DATA AND TRADE SECRET LAW

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AGENDA:

KEY SYSTEMIC ASPECTS OF THE TRADE SECRET (TS) REGIME

1. LEGAL FRAMEWORK

2. CONTRACTUAL SYSTEM

3. ANALYSIS OF IMPLICATIONS

1. LEGAL FRAMEWORK:

- DOMESTIC LAWS
- INTERNATIONAL

FOR PROTECTION AS TS, DATA MUST COMPLY WITH CONDITIONS

TRIPs, Art. 39, 2: undisclosed information (UI) must:

   a) *be "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) *have **commercial value** because it is secret; and*

   c) *have been subject to **reasonable steps** under the circumstances (...) to keep it secret".*

COMPILATIONS OF DATA THAT MIGHT CONTAIN UI:

- Scientific, industrial, technical, commercial notes
- Internal manuals, forms
- Processes, workflows
- Lists of suppliers, prices,
- Ideas, projects, strategies, systems
- Marketplace analytics
- Financial methods, plans

HOW DOES DATA FIT INTO THE EXISTING TRADE SECRET (TS) PROVISIONS?

The TS regime:

- protects the contents, configuration and assembly of information, not only its expression,

- against unfair competition,

- but it does not grant an exclusive right (like a patent);

- can be invoked to enforce the breach of legal provisions or contractual obligations,

- with civil and/or criminal and/or labor law penalties.

ENFORCEMENT OF DATA PROTECTED BY TS

TRIPS, 39. 2: person in control can prevent acts made by others

- *"without the owner´s consent,*
- *in a manner contrary to honest commercial practices",*

<u>such as:</u>

- disclosure, acquisition, use,
- partial or total reproduction, copy
- distribution,
- even reorganization, adaptation.

2. CONTRACTUAL SYSTEM

DATA TRANSFER IN A CONNECTED WORLD:

CONTRACTUAL AGREEMENTS **WITH NDAs**

ARE WITHIN TRIPs´ REQUIREMENTS

OF "*REASONABLE STEPS*" to keep them secret.

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EXAMPLES OF CONTRACTS WITH DATA TRASFER, SAFEGUARDED WITH NDAs

– Involving R&D

– Franchising

– Know-how licensing

– During M&A

– Involving financial and commercial data

– Covering strategic matters

– Labor contracts, outsourcing

– Manufacturing, distribution, business representation.

Contracts can provide relevant legal and practical effects:

LEGAL

- contractual liability,
- diligence:

TRIPS, 39.2, Note 10 - "in a manner contrary to honest commercial practices" means "at least practices such as **breach of contract**, **breach of confidence**, *(...) acquisition by third parties who knew or were grossly negligent in failing to know that such practices were involved in the acquisition".*

PRACTICAL

- **rapidity**, for the dynamics of everyday business;
- **flexibility**, for the many variables (meeting the specific needs of different industries, products, processes, services);
- **adaptation to business lifecycle**, at negotiation, agreement and termination stages.

BUT CONTRACTUAL DATA PRIVACY HAS **LIMITS**

- *The object of contracts with NDAs is to allow privacy to privileged information and to datasets with economic value,*

- *following best practices of the market;*

- *contracts cannot abuse against free flow of data;*

- *their enforcement cannot restrict competition*

3. ANALYSIS OF IMPLICATIONS

IMPACTS OF TECHNOLOGY, DIGITALIZATION, SIMPLIFICATION OF DATA TRANSFER

Positive Implications

- Change the methods of TS protection, in view of constant threats of intrusion & more risks:
- Data became easier to be accessed, used, collected, modified and deleted;
- More precise contracts, drawing extension of ownership, the licensed rights, the line between use & improvements.
- Efforts to distinguish protection of TS from personal or consumer data.

WITH A VIEW TO THE FUTURE

- **The efforts and investment of the owner in compiling data and assuring integrity of privileged information should be protected,**

- **because such efforts foster economy, jobs, startups, businesses.**

- **The current system is not necessarily relying more on TS: often, innovations are turned public by innovators who cannot use them.**
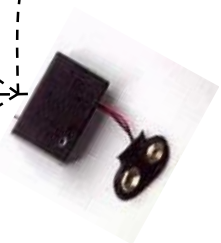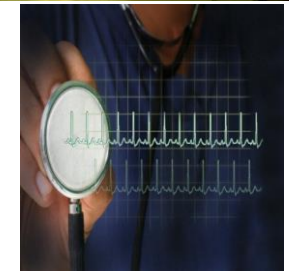
To avoid harming the IP system

- **Despite the speed and quantity of inventions and creations, IP is not becoming obsolete.**

- **IP is one of the key elements of the innovation ecosystem.**

- **New Technologies such as Blockchain, NFTs and their IP related aspects are an example of how IP system remains of paramount importance for innovation.**

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Suggested improvements to strike the right balance

- Predefined types of royalty-free licenses (similar to CC for copyrights);

- Creation of integrated systems/models that allow fast-track communication between the owner of the data and those interested in obtaining/using them.

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THANK YOU

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