



Geneva, 25 November 2019

# WIPO SYMPOSIUM ON TRADE SECRETS AND INNOVATION

## Topic II Trade Secrets Systems in Innovation, IP Policies and Development

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EUROPEAN COMMISSION  
DG for Internal Market, Industry, Entrepreneurship and SMEs  
F3 - Intellectual property and Fight against Counterfeiting

# Trade Secrets and innovation-IP policies

## Large and small businesses:

- use confidentiality as a business & research innovation management tool
- rely on trade secrets for competitiveness
- value trade secrets as much as patents

## Trade Secrets protection:

- is conducive to investments in innovation
- facilitate sharing among partners by enabling recovery should a third party misappropriate
- improves legal certainty of collaborative R&D

## Use of trade secrets in R&D projects [7<sup>th</sup> EU Research Framework Programme - 2015]

- 64% of the projects (185 out of 290) report no patenting activities
- 60% of the projects opted for 'secrecy' as form of protection

## Misappropriation of Trade Secrets is increasing

2012 industry survey: 18% of companies reported theft of information, in 2013 this increased to 25% (2013/2014 Global Fraud Report, Kroll)

2018 Study on cyber-theft of trade secrets: 60 bl Eur losses and potential 1 ml jobs in the EU

# Cooperation in innovation

## Openness requires protection

**Table 8:** Trade secret and patent use by innovating firms by location of cooperation partner, 2010-2012

MOST DISTANT COOPERATION PARTNER LOCATION	INNOVATING FIRMS COOPERATING	APPROPRIABILITY MECHANISM USED	
		TS	PATENT
<b>No cooperation</b>	<b>76.3 %</b>	<b>45.7 %</b>	<b>27.8 %</b>
National	13.4 %	62.0 %	39.7 %
Europe <sup>22</sup>	7.0 %	63.7 %	37.5 %
USA	1.6 %	80.2 %	55.7 %
China/India	1.7 %	83.5 %	62.4 %
Other countries	0.019 %	66.8 %	30.4 %
<b>TOTAL</b>	<b>100.0 %</b>		

Weighted average of BE, BG, CY, EE, DE, FI, HR, HU, IT, LT, LU, LV, PT, RO, SE, SI and SK

European Observatory on Infringements of IPRs  
Protecting Innovation Through Trade Secrets and Patents - 2017

- Market novelty and innovation in goods are associated with patents while **process innovations** and innovations in **services** are more often protected by trade secret
- The more distant the cooperating partner, the **higher is the use** of both trade secrets and patent
- Cooperation with other firms on innovation significantly **increases** the propensity to use trade secrets

# Trade Secrets complement IPRs

- Studies show that an extensive field of information, knowledge and innovation outputs **cannot be captured** by patents, copyright and IPRs
- In some areas patents and trade secrets are **used in a combined fashion** and trade secrets are often used in areas where patent protection does not reach
- The combined use of trade secrets and other intellectual property rights creates synergies which are attractive to **intellectual property assets management**
- **Business research** is normally conducted in secrecy in order to safeguard the patentability of future outputs (pre-patent phase)
- In practice, all intellectual property rights (trademarks, copyrights, patents, designs, etc.) **start as a trade secret**

# The EU Trade Secrets Directive and other public policies (I)

- **Freedom of expression and information:** media freedom and pluralism, as reflected in Article 11 of the Charter of Fundamental Rights of the European Union ('the Charter'), are not restricted, in particular with regard to investigative journalism and the protection of journalistic sources.
- **Public interest/transparency:** The directive does not alter the current legal obligations on companies to divulge information for public policy objectives. Companies are subject to legal obligations to disclose information of public interest. Such regulations, which ensure a high level of transparency, are not affected. The directive does not provide any grounds for companies to hide information that they are obliged to submit to regulatory authorities or to the public at large.
- **Justice ('Whistleblowing'):** disclosure of trade secrets in order to reveal misconduct, wrongdoing or illegal activity, provided that the person acted for the purpose of protecting the general public interest.
- **Freedom of employment/mobility:** the directive shall not offer any ground for restricting the mobility of employees, e.g. limiting employees' use of information which does not constitute trade secret, limiting use of experience and skills honestly acquired in the normal course of their employment.
- **Competition:** (a) does not create any exclusive (IP) right to know-how or information protected as trade secrets; (b) independent discovery remains possible; (c) reverse engineering of a lawfully acquired product is lawful means of acquiring information, except when otherwise contractually agreed.
- **Trade unions and collective agreements:** disclosure by workers to their representatives that is necessary for the exercise of their functions. The directive does not affect the autonomy of social partners and their right to enter into collective agreements.

# Strategies and policy actions to raise awareness of SMEs

# International IPR SME Helpdesk

Free business tools to manage your Intellectual Property Rights



**China**  
IPR SME Helpdesk



**Latin America**  
IPR SME Helpdesk



**South-East Asia**  
IPR SME Helpdesk




**TRAINING**  
Sign up for our events and webinars!

The IPR SME Helpdesk supports European Union (EU) small and medium sized enterprises (SMEs) to both protect and enforce their Intellectual Property (IP) rights in or relating to China, Latin America, Southeast Asia through the provision of free information and services. These take the form of jargon-free, first-line, confidential advice on intellectual property and related issues, plus training, materials and online resources.

Click on the regions above to learn all about IPR or ask as a question.

## Events Calendar

LA	Barcelona, Spain - Smart City Brokerage Event 2019 Tue, 2019-11-19 09:00
China	Smart City Expo World Congress Tue, 2019-11-19 09:00
SEA	Smart City Congress Tue, 2019-11-19 10:00
SEA	Q&A Delegation to Vietnam Tue, 2019-11-19 11:00
China	Meeting with EU Delegation Wed, 2019-11-20 10:00
China	Meeting with Slovenian Embassy in Beijing Wed, 2019-11-20 10:00
China	BE @SM2019 - Brokerage Event @Smart Manufacturing Matchmaking 2019 Wed, 2019-11-20 10:00




European  
IP Helpdesk

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# Trade secrets: An efficient tool for competitiveness

Library / Fact Sheets

A trade secret is **confidential information** in the context of business, commerce or trade. Trade secrets often constitute valuable resources to many companies whose assets may, for instance, not be patentable but have a great commercial value and therefore need to be protected.

This fact sheet illustrates the **importance of trade secrets for businesses** and provides insight into trade secret protection, which could prove beneficial in particular to Small and Medium-sized Enterprises (SMEs).

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**Upcoming events**

**Webinar: Effective IP and Outreach Strategies Help Increase the Impact of Research and Innovation**  
THURSDAY, 20.11.2019

**Webinar: Entry into the European Phase - Processing Your Application Before the EPO as Designated Office**  
THURSDAY, 21.11.2019

**Intellectual property from the perspective of a venture capitalist**  
THURSDAY, 21.11.2019

[See all events](#)

- Guides
- Factsheets
- Trainings
- Events & Webinars
- E-Learning modules, podcasts
- Confidential Helpline
- IP pre-diagnostic (pilot\*)


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## Your path to IP Valorisation

IPA4SME provides up to 15.000 EUR in co-financing of IP diagnostic and protection actions to eligible SMEs.



### Open call starting

**Starting date: September 27, 2019.**  
**Third cut-off date: December 19, 2019.**

Is your company an SME that has submitted a proposal in the framework of the H2020 SME Instrument that has been awarded with the Seal of Excellence?

You can apply our actions that support and facilitate the use of Intellectual Property by SMEs. You can also contact us if you need further instructions or support.

[Apply](#)
[Contact us](#)

## Additional information and resources

- ❖ European Commission's impact assessment accompanying the proposal 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 unlawful acquisition, use and disclosure (2013)
- ❖ 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
- ❖ Protecting innovation through trade secrets and patents: determinants for European Union firms (European Observatory on Infringements of IPRs, 2017)
- ❖ The Baseline of Trade Secrets Litigation in the EU Member States (European Observatory on Infringements of IPRs, 2018)
- ❖ The scale and impact of industrial espionage through cyber (PWC for the European Commission DG GROW, 2018)



## Industry

Industrial policy



Innovation



Sustainability and circular economy



## Intellectual property



Patents



Trade mark protection in the EU

Industrial design protection

Geographical indications

Trade secrets



## Trade secrets

**A trade secret is a valuable piece of information for an enterprise that is treated as confidential and that gives that enterprise a competitive advantage.**

Whether through laborious and costly research, decades of experience, or a sudden burst of creativity, companies constantly develop information which can help them to perform better, faster or at lower cost. Such knowledge can include new manufacturing processes, improved recipes, or information on whom to buy from and whom to sell to. Information protected through a trade secret can be strategic for decades (for example, a recipe or a chemical compound), or ephemeral (for example, the results of a marketing study, the name, price and launch date of a new product, or the price offered in a bidding procedure).

Information, knowledge, inventiveness and creativity are the raw materials of the new economy, and trade secrets are important for companies both large or small, in all economic sectors. However, while large companies have the resources to manage a large portfolio of intellectual property rights, such as patents, smaller companies often cannot afford to do this - therefore their reliance on trade secrets is greater.





# Israel's Innovation Ecosystem and the Innovation Authority

**Zafrir Neuman, Advocate  
Chief Legal Counsel  
Israel National Innovation Authority**

# The National Innovation Authority:



- A statutory corporation with government funding.
- Budget: \$500M; 1,500 projects; 670 companies.
- Implementing the Government's policy in R&D and innovation and providing support to the high-tech sector.



# High Tech Influence On The Israeli Economy

9%

OF EMPLOYEES  
WORK IN HIGH TECH

12%

OF GDP

43%

OF TOTAL  
EXPORT



# Israel's Innovation Ecosystem

## Facts & Figures

**~750**

New startup  
companies annually

**\$6.5**

Capital raising annually

More than

**370**

Multinational Corporations







# Global Disruption









Innovation

the key to be on the next wave



# 1: SUPPORTING EVERY SECTOR THROUGHOUT EVERY STAGE

## 2: UNDER “ONE ROOF”

“Future Waves”

40 Programs

Tech transfer  
from academia

Infrastructure

Entrepreneurs  
and Start-Ups

SMEs

Large Companies

Life Sciences

Mobile

Digital Health

Fin-Tech

Cyber

Aeronautics

Semi-conductors

Robotics

AI

Ed-Tech

Food-Tech

Plastics

Medical Equipment

Transportation

Agro-Tech

Machine learning

Big Data

Pharma

Electronics



# 3: International Collaborations



## 4: SUPPORTING THE ECO-SYSTEM, IP AND TRADE SECRETS:

- The financial value of the company: IP+TS
  - Difficulties to define the differences between IP and trade secrets.
  - Should we differentiate between the two?
  - Differences between technological fields.
  - We decided use the term “knowledge”.
  - Knowledge created in the course of the activities supported by us must be owned by the Company.
  - Approvals when transferring Knowledge abroad.
- + Exceptions.



## 5&6: SUPPORTING THE ECO-SYSTEM, IP AND TRADE SECRETS:

- **Regulatory Sandboxes:** temporary approved relaxations of regulatory requirements to provide a “safe space” to test new technologies in a live environment for a limited time).
- **Technological Pilots/Beta sites:** conducted in government facilities and/or with government data/trade secrets.





## 6: Government Promoting Innovation-Beta sites



### Turn Government Facilities into R&D Beta Sites

- ✓ Companies benefit from field testing options.
- ✓ Public infrastructures exposed to high-end innovative solutions
- ✓ Give access to data and trade secrets held by the Government.
- ✓ Government entities adjust regulations to promote innovation

Ministry of  
Health

Ministry of  
Transport

Ministry of  
Environmental  
Protection

National  
Cyber  
Directorate

Ministry of  
Agriculture

Ministry of  
Interior Affairs

Government  
ICT Authority

## STEP 6: Government Promoting Innovation-Beta sites

**Forbes**

26, 2019, 09:36am

# How Israel Turned Decades Of Medical Data Into Digital Health Gold

- ✓ Medical records gathered by health maintenance organization (HMO's) and hospitals since the late 80s.
- ✓ Digital health, pharmaceutical and AI.



# Thank you!

**Zafrir Neuman**

**Chief Legal Counsel**

**Israel National Innovation Authority**

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# **Japan's Efforts on Trade Secrets**

November 25th, 2019  
Intellectual Property Policy Office  
METI, JAPAN

# 1. Overview on “Trade Secret” in Japan

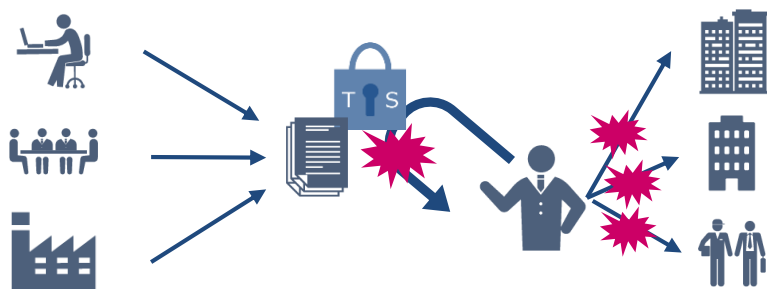
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## 01 What is Trade Secrets?

### Unfair Competition Prevention Act (Article 2)

“Trade secret” means technical or business information **useful for commercial activities** such as manufacturing or marketing methods that **is kept secret** and that **is not publicly known**.

## 02 Infringement



- Acts of acquiring by theft, or other wrongful means, or acts of using or disclosing trade secrets through acts of wrongful acquisition, etc. are regarded as unfair competition

## 03 Remedies

### Civil Remedies

- Injunctions (Article 3)
- Damages (Article 4)
- Presumption of amount of damages (Article 5)
- Order to submit documents to the courts (Article 7)
- Confidentiality protective orders (Article 10)
- Measures to restore business reputation (Article 14)

### Criminal Remedies

- Penal Provisions (Article 21)
  - Imprisonment with work for not more than 10 years or a fine of not more than 20 million yen (30 million yen for the purpose of use outside Japan)
- Corporate penalties (Article 22)
  - A fine of not more than 500 million yen (1 billion yen for the purpose of use outside Japan)
- Confiscation (Article 21-10)



# 2. The revision history of the UCPA on trade secrets

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## Revisions for civil remedies

### Introduction of civil remedies on infringement of trade secrets

- Introducing civil provisions such as Injunctions and damages against acts of unfair competition on trade secret (unlawful acquisition, disclosure and use)

## Revisions for criminal remedies

### Introduction of criminal punishments on infringement of trade secrets

- Introducing criminal punishments against infringement of trade secrets (unlawful acquisition, disclosure and use)

### Expansion of criminal remedies on infringement of trade secrets

- Changing subjective requirement on infringement of trade secrets
- Expanding object for criminal punishment against unlawful acquisition by third parties, etc.

### Protection for trade secrets in criminal proceedings

- Introducing protective rulings for trade secrets and examination of witnesses on days other than trial dates in criminal proceedings

### More effective civil remedies such as infringement goods and presumption provision

- Adding distribution of infringing goods of trade secrets to unfair competition
- Introducing presumption of a person using a technical secret they acquired

### Enhancement of criminal punishments on infringement of trade secrets

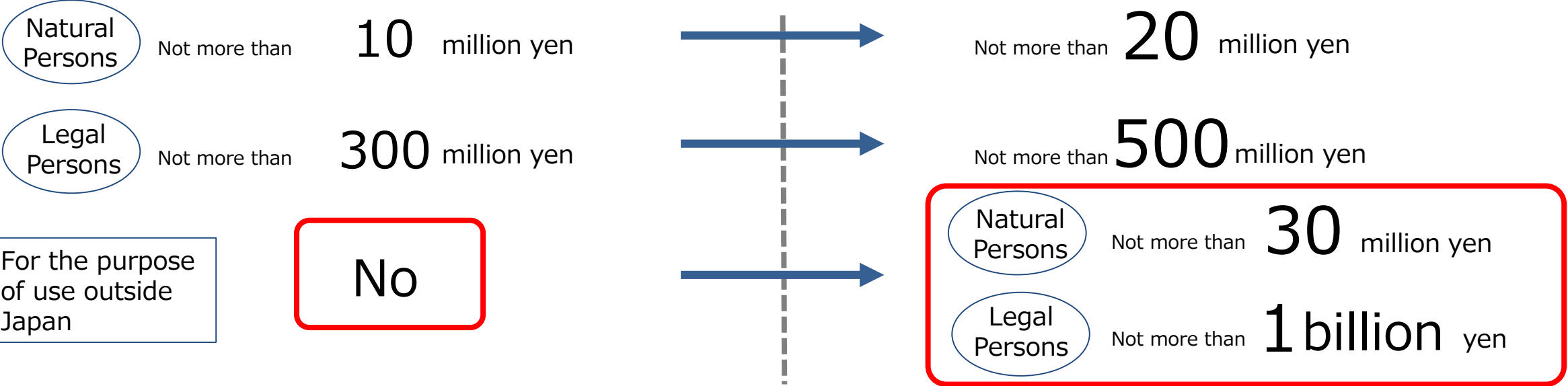
- Improving deterrents by expanding criminal punishments such as raising fines, introducing heavy punishments for offense outside Japan and introducing confiscation
- Attempted infringement is punishable

# 3. The latest revision in 2015 of the UCPA on trade secrets

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## Sanction (Fines)



## Prohibit importation of products created through infringing trade secrets



## Attempted infringement

No



Yes

No



Punishable

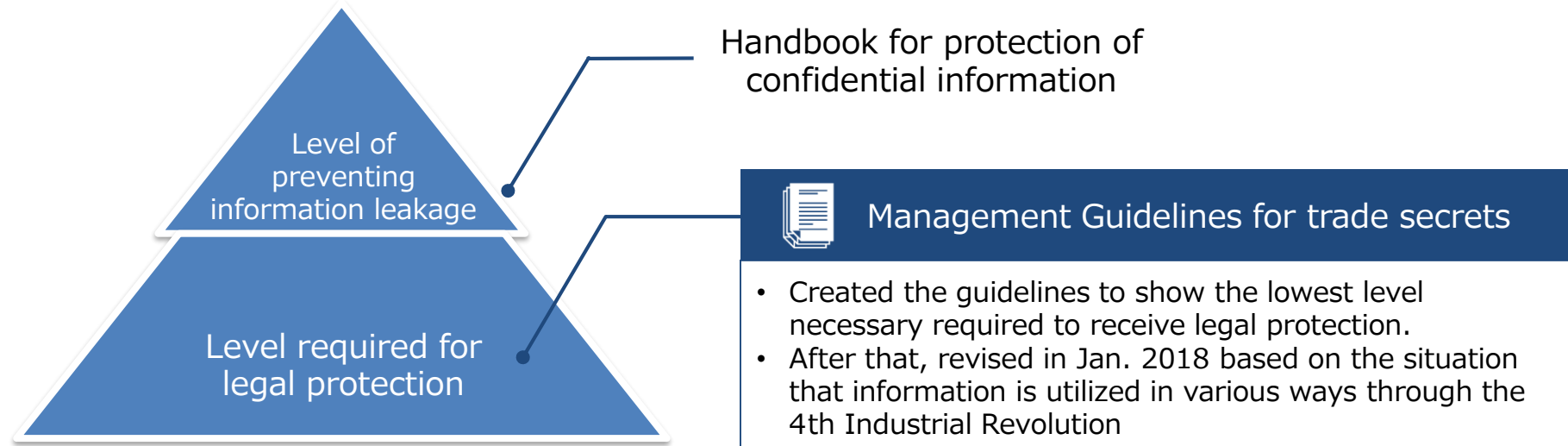
# 4. Activities for raising awareness of trade secrets

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- ◆ When we hold seminars to raise awareness, we use two materials, “Management guidelines for trade secrets” and “Handbook for protection of confidential information”.



## Level of the Guidelines and the Handbook



## Awareness raising efforts



Number of Distributions of the Handbook

Approx. **20,000**



Number of seminars held by METI

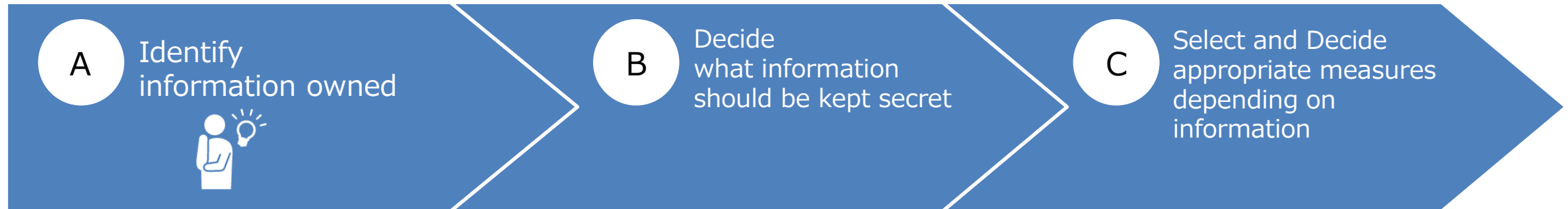
**189**

(From Jul. 2015 to Nov. 2018)

- ◆ The Handbook shows steps for preventing information leakage and examples of measures preventing information leakage so that companies can refer to them.



## Three steps for preventing information leakage

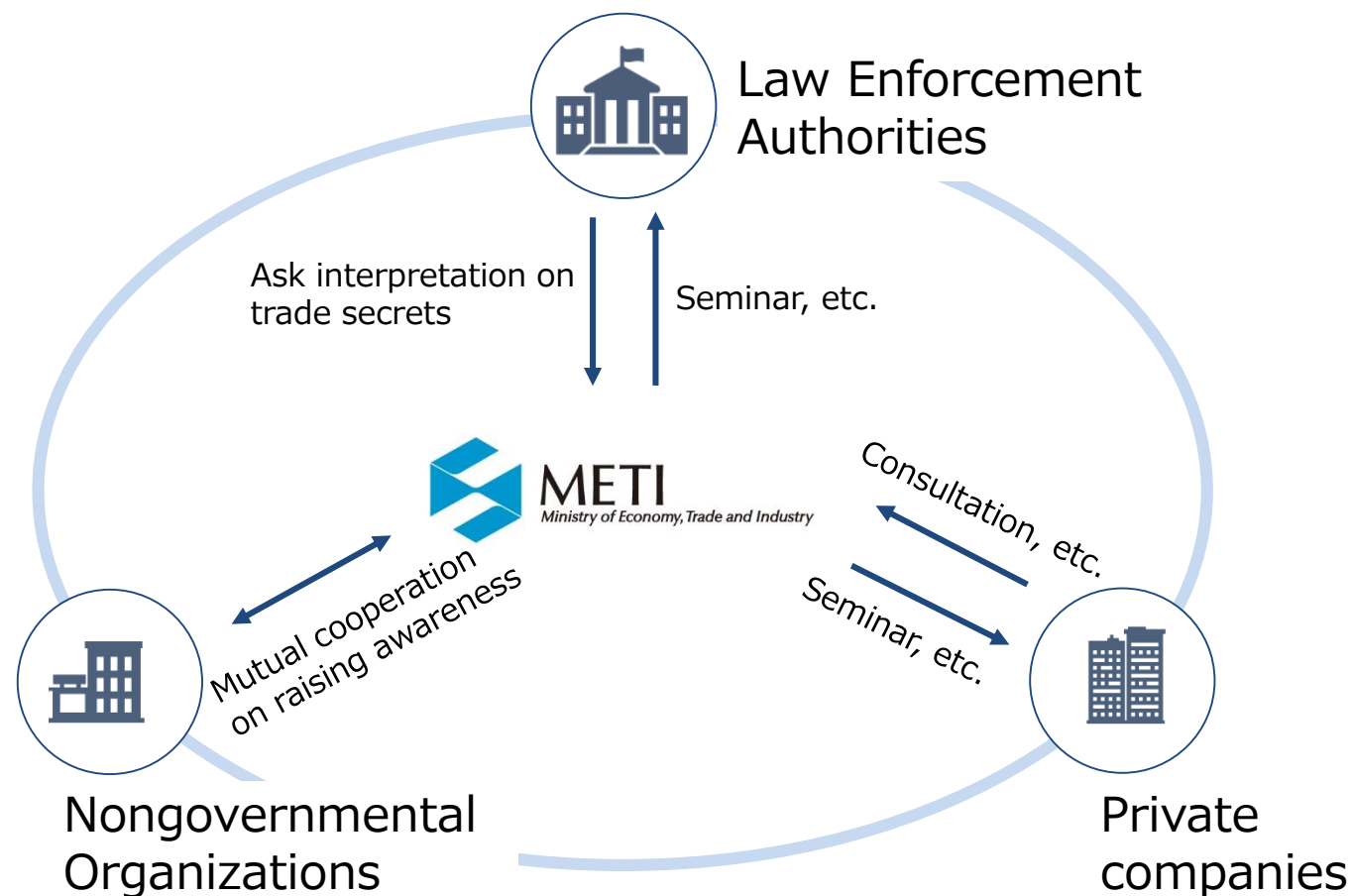


## Examples of measures preventing information leakage

- ◆ Measures for retired persons
  - i. Restricting access to information at the right timing
  - ii. Having retired persons return recording medium or device to the company
  - iii. Signing non-competition obligation contract
  - iv. Paying an appropriate retirement allowance, etc.

# 5. Coordination with other entities

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## Forum on trade secrets held by METI

- ◆ METI holds an annual forum on trade secrets through public-private partnerships.
- ◆ This forum aims to promote to improve measures for preventing information leakage and share current situations on trade secrets issues between participants.

## 6. Three essential points we'd like to mention

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1. Trade secrets is essential to maintain industrial competitiveness of companies.
2. Activities for raising awareness on trade secrets by the governments are necessary in light of promoting companies to integrate trade secrets with their business strategies.
3. Ensuring equivalent level legal protection in every country is important for companies' global activities in this Digital/borderless era.

**T h a n k   y o u   v e r y   m u c h .**

◆ Any questions?

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TEL: +81-3-3501-3752

Webpage: <http://www.meti.go.jp/english/policy/economy/chizai/chiteki/index.html>

# *Protection of Trade Secrets in India..... Status*

Prabuddha Ganguli  
CEO  
"VISION-IPR", Mumbai  
and  
Visiting Professor  
Rajiv Gandhi School of Intellectual Property Law  
Indian Institute of Technology, Kharagpur  
Co-Principal Investigator, National Digital Library of India  
Advisor, Indian Institute of Technology, Jodhpur

WIPO Symposium on Trade Secrets and Innovation  
Geneva , November 25-26 , 2019



# Basket of Applicable Laws to deal with Trade Secrets in India

Trade secrets are not statutorily protected in India

- **The Indian Contract Act, 1872** : most relevant to questions concerning the validity of a trade secrecy agreement
- **The Specific Relief Act, 1963** : enables an aggrieved party of trade secrets violation to seek injunctive relief and damages in the event of a breach of underlying the contractual obligations
- **The Civil Procedure Code, 1863**: governs the determination of a court's jurisdiction to try a civil suit and also provides the procedures for adjudicating upon a suit for interim injunction, perpetual (permanent) injunction and damages

# Basket of Applicable Laws to deal with Trade Secrets in India

## Trade secrets are not statutorily protected in India

- **The Arbitration & Conciliation Act, 1996** : codifies the law and practice concerning arbitration, including an international commercial arbitration involving an Indian party and an overseas party
- **The Information Technology Act, 2000** : The Information Technology (IT) Act protects confidential information when it is protected as a database in an electronic form.
- **The Copyright Act, 1957** : If a trade secret qualifies as a “work” in which copyright can subsist as per Section 13 of the Act, it can be protected under the Copyright Act.
- **The Indian Penal Code, 1860** : None of the provisions of the Indian Penal Code (IPC) recognizes trade secret or confidential information as a subject matter of crime.

However, misappropriation of confidential information may bring the case within the ambit of a “criminal breach of trust.”

Further, provisions on cheating and misappropriation can also be taken as ground for misappropriation or cheating of trade secrets.

# Case Laws Providing a Spectrum of Reliefs in Trade Secret Matters in India

- Civil courts can grant remedies under common law and equity; Anton Pillar Judgements also given.
- Categories
  - i) no contract between both parties and the cause of action is based on a combination of breach of confidence owed under equity and copyright infringement under the Copyright Act, 1957
  - ii) disputes between employers and employees addressing issue of confidential information and assessment of whether negative covenants in a contract are void as a consequence of Section 27 of the Indian Contract Act, 1872
  - iii) injunctive relief is sought against journalists publishing confidential information, despite the journalist receiving the information from other sources who may or may not owe a duty of confidence to the plaintiff. Addresses a key issue of the intersection between the fundamental right to free speech and the equitable duty of confidence.
  - iv) criminal complaints filed under the Indian Penal Code, 1860 and the Information Technology Act, 2000.

# Key Considerations for codification of Trade Secrets

- Is information disclosed in confidence a property of the discloser?
- Is information disclosed in confidence a property of the discloser only if it has commercial value?
- How to balance non-compete clauses in employee contracts so as not to restrict employee mobility and career progression
- Clauses that are in conformity with fundamental rights