secrets will continuously be regulated under the Act. However, the Act does currently not specifically prohibit the use of information obtained during a hearing after the hearing, which is regulated in the TSD.<sup>271</sup> Since 2013, there have been attempts to amend the Swedish Trade Secret Act to strengthen the protection of trade secrets.<sup>272</sup> However, the attempts are currently not moving forward in Sweden and thus, the Swedish trade secret act currently remains unrevised.<sup>273</sup> Moreover, there also appears to be a debate in Sweden concerning the need to enforce regulations on securing evidence in trade secret cases, similar to the ones in Article 7 in the Enforcement Directive. Enforcing such regulations seems to be favoured.<sup>274</sup>

Concerning the enforcement in Hungary there appears to be a concern that recognising fundamental rights will lead to the frustration of the exploitation of valuable know-how and investments. It has for example been argued that a former employee or contractual partner who has various disputes with the holder of know-how, may take the advantage of freedom of speech to “criticise” the technological solution in public and thereby influence the dispute resolution. Thus, instead of simply excluding the exercise of legal rights, which puts the trade secret holder into a seriously prejudiced position, the TSD should direct the evaluation of different fundamental rights against each other on a case-by-case basis in different forum. As the TSD enters into force, it is possible that the Hungarian law needs to be amended to include the detailed exceptions regulated in the TSD.<sup>275</sup>

In France there have been several attempts to enforce regulations concerning trade secrets; however, still unsuccessful.<sup>276</sup> The latest attempt was made in 2014, but has

---

<sup>270</sup> Aplin 2014, p. 45

<sup>271</sup> Book 2015, p. 3

<sup>272</sup> Lagrådsremiss 13.12.2013. Amendments included making acts of wrongful use or misappropriation punishable by a fine or imprisonment and to strengthen the protection of trade secrets and hinder unfair use and proliferation of trade secrets by employees and other persons that participate in the employer’s activities. Moreover it also strived to strengthen the scale of penalty for industrial espionage, but also to clarify employees’ and others rights and to reveal serious wrongdoings in the employer’s operations.

<sup>273</sup> Josefson 2015, p. 3

<sup>274</sup> Opinion of SFIR 2013, p. 3

<sup>275</sup> Faludi 2014, pp. 65-66

<sup>276</sup> CEIPI opinion p. 2 A law has however been introduced in 2014

not yet been adopted.<sup>277</sup> It contains similar provisions as the TSD and introduces a new specific offence of violation of information protected by trade secret, which includes up to three years imprisonment and maximum fines of 375,000 euro. Concerning the TSD's impact on legislation in France, it is expected to introduce minor change and help create a single set of rules that will unify the current legislation on trade secrets.<sup>278</sup>

The current level of protection of trade secrets is held to be fairly good in Finland.<sup>279</sup> Finnish law will have to incorporate the definition of a trade secret into civil law, both because the TSD so requires and because the current definition under the CC does not comply with the one in the TSD. It has also been held that in this event it would be purposeful to unify all the currently existing definitions.<sup>280</sup> Moreover, Finnish law does not have in force similar exceptions as regulated in Article 3 and in Article 5 concerning lawful acquisition or use of trade secrets. There also exist no provisions concerning the claimant's obligation to provide compensation to the other party based on an unfounded claim.<sup>281</sup> Moreover, there are also no regulations in force that would give a court the right to order for the destruction of material or corrective measures as well as give the court the right to destroy infringing goods only based on findings, which prove that unlawful acquisition, use or disclosure of trade secrets have occurred.<sup>282</sup> In addition, there are also no regulations in force that give a judicial authority the right to have infringing goods donated to charitable organisations. Changes to the regulations concerning damages will also occur as the TSD makes it possible for a judicial authority to order a lump sum based on loss of royalties or other fees as well as actual prejudice suffered because of the misuse. It is not expected that the TSD will affect, at least negatively, the Finnish competitive position.<sup>283</sup>

As has been stated previously in this study, it remains to be seen what kind of effects the TSD will eventually have as well as how the Member States chooses to implement

---

<sup>277</sup> France Q247 p. 17. Introduction of draft law N° 2139 in the National Assembly on July 16th 2014.

<sup>278</sup> Linklaters 2016

<sup>279</sup> TEM2015-00305 p. 1

<sup>280</sup> U 5/2014vp p. 4

<sup>281</sup> U 5/2014vp p. 4

<sup>282</sup> Under the Customs Act 1466/1994 as amended (Tullilaki 1466/1994) Section 25 the Custom Authority only has the right to inform the right holder of infringing goods. The regulations were amended based on the Council Regulation 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

<sup>283</sup> Spay opinion 2014 p. 1

it into national law. It is expected that the interpretation of the TSD will depend on the interpretation of the ECJ. Recent recognition for the need to protect trade secrets by the court has however been poor and thus it will be interesting to see how the TSD will affect the court's current approach to trade secrets. The ECJ and the Commission have in general regarded the interest of third parties higher than companies' interests to preserve confidential information<sup>284</sup> Through the TSD and also as a result of the fact that the Member States are starting to acknowledge the importance of trade secrets to companies and enacting laws to protect trade secrets, this approach might change and provide a better protection for the trade secret holder.

Simultaneously as the TSD has been negotiated a new act on trade secrets; the Defend Trade Secrets Act 2016 ("DTSA") has been negotiated in the USA. DTSA extends the Espionage Act of 1996 currently in force to allow civil law suits. Under the Trade Secret Act it has previously in the USA only been possible to bring a trade secret lawsuit using state law. Now under the DTSA the trade secret holder is given the possibility to bring a trade secret lawsuit under federal law. Congress has passed the DTSA and it now awaits president Obama's signature.<sup>285</sup> It is arguably no coincidence that the TSD and the DTSA have been negotiated simultaneously. Rather the simultaneous negotiations have been a part of a coalition of USA and EU companies led by lobbyists to increase trade secret protection through out the world.<sup>286</sup> Moreover, an underlying agenda to find a coherent approach to the protection of trade secrets between the USA and the EU, which would benefit the parties' discussions concerning the Transatlantic Trade and Investment Partnership (TTIP).<sup>287</sup> However, currently the EU has demanded that Investor- State Dispute Settlement mechanisms ("ISDS") would be held by publicly appointed, independent professional judges in

---

<sup>284</sup> Pilkington Group Ltd vs. European Commission. Case T-462/12 R recitals 25-26 and 68 -69 Also see Winston & Strawn LLP 2013

In T462/12 Pilkington Group vs the Commission, The Pilkington group claimed that the decision the court was going to publish regarding a cartel the Pilkington group had been found to be a part of, contained business secrets and information of certain members of the staff that allegedly had been involved in implementing the cartel. The General Court suspended the Commission from publishing information relating to: customer names, product names or descriptions of products, and information that could identify individual customers and the number of parts supplied by Pilkington Group, the share of the business of a particular car manufacturer, pricing calculations and price changes to the extent the information was not already known to the general public. Concerning employee information it was held that the risk of serious and irreparable harm was to third parties and not to the Pilkington Group and thus could information concerning employees be disclosed.

<sup>285</sup> Goldman 2016. Also see Seyfarth Shaw 2016 and the Statement of the Administration Policy 2016.

<sup>286</sup> Sandeen 2016

<sup>287</sup> Katila 2016



public hearings. If hearings would be public, it could in practice result in possible leakage of trade secrets disclosed during hearings as the public is allowed to be present.<sup>288</sup> However, the future of the TTIP is unclear and it remains to be seen what the final agreement will look like concerning open hearings, if the agreement ever enters into force.<sup>289</sup>

---

<sup>288</sup> European Parliament's recommendations on the TTIP, point d xv

<sup>289</sup> Trade secrets: analysis requested by the JURI department 2014, p. 11