

# THE MAIN THREAT TO ANY ORGANISATION'S TRADE SECRETS

John Hull

ITS EMPLOYEES



# WHEN YOUR EMPLOYEES LEAVE SO DOES YOUR DATA

## [Iron Mountain “Taking Data Home” 2010]

- 51% of European workers who changed jobs took information with them – in breach of employment contracts and (possibly) DP laws
- 66% said they did so “..because they had been involved in its creation”
- 72% said “..it might be useful in their new role”

It is not just customer data at risk:

- employees who take information are also removing presentations (46 per cent),
  - company proposals (21 per cent),
  - strategic plans (18 per cent) and
  - product/service roadmaps (8 per cent)
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- *“Over a third of all respondents (37 per cent) believed that there would be an expectation to bring confidential insight into a role if the new employer were a competitor. – The “Dowry” Expectation.*

*[Mischons “Recover” Report 2019]*

## BUT PUBLIC POLICY HAS A SIGNIFICANT ROLE TO PLAY

- *“An employer...is entitled...to restrain unauthorised disclosure or use of information which is...confidential. On the other hand, for public policy reasons, an employee is entitled to use and put at the disposal of new employers all his acquired skill and knowledge. That is so, no matter where he acquired that skill and knowledge and whether it is a secret or was so at the time he acquired it. Where the employer’s right to restrain misuse of his confidential information collides with public policy, it is the latter which prevails”.*

*(Laddie J. in Ocular Sciences v Aspect Vision Care [1996] EWHC Pat 1)*

# THE DIRECTIVE AND EMPLOYEE SKILL AND EXPERIENCE

- The Directive does not affect [Directive Art 3]
  - Employee mobility
  - Employee's use of information which is not a Trade Secret
  - Use by employees' of **“experience and skills honestly acquired in the normal course of their employment.”**
- **BUT** – this is the main area of trade secret misappropriation
- The difference between an employer's “Trade Secret” and an employee's “know how” or “experience and skills honestly acquired” remains a significant problem
- How do national systems of employment law (relating, for example, to post-termination covenants) apply to the new law?

# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

## THE PROBLEM

- UK courts insist on a high degree of particularity in employee breach of confidence cases to prevent them becoming “instruments of oppression”.
- Otherwise, injunctions against ex employees might create “...a new form of industrial slavery..”
- BUT – in many cases the employer will not know precisely what the ex employee has taken
- AND – in many cases where industrial processes are concerned, it is very difficult to define what is confidential about the process
- WHICH MEANS – many cases have to put forward ill defined claims thus providing ex employees with an opportunity to have the case struck out (dismissed) because it lacks proper definition.

# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

SOME WAYS OF ATTEMPTING TO DEFINE THE BOUNDARY BETWEEN A TRADE  
SECRET AND EMPLOYEE KNOW HOW

“Objective” v “Subjective” knowledge

*“Trade secrets, the names of customers, all such things which in sound philosophical language are denominated objective knowledge – these may not be given away by a servant [ie employee]..on the other hand, a man’s aptitudes, his skill, his dexterity, his manual or mental ability – all those things which in sound philosophical language are not objective – they may and ought not to be relinquished by a servant; they are not his master’s property; they are his own property; they are himself.”*

# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

## THE “HONESTY” TEST:

*“if the information in question can be fairly regarded as a separate part of the employee’s stock of knowledge which a man of ordinary honesty and intelligence would recognise to be the property of his old employer, and not his own to do as he likes with, then the Court will do what it can to prevent that result by granting an injunction”.*

# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

## THE “HARM” TEST

*“...a trade secret is information which, if disclosed to a competitor, would be liable to cause real (or significant) harm to the owner of the secret.”*



# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

NO ONE TEST WILL DO – IT HAS TO BE MEASURED BY A NUMBER OF FACTORS

- **The nature of the work undertaken by the employee** – employment in a capacity where confidential material is habitually handled may impose a higher degree of confidentiality
  - **Nature of the information itself** – secret formulae and secret manufacturing processes, experimental results particularly for products under development
- **Attitude of the employer** – if the employer has indicated to the employee that the information has to be kept secret

# DEFINING THE INDEFINABLE – WHAT’S THE DIFFERENCE BETWEEN “TRADE SECRETS” AND EMPLOYEE “KNOW HOW”

- Steps taken to protect the secret – eg use of NDAs
- Separability of the information – the level of detail separating it from the employee’s stock of knowledge
  - Commercial value of the information
    - Use and practices of the trade

# THE DIRECTIVE IDENTIFIES BUT DOES NOT SOLVE THE PROBLEM

- The vast majority of trade secret misappropriation cases involve employees
- The Directive identifies the distinction – employer’s trade secrets (IP) v. employee’s skill and experience (employment/labour law)
  - Tested at national level in a specialist IP or employment court?
  - At the early (injunction) stage – on documentary evidence alone?
- Or at final trial (merits) hearing with live evidence and cross-examination?
  - Expert evidence?
- Contracts of employment and post term covenants are subject to national law.
- Some EU countries may have criminal laws relating to employees and trade secrets.