

IP Federation comments on the 1 April 2014 compromise text for the proposed EU trade secrets directive

Introduction

The IP Federation represents the views of a significant number of major innovative UK companies in matters concerning intellectual property policy. A list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do they own considerable numbers of IP rights, but they are affected by the activities and IP rights of competitors. They may be either plaintiffs or defendants in IP related court actions.

The compromise proposal

The following are the IP Federation's comments on the Presidency compromise proposal dated 1 April 2014 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 lawful acquisition, use and disclosure. We understand that the Presidency has sought final comments on the text by 23 April 2014 and are therefore providing these on an urgent basis. Whilst the IP Federation continues to support the proposed Directive and believes the current proposal is of high quality, the following issues should nonetheless be addressed.

Article 3(4): We believe that the addition of the words "*... was obtained (directly or indirectly) from another person ...*" would significantly clarify the intent of this provision. In particular, it should be possible to prevent the downstream misuse of trade secrets regardless of whether they were obtained directly or indirectly from a person who initially acquired them unlawfully. Trade secret owners should be able to take action directly against the current custodian of the information, without needing to sue any intervening parties.

Article 3(4) (in combination with Article 9): We are concerned that a potential loophole exists between Article 3(4) and Article 9 which would make it impossible to obtain an *ex parte* or urgent injunction against a person who initially acquired a trade secret innocently (i.e. without initially having cause to believe the trade secret was obtained "*from another person who was using or disclosing the trade secret unlawfully*"). In particular, until such person has been put on notice of facts suggesting the trade secret was so obtained, no action would be possible. We would suggest a clarification in Article 9 that: "*In appropriately urgent cases, where it appears to a court that a trade secret has been acquired (directly or indirectly) from another person who was using or disclosing the trade secret unlawfully,*

courts of Member States shall be empowered to grant provisional and precautionary measures under Article 9 even before the relevant facts giving rise to the claim have been provided to the respondent. However, in such cases, the respondent shall be put on notice of the relevant facts as soon as possible after any hearing and shall have the opportunity to request the court to review its decision."

Article 4(1)(a): We believe the new text in this Article is highly ambiguous and could seriously undermine the objectives of the proposed Directive, in terms of providing a consistent, basic level of trade secrets protection across Europe. In particular, the exemption for acquisition, use or disclosure of trade secrets where this is "*... allowed by ... national law ...*" would allow Member States to ignore the Directive and implement their own laws entirely. If an exemption of this nature is needed then the drafting must be considered carefully and should specify clearly the areas in which national law can overrule the terms of the Directive. However, we do not believe such an exemption is necessary, given that the appropriate areas are already listed in Article 4(2).

Article 5: We believe the clarity of this provision would be substantially improved if the following change was to be made: "*... should, under the circumstances, have known that the goods were infringing goods the trade secret was used unlawfully within the meaning of paragraph 3.*" In particular, the reference to whether "*the trade secret was used unlawfully*" is ambiguous, since it is unclear who must have undertaken the misuse, and also where and when it must have taken place. Trade secret holders should be able to prevent the importation and use etc. of infringing goods regardless of where, when or by who in the production chain the trade secret misuse occurred (e.g. upstream misuse outside the EU). The suggested amendment would clarify this.

Article 7: The increase in the upper range of the limitation period to 5 years is welcomed. However, since evidence gathering is a long process and parties should not be forced into unnecessary litigation, a minimum limitation period of at least 2 years should also be provided for. If no minimum period is specified then it would be open to Member States to implement extremely short limitation periods (e.g. 2 days), which would prevent trade secrets holders from having any effective remedy.

Article 8(2): Whilst we generally welcome the changes that have been made to Article 8, we believe it is only necessary that "*... at least one person from each party has been given sufficient access to any necessary documents to understand the case that the party must address*". We do not believe it is necessary, as a general rule, for parties or their representatives to be given "*full access*" to *all* confidential documents. Moreover, if the term "*full access*" is to be retained it should be clarified that this access should remain subject to confidentiality (i.e. the access should only be for the purpose of the proceedings and the confidentiality of the documents must be protected).

Article 9: We believe Article 9 could usefully distinguish between the right to continue "possession" or "use" of a trade secret before trial and the right

to “publish” (or otherwise destroy the confidentiality of) a trade secret before trial. Publication (which might occur be through use) destroys the trade secret and so, where there is a case for interim relief, there should be a strong presumption against allowing publication (or any other acts that would destroy confidentiality). This should be the presumption regardless of the lodging of any guarantee under Article 12(2).

Article 11: We support the comment, which has been widely made, that Article 11 should contain a presumption in favour of an injunction (i.e. an order under Article 11(1)) when the court has found that trade secret misuse has occurred or is occurring. Whilst it is correct that the court should be able to take account of the circumstances of the case (e.g. “... *where appropriate, the value of the trade secret, the measures taken to protect the trade secret, or other specific features of the trade secret, as well as the conduct of the infringer ...*”), it should only be in the exceptional circumstances outlined in Article 12(3) that an injunction should not be granted.

Article 12(3): Whilst we believe this article should only apply in exceptional circumstances (see above), we do not believe the calculation of damages under the final paragraph should be any different to the usual basis for calculation under Article 13. Otherwise, the incentive to avoid infringement will be undermined.

Article 13(1): We do not understand the need for, or intention of, the new text that has been added to this Article (i.e. the statement that “*Member States may adopt rules restricting the liability of employees towards their employers for the unlawful acquisition, use or disclosure of a trade secret of the employer when they act without intent*”). This text has the potential substantially to undermine the protection provided by the directive in the context of employees, which form an extremely important group in relation to the protection of trade secrets. In particular:

- the threshold of “intent” is ambiguous but potentially very high. For example, ignorance of the law could allow employees to avoid liability, even when they have clearly acted unlawfully;
- the provision leaves too much discretion in the hands of Member States, undermining the consistency that the Directive was intended to achieve;
- even if a provision limiting employees’ liability for damages was considered appropriate, we believe the employee should still be subject to an injunction. We do not believe it was intended that injunctions would be unavailable. However, the drafting is ambiguous and this should be clarified.

IP Federation
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IP Federation members 2014

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

AGCO Ltd
Airbus
ARM Ltd
AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Caterpillar U.K. Ltd
Dyson Technology Ltd
Element Six Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Europe Inc.
Ford of Europe
Fujitsu Services Ltd
GE Healthcare
GKN plc
GlaxoSmithKline plc
Glory Global Solutions Ltd
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia UK Ltd
Pfizer Ltd
Philips Electronics UK Ltd
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