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The new reality of trade secret protection: EUTSD implemented by majority of Member States

The EU Trade Secrets Directive has become reality. After the adoption in 2016, Member States had to implement the directive by 9 June 2018 and the majority has by now completed this process. The UK actually already being one of them, despite the Brexit period. Most recently on 22 October 2018, the Netherlands formally did so as well.

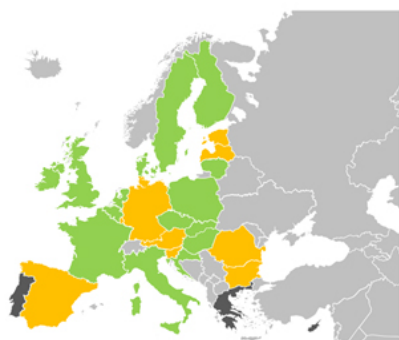
This new reality entails IP-style remedies to be used for trade secret protection, also against “infringing goods” and even if a component from a third party infringes. What is key is whether the company knew or should have known that trade secrets were misappropriated.

In light of this new landscape in Europe, as well as in the US, companies which have not already done so should take reasonable measures, in particular in relation to employees and business partners, being the number one and two causes of trade secret issues. This should be done on the one hand to prevent trade secret issues and, on the other hand, to allow for enforcement of trade secrets against third parties.

The EUTSD and its implementation

In 2016, the [EU Trade Secrets Directive](#) was introduced to meet a need for greater protection of trade secrets within EU borders. The directive provides for several key changes, as previously reported [here](#). The deadline for implementation was 9 June 2018 and the majority of member states have now completed the process.

The following overview shows the current status of implementation. While implementation is still underway, national courts have to interpret national law in light of the directive’s wording and purpose.



Status of implementation:
(At 31 October 2018)

- Implementation confirmed by Eur-Lex: *Belgium, Czech Republic, Denmark, Finland, France, Hungary, Ireland, Croatia, Italy, Lithuania, Malta, the Netherlands, Poland, Slovakia, Sweden, United Kingdom*
- Pending based on publicly available information from secondary sources: *Austria, Bulgaria, Estonia, Germany, Latvia, Luxembourg, Romania, Slovenia, Spain*
- No status on implementation available from publicly available sources: *Cyprus, Greece, Portugal*

Germany and Spain are among member states still working on their national transposition.

Implementation in the Netherlands

The Dutch implementing act, known as the Trade Secrets Act, came into force on 23 October 2018. The Dutch legislature has substantially copied several provisions of the directive into the Dutch act (as previously reported [here](#)). The act allows courts to issue an order for the payment of reasonable and proportionate costs to the winning party in a trade secret case, unless this would be against the principles of equity or fairness. Hence, depending on the circumstances of a case, courts may award full costs, as they do in patent cases.

UK legislation

The UK implemented the directive as per 9 June 2018. While several provisions of the directive were directly implemented into UK legislation, others already formed part of the legal landscape, for example, through principles of common law and equity relating to breach of confidence.

The German bill

The German implementing bill, published by the Federal Ministry of Justice and Consumer Protection in April 2018, is largely in line with the directive.

Just like article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the directive sets out the three requirements a trade secret holder has to fulfil to be able to take action against trade secret misappropriation: the information (i) is secret in the sense that it is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (ii) has commercial value because it is secret; and (iii) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

Interestingly, the requirement of having to take reasonable measures is considered new under German law. Before the directive, the question of whether information was considered a trade secret depended on the intention of the party holding the information. The test was whether the holder wished to keep the information secret, and whether the circumstances demonstrated that desire. The German government considers this a subjective test; it has stated that under the directive and the German bill, the test will become an objective one: having the mere intention to keep information secret will no longer be sufficient. The trade secret holder will have to prove that reasonable steps have been taken to ensure the confidentiality of the information. In response, companies active in Germany are now further pursuing programmes to take reasonable measures.

How should your company respond to the directive and its implementation?

Following the directive and US trade secrets legislation (as previously reported [here](#) and [here](#)), many companies have reconsidered their trade secret strategy and are taking measures. Taking effective measures helps prevent trade secret issues. Moreover, companies will be able to show that reasonable measures have been taken if its trade secrets need to be enforced.

This includes determining “ownership” and creating awareness within the company. Specific policy considerations include:

- addressing issues which require the interaction of several stakeholders within the company (for example, HR, IT, Legal and IP in the case of mobility of workers)
- recognising the relationship between trade secrets and patent policy
- deciding whether to prepare an inventory (and if so, how)
- determining who has access to trade secrets on a need-to-know basis (both employees and third parties) and having a proper IT solution in place in that regard
- exercising caution for any contamination (employees, third parties)
- keeping trade secrets in mind when deciding to publish certain documents
- ensuring that appropriate legal arrangements are made for all persons and parties that information is or might be shared with; this may range from staff, contractors, freelancers and affiliates, to suppliers, business partners and licensees.

Companies should now reconsider with whom they share their trade secrets. Questions that can provide guidance include: where are your core ingredients/components produced? Who do you license to? Do any of your agreements include a limitation on reverse engineering? Furthermore, it is important to give extra consideration to the suppliers you do business with, and on what terms, as your end product could turn into “infringing goods” under the directive if your supplier misappropriates trade secrets.

If they have not already done so, companies are advised to devise a trade secret protection strategy and incorporate this into their overall IP strategy. Please do not hesitate to contact us if you need any further help or guidance on the issue.