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# THE NEW EU TRADE SECRETS DIRECTIVE

**Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.**

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# Introduction

Up to now, the protection of trade secrets has been regulated at a national level, with only one exception: Art. 39 [TRIPS](#) (“*Protection of undisclosed information*”).

[Directive 2016/943](#) harmonizes the regulation of trade secrets protection in the Member States, ensuring a **high level of protection of trade secrets throughout the EU**.

This new **instrument aims to promote the investment in innovation-related activities**, and to facilitate cross-border activities of IPR-intensive industries within the Internal market.

The Directive pays attention not only to the **protection** of trade secrets, but also to the adoption of efficient **enforcement** measures (Trade secrets are not covered by Directive 2004/48)

Member States shall implement the Directive in their domestic laws **before June 2018**.



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# PROTECTION

# What is a trade secret? (Art. 2)

Several national legislations (i.e. Spain), do not include a definition of “trade secret”.

According to **art. 2 of the Directive**, trade secret means information:

- **That is secret** in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question
- That has **commercial value** because it is secret
- That has been subject to **reasonable steps** under the circumstances, by the person lawfully in control of the information, to **keep it secret**.

*The definition is taken from Art. 39 TRIPS*

# Extent of the protection (Art. 4)

The Directive **confers the trade secret holder a *ius prohibendi*** that extends to:

- a. The **acquisition** of a trade secret without his consent when carried out by:
  - i. Unauthorised access, appropriation or copying
  - ii. Any other conduct which, under the circumstances, is considered contrary to “honest commercial practices” (term to be interpreted at a European level)
  
- b. The **use** or **disclosure** of a trade secret without the consent of the holder, by a person:
  - i. Having acquired the trade secret unlawfully
  - ii. Being in breach of a confidentiality agreement or any other non-disclosure obligation
  - iii. Being in breach of a contractual obligation or duty to limit the use of the trade secret

# Extent of the protection (Art. 4)

c. The acquisition, use or disclosure of a trade secret by a person that should have known that the trade secret had been **unlawfully obtained by another person**.

d. The **exploitation of infringing goods** – i.e. goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed – by a person that has unlawfully acquired the trade secret or knows or should have known that the trade secret was used unlawfully.

# Exceptions (Art. 5)

The measures and procedures contained in the Trade Secret Directive **will not proceed** when the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

- a. For exercising the **right of freedom of expression and information**
- b. **For revealing misconduct, wrongdoing or illegal activities** for the purpose of protecting the general public interest
- c. **Disclosures by workers to their representatives as part of the legitimate exercise of their functions** in accordance with EU or national law.
- d. For the purpose of **protecting a legitimate interest recognized by Union or national law.**

# Conducts that shall not be considered unlawful (Art. 3)

The acquisition of a trade secret **shall be considered lawful** when the trade secret is obtained by any of the following means:

- a. An **independent discovery or creation**
- b. **Reverse engineering** of a product available to the public or that is lawfully in the possession of the acquirer
- c. The exercise of the **right of workers and their representatives to information and consultation** in accordance with the law.
- d. Obtaining, using or disclosing the trade secret when it is **required or allowed by law.**



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# ENFORCEMENT

# Injunctions and corrective measures (Art 12, 14 and 15)

Provided that there has been an unlawful acquisition, use or disclosure of a trade secret, the holder can ask for:

- a. The **cessation** of, or as the case may be, **the prohibition of the use or disclosure of the trade secret.**
- b. The **prohibition of the production, offering, placing on the market or use of infringing goods**, or the importation, export or storage of infringing goods for those purposes;
- c. The adoption of the **appropriate corrective measures** with regard to the infringing goods (recall them from the market, destruction, depriving them of their infringing quality);
- d. **The destruction of all or part of the items containing or embodying the trade secret** or, where appropriate, the delivery up to the applicant of those items

# Injunctions and corrective measures (Art 12, 14 and 15)

d. The **award of compensatory damages** where the infringer acted with intent or negligence (**Art 14**). Such damages can be calculated:

→ Taking into account all appropriate factors including the lost profits, unfair profits by the infringer or the moral prejudice caused to the trade secret holder

→ As a lump sum on the basis of the royalties fees which would have been due had the infringer requested authorisation.

e. **Dissemination of the information concerning the decision**, including publishing it in full or in part (**Art.15**)

# Provisional and precautionary measures (Art 10 and 11)

The trade secret holder may request any of the following provisional measures:

- a. The **cessation** of or, as the case may be, the **prohibition of the use or disclosure of the trade secret** on a provisional basis
- b. The **prohibition of the production, offering, placing on the market or use of infringing goods**, or the **importation, export or storage of infringing goods** for those purposes;
- c. The **seizure or delivery up of the suspected infringing goods** so as to prevent their entry into the market

As an alternative, judicial authorities may make the continuation of the alleged unlawful use of the trade secret **subject to the lodging of guarantees** intended to ensure the compensation of the trade secret holder.

# Provisional and precautionary measures (Art 10 and 11)

In order to adopt the provisional measures, judicial **authorities can request the applicant to provide evidence** in relation to:

- The **existence and the ownership of the trade secret**
- **The unlawfulness of the use or disclosure**, or the fact that the unlawful acquisition or disclosure is imminent.

In addition, the applicant can be asked **to lodge a security to ensure compensation** for any prejudice suffered by the respondent.

In deciding on the granting or rejection of the application and assessing its proportionality, the judicial authority shall take into **account not only the particular circumstances of the case, but also the legitimate interest of third parties, the public interest or the safeguard of fundamental rights.**

# Provisional and precautionary measures (Art 10 and 11)

The alleged infringer can ask for the **revocation of the provisional measures** if:

- i. The applicant **does not file a complaint on the merits** within a reasonable period (not exceeding 20 working days or 31 calendar days)
- ii. **The information is not a trade secret anymore** for reasons that cannot be attributed to the respondent.

The alleged infringer **can ask for compensation for damages** if the measures are revoked or where it is subsequently found that there has been no unlawful acquisition, use or disclosure of a trade secret.

# Safeguard of the alleged infringers' rights

According to **art. 7**, any measure, procedure and remedy shall be applied in a manner that:

- i. Is **fair and equitable**
- ii. Is **proportionate**
- iii. Provides for **safeguards against their abuse**. In this case, Member States shall allow alleged infringers to ask for damages, sanctions and the publication of the judgment in those cases where the action was **manifestly unfounded** or the legal proceedings were **initiated abusively or in bad faith**

Member States shall include a limitation period for these actions **not exceeding 6 years** (Art 8).

# Confidentiality in the proceedings (Art. 9)

In order to prevent that the risk of losing the confidentiality of a trade secret during a legal proceeding discourages the holders to defend their rights, Art 9 establishes that:

- The parties, their lawyers and any other person participating in a legal proceeding **are not permitted to use or disclose any trade secret or alleged trade secret identified as confidential by the court.** The obligation shall remain in force **after the legal proceedings have ended.**
- The competent authority may, at a party's request, **take specific measures necessary to preserve the confidentiality,** including:
  - ❖ Restriction of access to any document containing a trade secret or alleged trade secret
  - ❖ Restriction of access to hearings
  - ❖ Making available a non-confidential version of any judicial decision.



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