

# What exactly is a trade secret under the proposed directive?

Nuno Sousa e Silva\*

We know how valuable trade secrets are and to what lengths companies go to protect them. Reporting on the chocolate industry, Jeanne Fromer<sup>1</sup> tells us of Mars's policy of building all their factory machinery (instead of outsourcing it) and blindfolding any of the few outside contractors allowed inside. In fact, industrial espionage occurs and most laws have criminal provisions against it.<sup>2</sup> However, the main challenge in keeping secrecy comes from within. Often workers do not have the necessary consciousness of the value of the information they deal with. Some other times rival companies are too much aware of such a value and hire those employees from rival companies.

In many industries, due to its well-known advantages, trade secret protection is chosen over patent protection, even when the latter is available. After all, trade secrets can be everlasting,<sup>3</sup> are apparently cheaper<sup>4</sup> and faster to protect<sup>5</sup> and do not (obviously) require disclosure.<sup>6</sup> Quite often, the strategy relies on the combination of patents and complementary (secret) know-how. A company patents the basic technology and, since in Europe there is no best-mode requirement in a patent application, keeps the added efficiency 'tricks' to itself as a trade secret.<sup>7</sup>

Trade secrets protection is one area of unfair competition where 'basic moral feelings' of intellectual property come into play.<sup>8</sup> If it is hard to establish common

## The author

- Nuno Sousa e Silva is a Munich Intellectual Property Law Center graduate, lecturer at Porto Law School Portuguese Catholic University, and a trainee-lawyer with PTCS Advogados (Porto, Portugal).

## This article

- Trade secrets have always been involved in commerce (the Silk Route being a prime example) but have only recently been directly regulated at an international law level (Section 7 of Part II of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)). The national laws addressing them are often scattered and variegated.
- Believing this to create hurdles in the internal market, on 28 November 2013 the European Commission presented a proposal for a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.
- The notion of trade secrets contained in it is a carbon copy of Article 39 TRIPS, itself based on the US Uniform Trade Secret Act. This article exploits that definition and the questions left unanswered. After providing a background to the current directive and analysing some national definitions and related terminology, the article focuses on four requirements: (1) information, (2) that is secret, (3) valuable due to its secrecy and (4) subject to reasonable steps to keep its secrecy. The possibility of additional requirements is scrutinized and rejected.

\* Email: nsousaesilva@gmail.com.

1 Jeanne Fromer 'Trade secrecy in Willy Wonka's Chocolate Factory' in R Dreyfuss and K Strandburg (eds), *The Law and Theory of Trade Secrecy* (Edward Elgar Cheltenham 2011) 3, 10. See also D Cadbury, *Chocolate Wars: From Cadbury to Kraft: 200 years of Sweet Success and Bitter Rivalry* (Harper Press London 2011).

2 On the topic, see H Nasheri, *Economic Espionage and Industrial Spying* (CUP Cambridge 2005). Out of the EU Member-States, only Bulgaria, Ireland and the UK do not have criminal measures affecting trade secrets (cf Study on Trade Secrets and Confidential Business Information in the Internal Market (April 2013) 55 ff, available at [http://ec.europa.eu/internal\\_market/iprenforcement/docs/trade-secrets/130711\\_final-study\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf) (accessed 3 April 2014) ('Baker & McKenzie Study')).

3 Frommer, above n 1, 13: '... so long as a secret remains unrevealed, its cloak is everlasting.'

4 One can doubt whether the economic costs that arise out of adopting secrecy measures are, in the long run, smaller than the costs of applying for and maintaining patent protection. However, trade secret protection does not represent an immediate cost. Nonetheless, James Pooley's

statement, that '... there is a general agreement that confidential disclosure is beneficial in a modern economy', seems to be a little over simplistic. See J Pooley 'Trade Secrets—The Other IP Right' (2013) 3 WIPO Magazine 2.

5 S F Greenberg 'The WIPO Model Laws for the Protection of Unpatented Know-How: A Comparative Analysis' (1985) 3 Berkeley J Int'l L 52. On the problems arising out of patent delays and its compatibility with international law, see E Hoss 'Delays in Patent Examination and Their Implications under the TRIPS Agreement', MIPLC Master Thesis Series (2011). Available at <http://ssrn.com/abstract=2166853> (accessed 2 April 2014).

6 For a comparative chart of both protections, see D Snyder and D Almeling *Keeping Secrets* (OUP Oxford 2012) 18. See also A Schwartz 'The Corporate Preference for Trade Secret' (2013) 74 Ohio State LJ 623 and L Bently 'Patents and Trade Secrets' in N Wilkoff and S Basheer (eds) *Overlapping Intellectual Property Rights* (OUP Oxford 2012) 57.

7 Bently, above, n 6, 81.

8 D Visser 'Misrepresentation and Misappropriation—Two Common Principles or Common "Basic Moral Feelings" of Intellectual Property and Unfair Competition Law' in A Ohly (ed) *Common Principles of*

ground regarding product imitation without confusion,<sup>9</sup> there appears to be more room for agreement when addressing the misappropriation of trade secrets. However, not all kinds of information are trade secrets.<sup>10</sup> In fact, there is little certainty as to what exactly can constitute a trade secret, and the terminology is far from settled.<sup>11</sup> The idea is that its potential scope is very broad. Almost any type of information can be a trade secret.<sup>12</sup> In the words of Judge Ingraham: “The term “trade secret” is one of the most elusive and difficult concepts in the law to define.”<sup>13</sup>

In the EU, some national laws do not even have a definition of trade secrets and, the ones that have it mostly replicate the wording found in Article 39 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS).<sup>14</sup> This article explores the notion of trade secrecy presented in the recent Proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.<sup>15</sup>

## The background

At the international level, it has been widely debated whether trade secret protection resulted from Article 10bis of the Paris Convention for the Protection of Industrial Property as Revised at Stockholm in 1967. This was also part of a spirited discussion during TRIPS negotiations.<sup>16</sup> Most developing countries contended that trade secrets were outside the scope of the Agreement as they did not constitute intellectual property at all.<sup>17</sup> Among developed countries, there were some which held the view that trade secrets were already

included in Article 10bis of the Paris Convention, and thus there was no need to regulate it any further.<sup>18</sup> On the other hand, the United States and Switzerland considered that including trade secret protection in Article 10bis was outstretching its meaning.<sup>19</sup>

At the end of the day, TRIPS included Section 7 of Part II entitled ‘protection of undisclosed information’, which contains a single article with three numbers and a footnote. This is a complex provision, establishing trade secret protection (called ‘undisclosed information’ as a result of the fears, expressed by some delegations, that using the term ‘trade secrets’ would represent a concession to a certain ‘proprietary view’<sup>20</sup>) and data exclusivity (Art.39(3)).<sup>21</sup>

Article 39(1) TRIPS establishes that:

In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

Does this provision mean that trade secrets protection must be attained by means of unfair competition provisions? I believe the answer is in the negative. The general principle is that international treaties define the results to be achieved but leave the States free to organize the means to achieve them.<sup>22</sup> This is expressly stated in Article 1(1) TRIPS, and there is no valid reason to deviate from it. Meitinger<sup>23</sup> understands the provision differently, claiming that the nature of unfair competition (further revealed by the requirement of an element of dishonesty or unfairness) poses limits to the scope of protection of Article 39 TRIPS. Jacques de Werra<sup>24</sup>

*European Intellectual Property Law* (Mohr Siebeck Tübingen 2012) 247 (although the author does not mention trade secrets directly, it seems that they are the strongest case of misappropriation).

9 See A Ohly ‘The Freedom of Imitation and Its Limits—A European Perspective’ [2010] IIC 506.

10 M Risch ‘Why Do We Have Trade Secrets?’ (2007) 11 Marquette IP Rev 1, 37.

11 J Hull ‘Trade Secret Licensing: The Art of the Possible’ (2009) 4(3) JIPLP 203, 205 (‘the confusion of terminology’).

12 G Myers *Principles of Intellectual Property Law* (2nd edn West Minnesota 2012) 363.

13 *Lear Siegler Inc v Ark-Ell Springs Inc*, 569 F 2d 286 (1978) para 11.

14 See Procedure 2013/0402/COD, COM (2013) 813: Proposal Directive on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure, <http://eurlex.europa.eu/legalcontent/EN/TXT/?uri=COM:2013:0813:FIN> (accessed 3 April 2014), recital 8.

15 Ibid, COM(2013) 813 final.

16 For a detailed overview of the negotiations, see S K Sandeen ‘The limits of trade secret law: Article 39 of the TRIPS Agreement and the Uniform Trade Secrets Act on which it is Based’ in Dreyfuss and Strandburg, above, n 1, 537, 539 ff; N Pires de Carvalho, *The TRIPS Regime of Antitrust and Undisclosed Information* (Kluwer Law International The Hague 2008) 207 ff.

17 N Pires de Carvalho, *The TRIPS Regime of Patent Rights* (3rd edn Kluwer Law International The Hague 2010) 546.

18 Ibid, 547. By Article 2(1) TRIPS, the Paris Convention has been brought under the WTO dispute settlement only inasmuch it relates to TRIPS subject matter (TRIPS, Pts II–IV).

19 Pires de Carvalho, above, n 17, 547. The courts in the USA seem to hold the same view Cf *BP Chemicals Ltd v Jiangsu Sopo Corporation (Group) Ltd*, 429 F Supp 2d 1179, 1181 (E.D. Mo. 2006): ‘... the Lanham Act, even in conjunction with the Paris Convention, does not provide a federal cause of action for trade secret misappropriation.’

20 CM Correa *TRIPS—A Commentary* (OUP Oxford 2007) 368.

21 On the latter, see C M Correa ‘Test Data Protection: Rights Conferred Under the TRIPS Agreement and Some Effect of TRIPS-plus Standards’ in Dreyfuss and Strandburg, above, n 1, 568 ff.

22 M Bronckers and N McNelis ‘Is the EU Obligated to Improve the Protection of Trade Secrets?’ (2012) 34(10) EIPR 673, 677.

23 I Meitinger ‘Art 39 TRIPS’ in T Cottier and P Verón, *Concise International and European IP Law* (2nd edn Wolters Kluwer Law International Alphen aan den Rijn 2011) 115.

24 J de Werra ‘How to Protect Trade Secrets in High-Tech Sports? An Intellectual Property Analysis Based on the Experiences at the America’s Cup and in the Formula One Championship’ (2010) 32(4) EIPR 155, 156.

seems to agree, holding that trade secret law is by Article 39 TRIPS ‘anchored in unfair competition law’.

A different but related question is the scope of this protection. According to some unfair competition laws, such as Portuguese law, there can only be unfair competition when the action affects competitors.<sup>25</sup> This question will now be overcome and harmonized: according to the directive, trade secret protection extends beyond the competitive relationship.<sup>26</sup>

## Some definitions

Italy and Portugal have replicated the contents of Article 39 TRIPS word for word.<sup>27</sup> In general, the literal approach seems to dominate. According to James Pooley,<sup>28</sup> TRIPS’ legal definition of trade secrets ‘has been adopted by well over 100 of the 159 members of the World Trade Organization’. In the EU, however, a significant number of countries do not have a statutory definition of trade secrets.<sup>29</sup>

German law does not define trade secrets directly.<sup>30</sup> The German Federal Court (BGH) has defined trade secrets as: ‘any fact related to a business, which is not obvious but only known to a limited group of people, that the holder wishes to maintain secret and which has economic importance’.<sup>31</sup> Ansgar Ohly<sup>32</sup> summarizes the German requirements as follows: ‘the trade secret must relate to a particular business, the information must neither be generally known nor easily available, the

holder of the information must have the intention of keeping it secret and there must be a legitimate economic interest in secrecy’.<sup>33</sup>

French Law mentions manufacturing secrets (*secrets de fabrique*, the field of application of which is restricted to employment contracts) but does not define it either.<sup>34</sup> This has been defined, in the context of criminal law, by the Court of Cassation (in 1931) as:

Any manufacturing process which, while of practical and commercial interest, implemented by an industrialist and kept secret by him from his competitors who, prior to their learning of it, were unaware of it.<sup>35</sup>

In this context, industrial application is required which narrows the notion when compared to trade secrets.<sup>36</sup>

A related, and broader, notion used by French courts as well as commentators is that of know-how (*savoir faire*).<sup>37</sup> In a recent decision on the context of a franchising agreement for bakeries, the Court of Cassation had the opportunity to elaborate on the notion of know-how.<sup>38</sup> Relying heavily on the definition found in technology transfer block exemption regulation (TTBER),<sup>39</sup> the court held that (French) know-how does not need to be novel; it suffices that it is not known to the general public and provides the franchisee with a competitive advantage, even if it is part of common knowledge in the area.<sup>40</sup>

In the oft-cited case *Coco v Clark*,<sup>41</sup> the High Court for England and Wales established three requirements

25 The proposal purports to address this problem by eliminating such a restriction (cf Proposal, above, n 14, recital 5).

26 This might further extend the challenge to the traditional division between monistic and dualistic unfair competition systems. Thus far the EU legislator follows the latter by distinguishing business to business from business to consumer trade practices.

27 Italian Industrial Property Code, Art 98 and Portuguese Industrial Property Code, Art 318. However, there is a significant difference between the two laws. Whereas the Portuguese regime does not extend to innocent third parties (ie which have not acquired the knowledge by improper means), Italian law does. For more details, see G Ghidini and V Falce, ‘Trade Secrets as Intellectual Property Rights: A Disgraceful Upgrading—Notes on an Italian “reform”’ in Dreyfuss and Strandburg, above, n 1, 140.

28 Pooley, above, n 4, 3.

29 Baker & McKenzie Study, above, n 2, 9: ‘Where a formal definition of trade secrets is not provided, the notion is derived from case law and jurisprudence: this is the case in Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Germany, The Netherlands (sic), the Republic of Ireland, Latvia, Luxembourg, Malta, Romania, Spain and the UK.’

30 These are regulated by criminal law provisions (mainly German Act on Unfair Competition: Gesetz gegen den unlauteren Wettbewerb (UWG), s 17, which mentions trade and industrial secrets but does not extract any consequences from the distinction).

31 BGH *Kundendatenprogramm* GRUR, 27th April 2006, 1044, 1045, para 19 (citing previous decisions).

32 A Ohly ‘Reverse Engineering: Unfair Competition or Catalyst for Innovation?’ in W Prinz zu Waldeck et al (eds) *Patents and Technological Progress in a Globalized World—Liber Amicorum Joseph Straus* (Springer Berlin 2009) 535, 542. See also G Surblyte *The Refusal to Disclose Trade Secrets as an Abuse of Market Dominance—Microsoft and Beyond* (Stämpfli Berne 2011) 50.

33 See also C Ann ‘Know-how—Stiefkind des Geistigen Eigentums?’ (2007) GRUR 39, 41–42.

34 French Intellectual Property Code, Art L 621-1. See J-P Stouls et al ‘Protection of Trade Secrets through IPR and Unfair Competition Law’, AIPPI Report (2010) 2. Available at [https://www.aippi.org/download/committees/215/GR215france\\_en.pdf](https://www.aippi.org/download/committees/215/GR215france_en.pdf) (accessed 2 April 2014): ‘In France, no text of general import refers to the protection of a company’s secrets, its trade secrets or its know-how.’

35 Stouls et al, above, n 34, 3. Referring to the same case although with a different translation, see Surblyte, above, n 32, 61. For more definitions (some of which mention originality), see A Bertrand,  *Marques et brevets, dessins et modèles* (Delmas Paris 1995) vol II, 267.

36 Bertrand, above, n 35, 268.

37 For more details, see J Passa, *Propriété industrielle* (2th edn LGDJ Paris 2013) vol 2, 987 ff. Surblyte, above, n 32, 62, states that the most commonly used definition of *savoir-faire* was provided by Professor Mousseron.

38 Cour de cassation, Chambre civile, commerciale, 3 May 2012, 11–14.291, not yet published, available at <http://www.legifrance.gouv.fr/affichJuriJudi.do?oldAction=rechJuriJudi&idTexte=JURITEXT000025811315&fastReqId=108926416&fastPos=3>.

39 Commission Regulation (EC) No 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements.

40 Nonetheless, some French commentators mention novelty as a requirement for the protection of know-how: see J Azéma and J-C Galloux, *Droit de la propriété industrielle* (7th edn Dalloz Paris 2012) 581.

41 *Coco v Clark* [1969] RPC 41.

for an action for breach of confidence that is broader than trade secret protection. There must be information of a confidential nature; an obligation of confidence; and an unauthorized use of the information to the detriment of the person communicating it (ie the trade secret holder).

At the European level, a definition of know-how is found in Article 1(1)(i) of the TTBER, which reads:

‘[K]now-how’ means a package of non-patented practical information, resulting from experience and testing, which is:

- (i) secret, that is to say, not generally known or easily accessible,
- (ii) substantial, that is to say, significant and useful for the production of the contract products, and
- (iii) identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality.

Usually, know-how is distinguished from trade secrets by the requirement of secrecy and practical content. On the one hand, it is not required that know-how is secret (or at least *as secret*), on the other hand it must relate to some practical activity.<sup>42</sup> However, the concept is far from settled and some use it as a pure synonym of trade secrets.<sup>43</sup> The Proposal in its first recital seems to imply that trade secrets are a type of secret know-how by stating:

... the knowledge that is valuable to the entity and not widely known. Such know-how and business information, that is undisclosed and intended to remain confidential is referred to as a trade secret. (Emphasis added)

Furthermore, the fact that business information is paired with know-how also hints at the requirement of practical content of know-how, different from pure business information, such as the date of the launching of a product or a list of clients.<sup>44</sup> It is safe to conclude that

the notion of know-how underlying the Proposal is broader than the notion of trade-secrets.<sup>45</sup>

Although the Proposal mentions know-how in its recitals and designation, the notion is nowhere to be found in the articles. In fact, this is a murky notion, mainly used in the field of contracts.<sup>46</sup> It is submitted that the Proposal should simply abandon its use.

Some related notions are the those of ‘show-how’, the kind of knowledge that requires practice to be learnt<sup>47</sup> and negative know-how, relating to the common errors and mistakes, a highly valuable kind of know-how.<sup>48</sup>

## The definition in the Proposal

The Proposal, in Article 2(1), defines trade secrets using the same language as Article 39 TRIPS,<sup>49</sup> and provides some interpretative guidance in recital 8. A trade secret is defined as:

information which meets all of the following requirements:

- (a) 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;
- (b) has commercial value because it is secret;
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

## What information?

First, a trade secret must be information.<sup>50</sup> The word comes from Latin *informare*, to give shape to something. Indeed, information is organized data.<sup>51</sup> Most authors do not expend time into analysing what is information and what it means in this context. This is a complex task, and one may wonder whether information is a legal

42 N Sousa e Silva ‘Quando o Segredo é a “alma do negócio”—definição de um conceito’ (2013) 126 Revista da Associação Brasileira da Propriedade Intelectual 3, 16–17.

43 It seems to be the case of I Westermann, *Handbuch Know-how-Schutz* (CH Beck München 2007). Hull, above, n 11, 206, points out that: ‘It is only in the realm of confidential information used by employees or more usually ex-employees, that a distinction between a trade secret, confidential information, and know-how tends to take on a different and quite specific meaning.’

44 Proposal, above n 14, recital 2: ‘Trade secrets are amongst the most used form of protection of intellectual creation and innovative know-how by businesses ...’ and *ibid*, recital 10: ‘... this Directive should not create any exclusive right on the know-how or information protected as trade secrets.’ Both recitals seem to confirm this interpretation.

45 For a defence of it, in general, see SP Ladas, *Patents, Trademarks and Related Rights* (Harvard University Press Cambridge, MA 1975) vol III, 1616.

46 T Aplin et al, *Gurry on Breach of Confidence* (2nd edn OUP Oxford 2012) 177, mentions ‘two classes of information to which the term [know-how] is applied’.

47 ‘From IP to NP, Day One: Part 2’ IPKat Blog (10 November 2013) (citing Sean O’Connor). Available at <http://ipkitten.blogspot.pt/2013/11/from-ip-to-np-day-one-part-2.html> (accessed 1 April 2014).

48 Azéma and Galloux, above, n 40, 580.

49 Itself based on the US Uniform Trade Secrets Act (a model law published by the Uniform Law Commission in 1979 and amended in 1985, which has, with slight changes, been enacted by 51 states and territories: cf <http://www.uniformlaws.org/LegislativeFactSheet.aspx?title=Trade%20Secrets%20Act> (accessed 29 March 2014). For more details, see R Denicola, ‘The Restatements, the Uniform Act and the status of American trade secret law’ in Dreyfuss and Strandburg, above, n 1, 18 and Sandeen, above, n 16.

50 Pires de Carvalho, above, n 16, 225 (‘Trade secrets are “information”’).

51 J Roberts ‘From Know-how to Show-how? Questioning the Role of Information and Communication Technologies in Knowledge Transfer’ (2000) 12 *Technology Analysis & Strategic Management* 429, 430 (‘Information is defined as data that has been arranged into a meaningful pattern’).



concept.<sup>52</sup> To quote Luciano Floridi, ‘information is a conceptual labyrinth . . .’.<sup>53</sup> Following Floridi’s schematic representation, only economic information would be relevant in this context, since it is defined as structured, semantic and factual data.<sup>54</sup>

Does information need to be true in order to enjoy trade secret protection? It seems to me that the answer to this question is partially found in the requirement of commercial value. As Luciano Floridi writes, ‘. . . it is the meaning conveyed by the information that is of value to the agents involved, who assume it to be correct or veridical.’<sup>55</sup> No information known to be false will enjoy (objective) commercial value and is thus excluded from protection by virtue of that requirement.<sup>56</sup>

It is common to read that ‘. . . there is no specific subject matter criterion for a trade secret. As long as the definitional elements are met, virtually any type of information can be a trade secret.’<sup>57</sup> This is partially true. Indeed, unlike intellectual property rights, there appears to be no exclusion or limit to what can be protected as a trade secret. Not only expressions, inventions or symbols but also ideas, plans, facts, scientific discoveries and abstract concepts can be trade secrets.<sup>58</sup>

Nevertheless, in general, it is understood that trade secrets are somehow related to trade, or commercial activity and not to privacy, or the personal sphere.<sup>59</sup> In the words of Pires de Carvalho, ‘[t]he key word is competition of any sort.’<sup>60</sup> Its protection can partially overlap with privacy.<sup>61</sup> In fact, the action of breach of confidence

in the UK covers both ‘classical’ privacy and trade secret protection, but, even there, a distinction is made.<sup>62</sup>

Thus, although national legislation might wish to extend the application of the measures from the directive to ‘pure privacy’ cases, personal information is not part of trade secret protection.<sup>63</sup> A different, but related, case is that of celebrities’ private information treated as a trade secret of the so-called ‘yellow press’ which actually trades in private information.<sup>64</sup> This was the true in the controversial *Douglas v Hello!* case,<sup>65</sup> according to which information can be a trade secret since it is trade-related and is often ‘sold’.

It should be noted that the object of protection is not information itself, but the measures to protect it. There is no absolute protection of information (see recital 10) as revealed by the exceptions of independent discovery and reverse engineering.<sup>66</sup> Only acquisition, use or disclosure of a trade secret by improper means represent a violation of the trade secret.<sup>67</sup>

## Illegal trade secrets?

One common trade secret is the client list. What happens if data protection regulations have been violated in the collation of such a list? What if the trade secret is a tax evasion (or fraud) scheme?

In a German case decided in 1931,<sup>68</sup> mentioned by Gomez Segade,<sup>69</sup> an employee had revealed that his employer was adding water to the marketed milk. The em-

52 For an in-depth analysis, see V Marriage, *Le secret et le droit: contribution à l'étude de la notion d'information* (Versailles Saint-Quentin-en-Yvelines 1999). Available at <http://www.diffusiontheses.fr/>.

53 L Floridi *Information—A Very Short Introduction* (OUP Oxford 2010) 19.

54 *Ibid.*, 88.

55 *Ibid.*

56 F Dessemontet ‘Protection of Trade Secrets and Confidential Information’ in CM Correa and AA Yusuf (eds), *Intellectual Property and International Trade: The TRIPS Agreement* (2nd edn Wolters Kluwer Alphen aan den Rijn 2008) 270, 281 believes that ‘the false or misleading bit of information may be protected as well as the true, “authentic” information’ and cites Swiss case law in agreement. However, he also refers the clean hands doctrine ‘which means that the owner of untrue or misleading information will very often not be deserving of any protection’ (*ibid.*, 281).

57 *Hoffmann-La Roche Inc v Yoder*, 950 F Supp 1348, 1357 (SD Ohio 1997).

58 Pires de Carvalho, above, n 16, 225 (‘the notion of trade secrets, as far as their subject matter is concerned must be accepted in the broadest of terms’).

59 Westermann, above, n 43, 19 and Aplin et al, above, n 46, 193. While German authors understand the commercial nature (*Unternehmensbezug*) as a separate requirement, other authors extract that conclusion mainly from the requirement of commercial value (see eg Dessemontet, above, n 56, 280).

60 Pires de Carvalho, above, n 16, 226.

61 This is also related with the discussion on the Human Rights of companies, on which, see M Emberland, *The Human Rights of Companies: Exploring the Structure of ECHR Protection* (OUP Oxford 2006). Of course that not only companies but also individuals can and will have trade secrets, that being expressly stated in TRIPS, Art 39(2) (‘Natural and legal

persons . . .’). On the debate regarding trade secrecy, see T Aplin ‘A right of Privacy for Corporations?’ in P Torremans (ed), *Intellectual Property and Human Rights* (Kluwer Law International The Hague 2008) 475 ff (considering there is no reason to extend privacy to companies) and Sousa e Silva, above, n 42, 13 ff.

62 For an exhaustive analysis of UK law in this regard, see Aplin et al, above, n 46.

63 Trevor Cook also suggests that this Directive is limited to the field of commercial activity and not to the private sphere: see T Cook ‘The Proposal for a Directive on the Protection of Trade Secrets in EU Legislation’ (2014) 19 JIPR 54, 56. This is also the understanding in the USA: see TW Lin ‘Executive Trade Secrets’ (2012) 87 Notre Dame L Rev 911.

64 J Davis *Intellectual Property Law* (4th edn OUP Oxford 2012) 103, citing *Andrew Gray v News Group Newspapers* [2011] EWHC 349 (Ch).

65 There were actually several decisions, the most important of which is *Douglas & Ors v Hello Ltd. & Ors* [2005] EWCA Civ 595. In face of the decision, Aplin et al, above, n 46, 182, speak of a ‘radical expansion of “trade secrets” . . . to include commercialized private information’.

66 Proposal, above, n 14, Art 4(1). Dessemontet, above, n 56, 275 poses the question whether TRIPS, Art 39 outlawed reverse engineering. Sandeen, above, n 16, 561 answers saying that both reverse engineering and independent discovery are the antithesis of improper means; therefore there is no need to explicitly mention them.

67 Myers, above, n 12, 379 (‘. . . unlike patent law—which provides “rights against the world”’).

68 RAG, Urt. v. 27. 8. 1930, Juristische Woche 1931, 490.

69 G Segade *El secreto industrial (Know-how)—concepto y proteccion* (TECNOS Madrid 1974) 123.

ployee was sued for trade secret violation, but the court considered that this behaviour did not amount to trade secret violation. Notwithstanding, no direct answer was given to whether such information was a trade secret. In fact, the discussion can be focused on whether there is an illegal trade secret, although its disclosure under certain circumstances will be admitted or, on the other hand, there is no trade secret protection at all, since illegal trade secrets cannot be allowed.

Without a clear choice in that regard, the Proposal explicitly allows for the disclosure of trade secrets in a number of circumstances, including legitimate use of the right to freedom of expression, fulfilling a non-contractual obligation and the broad and undetermined 'protect[ion of] a legitimate interest'.<sup>70</sup> Article 4(2)(b) of the proposal allows for the acquisition, use or disclosure of a trade secret:

[F]or the purpose of revealing an applicant's misconduct, wrongdoing or illegal activity, provided that the alleged acquisition, use or disclosure of the trade secret was necessary for such revelation and that the respondent acted in the public interest.<sup>71</sup>

This is a narrow formulation, and it does not relate to the content of the trade secret, ie it does not exclude any subject matter.

The arguments against the protection of illegal trade secrets rely mainly on the lack of general interest in the protection of those secrets and on the avoidance of a contradiction within the legal system, whereas the arguments for the protection of illegal trade secrets revolve around not empowering employees to police the company's behaviour.<sup>72</sup>

A distinction should be made between those situations when the trade secret itself is illegal (as the adulteration of milk) and the cases where some rules might have been violated in obtaining the trade secret although its contents are not illegal. It seems to me that trade secret protection should be available in the latter situations but

not in the former. The risks of contradiction within the legal system and undue restriction of freedom of expression are far superior if the content of the trade secret is illegal. On the other hand, it would be disproportionate to face an additional sanction for the violation of certain rules in obtaining a trade secret by denying protection of that important intangible asset (ie the trade secret), when the content itself is not illegal.

In their book, *On Western Terrorism—From Hiroshima to Drone Warfare*,<sup>73</sup> Noam Chomsky and Andre Vltcheck mention the refusal of a company to provide technical data regarding land mines, which would make it much easier for the operations of disassembly. Taking into account the formulation of Article 4(2) of the proposal, it is far from clear whether the disclosure of such data by an employee would be covered by the exception, although a general sense of fairness suggests that it would.

## How secret?

The information as it is assembled must be secret, ie not known or accessible to the general public. This means that the information understood as a unit—the trade secret—must be unknown, even if its individual components are all known.<sup>74</sup> Gomez Segade<sup>75</sup> highlights the fact that the notion of secret requires a relationship: things in themselves are not secret, but merely represent the object of a secret; the secret itself is restricted knowledge, a mental attitude of exclusion.

A general and usual distinction is between absolute and relative secrecy. Taken to the extreme, absolute secrecy would mean knowledge nobody possesses,<sup>76</sup> whereas relative secrecy could represent the exclusion of a single competitor from shared knowledge in the industry.<sup>77</sup> Roger Milgrim<sup>78</sup> defines absolute secrecy as those cases where the secret is kept within the company, and no licensing takes place.<sup>79</sup> The general understanding is that the requirement of secrecy is a relative one,<sup>80</sup> hence companies can license out their trade secrets.<sup>81</sup> The Proposal's

70 Proposal, above, n 14, Art 4(2). This might be a 'trade secret fair use'.

71 See also Proposal, above, n 14, recital 12 and, for a US perspective, P Samuelson 'First Amendment Defences in Trade Secrecy Cases' in Dreyfuss and Strandburg, above, n 1, 269.

72 S Rützel 'Illegale Unternehmensgeheimnisse?' [1995] GRUR 557, 558–60 (who concludes against the protection of illegal trade secrets).

73 N Chomsky and A Vltcheck *On Western Terrorism—From Hiroshima to Drone Warfare* (Pluto Press London 2013) at 10.

74 *Coco v Clark*, above, n 41, 420: 'Something that has been constructed solely from materials in the public domain may possess the necessary quality of confidentiality: for something new and confidential may have been brought into being by the application of the skill and ingenuity of the human brain.'

75 Segade, above, n 69, 42–43.

76 *Ibid.*, 44, stating that in those cases one should speak of mysteries and concluding these are not real secrets (*ibid.*, 45).

77 As results from the text, the public to consider is 'within the circles that normally deal with the kind of information in question'.

78 R Milgrim and E Bensen *Milgrim on Trade Secrets* (Matthew Bender Massachusetts 2001) vol I, s 1.07.

79 It should be noted that although it is common to refer to trade secrets agreements as licensing agreements, this is not totally accurate. As there is no general exclusive right, no authorization takes place, but only the disclosure of a secret under certain conditions. Nonetheless, I will speak of trade secret licensing.

80 *Hoechst Diafoil Company v Nan Ya Plastics Corporation*, 174 F 3d 411 (4th Cir 1999) 'Still, most courts and commentators have not treated the secrecy requirement as an absolute, but as a relative concept.'

81 de Werra, above, n 24, 157. On trade secret licensing see eg J Hull, 'The Licensing of Trade Secrets and Know-how' in J de Werra (ed), *Research Handbook on Intellectual Property Licensing* (Edward Elgar 2013) 155 ff.

definition, following TRIPS, is clear in that regard, allowing licensing.<sup>82</sup>

Pires de Carvalho<sup>83</sup> claims that ‘secrecy remains until the last competitor (or the last person within the circle that normally deals with that information) obtains the desired information’, so that if only one out of ten companies is unaware of a certain piece of information, that information is still secret.<sup>84</sup> On the other hand, Meitinger<sup>85</sup> believes that there is a quota above which the information belongs to the public domain and is not protected. In fact, from the wording of the law it seems to result that above a certain threshold, the information will be generally known, even if not easily accessible. This can also mean that there is a limited number of licensees a trade secret can have before it becomes generally known.<sup>86</sup>

The requirement of secrecy, in theory, precludes overlapping protection by means of registered rights.<sup>87</sup> Secrecy should be seen as the reversal of the novelty requirement in patent law.<sup>88</sup> A company might obtain trade secret protection if the court is not aware of some obscure publication.<sup>89</sup> However, it is submitted that if the defendant in a trade secret case is able to prove that a novelty-destroying disclosure had taken place, then no trade secret subsists.<sup>90</sup>

Likewise, a forgotten invention can enjoy protection as long as it is not proven that it was already known.<sup>91</sup> Secrecy, however, does not preclude cumulation with copyright and neighbouring rights.<sup>92</sup> In some countries, such as Portugal, it is understood that unfair competi-

tion (including trade secrets) is subsidiary to IP protection, and thus the overlap is solved.<sup>93</sup>

The trade secret must be valuable due to its secrecy and not generally known in the field in question.<sup>94</sup> In any case, there is unanimity: trade secret protection encompasses non-patentable subject matter as well as information that does not meet the criteria of patentability.<sup>95</sup> In case someone patents someone else’s trade secret, obtained by independent discovery, the only thing that the trade-secret holder might be left with are prior user rights, as long as the law establishes them.<sup>96</sup> A different and more difficult question is whether someone who has reverse-engineered a trade secret qualifies as an inventor and is therefore entitled to a patent.

### How valuable?

Generally it is said that ‘[i]nformation derives independent economic value from not being generally known when its secrecy provides a business with a “substantial business advantage”’.<sup>97</sup> Thus, there are two conditions: the commercial value and the fact that such value derives from secrecy.<sup>98</sup>

Pires de Carvalho<sup>99</sup> submits that potential value suffices, whereas Carlos Correa<sup>100</sup> believes it must be actual. I think that requiring only potential value is the same as not requiring any value at all; so I side with the Correa.

One can wonder how to assess the value of a trade secret and how demanding the requirement is. One option is to measure the investment put into the creation

82 Meitinger, above, n 23,115.

83 Pires de Carvalho, above, n 16, 233.

84 de Werra, above, n 24, 157 shares the opinion.

85 Meitinger, above, n 23, 115.

86 Dessemontet, above, n 56, 284, seems to agree.

87 Of course, there are secret patents. On these, see TH O’dell *Inventions and Official Secrecy: A History of Secret Patents in the United Kingdom* (OUP Oxford 1995). E Derclaye and M Leistner, *Intellectual Property Overlaps—A European Perspective* (Hart Oxford 2011) 22, point out that in the case of software there might be some overlap as well and propose the publication of source code in patent application in order to avoid it (at 316). On the notion of overlaps, see N Sousa e Silva, *The Ownership Problems of Overlaps in European Intellectual Property* (Nomos Baden-Baden 2014) 17 ff.

88 Dessemontet, above, n 56 (‘the secrecy is the equivalent of the novelty requirement under patent law’). It does not seem correct to distinguish absolute novelty from relative secrecy as Myers, above, n 12, 363 does. In fact, absolute novelty is not destroyed if relative secrecy exists. As long as there has not been a public and enabling disclosure of the invention, it remains valid. Further to that one might need to consider grace-periods, namely the one relating to violation of secrecy pursuant to European Patent Convention (EPC), Art 55(1)(a).

89 This might be a clever strategy to avoid patenting of secretly protected information.

90 Discussing the posting of trade secrets on the internet, see VA Cundiff ‘Reasonable Measure to Protect Trade Secrets in a Digital Environment’ (2009) 49 *IDEA* 359, 395 ff. According to the author, ‘[US] courts are increasingly taking the view that posting a trade secret on the Internet

does not necessarily destroy the information’s status as a trade secret if it is removed before a significant portion of the relevant public has had the opportunity to access it . . .’.

91 With a similar example, see Surblyte, above, n 32, 62.

92 Myers, above, n 12, 361 and Westermann, above, n 43, 41.

93 A Kur ‘What to Protect, and How? Unfair Competition, Intellectual Property, or Protection Sui Generis’, Max Planck Institute for Intellectual Property & Competition Law Research Paper No 13-12 (2013) 5. Available at <http://ssrn.com/abstract=2268585> (accessed 29 March 2014) and O Ascensão, *Concorrência Desleal* (Almedina Coimbra 2002) 109 ff. For more details on overlaps see above fn 87.

94 Myers, above n 12, 364.

95 On the relationship between patents and trade secrets see eg Bently, above, n 6.

96 In Germany, these are found in the Patent Act, s 12 (see R Kraßer *Patentrecht* (6th edn CH Beck München 2009) 819 ff). The Agreement on a Unified Patent Court, Art 28 deems national laws on prior user rights applicable to the European Patent with a unitary effect. On the discussion in the USA, see J R Barney ‘The Prior User Defense: A Reprieve for Trade Secret Owners or a Disaster for the Patent Law?’ (2000) 82 *J Patent & Trademark Office Society* 82 206.

97 *Morlife, Inc v Perry*, 56 Cal App 4th 1514, 1522, 66 Cal Rptr 2d 731 (1st Dis 1997).

98 de Werra, above, n 24, 158.

99 Pires de Carvalho, above, n 16, 233. Also de Werra, above, n 24, 158.

100 Correa, above, n 20, 373. Also Sandeen, above, n 16, 556.

and gathering of the trade secret.<sup>101</sup> Another option relies on a fictitious market demand.<sup>102</sup> It is interesting to note the six factors commonly used by Illinois courts (based on s 757 of the Restatement (First) of Torts) to help determine the existence of a trade secrets:

- (1) the extent to which the information is known outside of the plaintiff's business;
- (2) the extent to which the information is known by employees and others involved in the plaintiff's business;
- (3) the extent of measures taken by the plaintiff to guard the secrecy of the information;
- (4) the value of the information to the plaintiff's business and to its competitors;
- (5) the amount of time, effort and money expended by the plaintiff in developing the information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.<sup>103</sup>

These factors are not understood as cumulative requirements but as important considerations to assess whether the information is secret, valuable and subject to reasonable steps to keep its secrecy.<sup>104</sup> This holistic consideration can help establish the value of a trade secret.

The question of value will be more important in the framework of subsistence if the prevailing understanding is that substantial value is required. However, the text of the Proposal provides no hint in that direction. Indeed, the requirement of value seems to be a *de minimis* requirement.<sup>105</sup> It will be enough to demonstrate that the information has a minimum value resulting from secrecy, giving the holder a competitive advantage.<sup>106</sup> Thus, the mere fact that someone is trying to enforce the trade secret is generally considered enough (*prima facie* evidence) to show the value of trade

secrecy.<sup>107</sup> A different challenge is the calculus of damages, mainly when secrecy has been undermined.<sup>108</sup>

François Dessemontet<sup>109</sup> writes that 'the economic value of information... is dictated by its scarcity'. In fact, the economic value of information is directly proportional to the utility it represents to the one wishing to acquire it and inversely proportional to the difficulty there might be in accessing it.<sup>110</sup> That's why, as shown earlier, there is no trade secret protection for information that has become commonplace in the field, or for the normal skills gained by employees.<sup>111</sup>

Nonetheless, it does not matter if the information retains some value and usefulness to the holder after it has lost its secrecy. As put by the US Supreme Court in 1984:

That the data retain usefulness for Monsanto even after they are disclosed - for example, as bases from which to develop new products or refine old products, as marketing and advertising tools, or as information necessary to obtain registration in foreign countries - is irrelevant (...) The economic value (...) lies in the competitive advantage over others that Monsanto enjoys by virtue of its exclusive access to the data, and disclosure or use by others of the data would destroy that competitive edge.<sup>112</sup>

## How protected?

In order to enjoy trade secret protection, the information must be subject to reasonable steps to keep it secret.<sup>113</sup> According to Jacques de Werra,<sup>114</sup> this requirement establishes an objective standard, a test of proportionality which is dependent on the type of information at issue.<sup>115</sup> It is evident that:

If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.<sup>116</sup>

101 Similarly to what is done in the field of the database *sui generis* right, on which see M Leistner 'The Protection of Databases' in E Derclaye, *Research Handbook on the Future of EU Copyright* (Edward Elgar Cheltenham 2009) 427.

102 On the valuation of trade secrets, see R M Halligan and R F Weyand 'The Economic Valuation of Trade Secret Assets' in W Anson and D Suchy, *Fundamentals of Intellectual Property Valuation: A Primer for Identifying and Determining Value* (American Bar Association Chicago 2005) 84, defending future cash flow as the good measurement.

103 *Learning Curve Toys Incorporated v Playwood Toys Incorporated*, 342 F 3d 714 (7th Cir 2003) para 38.

104 *Ibid*, para 39.

105 After analysing (by means of statistics) US federal case law, D Almeling et al 'A Statistical Analysis of Trade Secret Litigation in Federal Courts' (2010) 45 *Gonzaga Law Review* 291, 319, conclude: 'The cases suggest that courts often presume value and do not discuss it at all. The data show that in cases when courts discuss it, courts impose a low threshold for value.'

106 Dessemontet, above, n 56, 281 '... the commercial value requirement is but a threshold, below which no protection is granted. Thus, there is no need to define precisely which value is required...'. See also Segade,

above, n 69, 116 ('It can be something simple and of little intrinsic value...').

107 Aplin et al, above, n 46, 803.

108 The Proposal, above, n 14, Art 13, uses the same methods (and wording) found in Directive 2004/48 of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L115, Art 13.

109 Dessemontet, above, n 56, 281.

110 Sousa e Silva, above, n 42, 17.

111 Proposal, above, n 14, recital 8.

112 *Ruckelshaus v Monsanto Co*, 467 US 986 (1984).

113 '... actual efforts which are rigorous enough to force another to use improper, unethical or illegal means to discover the trade secret' (D Slaby, J Chapman and G O'Hara 'Trade Secret Protection: An Analysis of the Concept Efforts Reasonable Under the Circumstances to Maintain Secrecy' (1989) 5 *Santa Clara Computer & High Tech LJ* 321, 325). See also Meitinger, above, n 23, 116.

114 de Werra, above, n 24, 159.

115 Also Pires de Carvalho, above, n 16, 237.

116 *Ruckelshaus v Monsanto Co*, 467 US 986 (1984).



The requirement of reasonable steps is, first of all, a proof of the claimant's wish to keep the secret.<sup>117</sup> However, wishing is not sufficient; the protection must be actual and effective.<sup>118</sup> On the other hand, 'the law does not require the trade secret owner to build an impenetrable fortress around the secret'.<sup>119</sup> It is debatable how stringent this requirement should be, and conceptually this is the most challenging of all requirements.<sup>120</sup>

Reviewing the justifications and broader meaning of this requirement, Robert Bone points out that the evidentiary and notice benefits are paramount; however, neither of the two justifies the requirement in all cases.<sup>121</sup> Mark Lemley,<sup>122</sup> doubting whether the requirement makes sense as a separate inquiry, points out that it 'seems to stem from traditional tort notions of contributory negligence, under which plaintiffs were barred from relief if they themselves contributed to the tort'.

It is reasonable to require a minimum standard of care for one's own secret, distributing the burden of private and public enforcement.<sup>123</sup> A company cannot be required to incur higher costs for the measures taken to protect the trade secret than the competitive advantage it brings.<sup>124</sup> The use of the word 'reasonable' points to the idea of proportionality, meaning that all factors should be taken into consideration:<sup>125</sup> the size of the company, the importance of the information, its prior experience (ie whether there have been past instances of trade secret misappropriation), the field of business and its normal practices, the number and kind of employees, the marking of documents, the use of passwords, and so on.<sup>126</sup>

David Almeling et al advise:

Given the uncertainty surrounding what constitutes reasonable measures, the time-tested advice is to implement as many protective measures as reasonably possible. This

advice remains true, but the data show that particular measures deserve special attention. The most important measures are agreements with employees and third parties.<sup>127</sup>

At the same time, it must be noted that not all information a company deals with can constitute a trade secret,<sup>128</sup> and the requirement of reasonable steps has an important 'filtering' function.

## Additional requirements?

In its definition of know-how, the TTBER requires it to be identifiable, although in loose terms.<sup>129</sup> This can be explained by the need to control the licensing agreements.<sup>130</sup>

Commenting on Article 39 TRIPS, Daniel Gervais highlights that '[i]n cases where the information may not be identified with precision, the legal obligation has no precise object and cannot be enforced'.<sup>131</sup>

The importance of the definition of trade secret (being identifiable) can be seen in the recent *Vestergaard* judgment by the UK Supreme Court.<sup>132</sup> Lord Neuberger held that the defendant could not be held liable 'given that she did not know (i) the identity of those secrets . . . ' (para 22).

It seems to me that this aspect should rather be considered when assessing the requirement of reasonable steps, and that there is no need for autonomy. Further, it is not necessary to record the trade secret in some tangible medium. It can be orally disclosed and enjoy full protection. In fact, that procedure might be a way of preserving secrecy.

Some US courts still require that the trade secret be 'continuously used in the course of business'.<sup>133</sup> An equivalent requirement cannot be defended in light of the proposed definition. In fact, trade secret is not limited to information with practical relevance and can include the date of the

117 Dessemont, above, n 56, 284; Ann, above, n 33, 42; and Segade, above, n 69, 45 distinguishing between fortuitous and voluntary secrets.

118 Slaby et al, above, n 113, 327.

119 Cundiff, above, n 90, 359.

120 Discussing the requirement in detail, see RG Bone 'Trade Secrecy, Innovation and the Requirement of Reasonable Secrecy Precautions' in Dreyfuss and Strandburg, above, n 1, 46.

121 Ibid, 59. He later concludes that the requirement has no valid justification.

122 M Lemley 'The Surprising Virtues of Treating Trade Secrets as IP Rights' in Dreyfuss and Strandburg, above, n 1, 109, 136.

123 Sousa e Silva, above, n 42, 4 and Meitinger, above, n 23, 116 (' . . . since there is no absolute right, the law can only protect secrets that are also protected by their proprietor'). See also Proposal, above, n 14, recital 13.

124 W Landes and R Posner *The Economic Structure of Intellectual Property Law* (Harvard University Press Cambridge, MA 2003) 369 ('We want [the trade secret holder] to take some precautions, but not too many').

125 That is why, in the USA, this determination is considered to be a question of fact (see *Rockwell Graphic Sys, Inc v DEV Indus, Inc*, 925 F2d 174, 176–77 (7th Cir 1991)).

126 RM Halligan and RF Weyand 'The Economic Valuation of Trade Secret Assets' (2006) *J Internet L* 19, 21. Providing useful and practical suggestion, see Snyder and Almeling, above, n 6, 35–81 and Cundiff, above, n 90, 364–377.

127 Almeling, above, n 105, 322.

128 Halligan and Weyand, above, n 126, 19, 21.

129 Guidelines on the application of Article 81(3) of the Treaty, OJ C 101/08 (2004), para 47: ' . . . the licensor's employees may possess secret and substantial knowledge about a certain production process which is passed on to the licensee in the form of training of the licensee's employees. In such cases it is sufficient to describe in the agreement the general nature of the know-how and to list the employees that will be or have been involved in passing it on to the licensee.' This is kept in the draft for the new guidelines, available at [http://ec.europa.eu/competition/consultations/2013\\_technology\\_transfer/guidelines\\_en.pdf](http://ec.europa.eu/competition/consultations/2013_technology_transfer/guidelines_en.pdf) (accessed 4 April 2014).

130 Sousa e Silva, above, n 42, 11.

131 D Gervais *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell London 1998) 185.

132 *Vestergaard* [2013] UKSC 31.

133 See Nicolica, above, n 49, 18, 25 ff (with a thorough analysis of its effects).

launching of a product, negative know-how, ie the most common mistakes, as well as information that, albeit important and valuable, has not yet been put to use.<sup>134</sup>

Considering the directive's objective of 'establishing a homogenous definition of a trade secret',<sup>135</sup> it will not be possible for Member States to limit the definition by establishing new requirements.

### **Broad meanings and balance**

Unlike some traditional intellectual property rights, there is no 'classical' framework to ascertain if a certain reality enjoys protection under trade secret law. The concept contained in the directive has the same undefined charac-

ter as the one in the TRIPS Agreement. There seems to be little determined ground, and most questions will have to be solved by the courts. In this regard, Europe may draw a lot from the US experience. An additional hurdle to this will be the fact-specificity of trade secret cases. The broad meaning of 'trade secret' in the proposed directive may lead to the conclusion that, in a certain sense, 'anything worth misappropriating, is worth protecting', although specific circumstances may dictate otherwise.

The balancing of the system appears to be done mainly by means of exceptions/defences and much less by exclusion from protection.<sup>136</sup> It remains to be seen how courts will address the difficult question: what exactly is a trade secret?

134 Snyder and Almeling, above, n 6, 10.

135 Proposal, above, n 14, recital 8.

136 However, in the USA, Almeling et al, above, n 105, 324–326, show how infrequently courts grant defences. It is also relevant to note that the

proposal does not regulate the relationship between defences and contract law.