

Geneva, 25 November 2019

WIPO SYMPOSIUM ON TRADE
SECRETS AND INNOVATION

Panel III
Regional Frameworks

Moderator: Mr. Mark Schultz, Goodyear Chair in IP Law, & Director of the IP & Technology Law Center, University of Akron School of Law, USA

Panelists:

Ms. Jennifer Blank, Attorney-Advisor, Office of Policy and International Affairs, United States Patent and Trademark Office, Alexandria, United States of America

Mr. Davide Follador, Legal and Policy Officer, Industrial Property and the Fight against Counterfeiting, DG GROW, European Commission, Brussels, Belgium

Mr. Huang Wushuang, Professor of Law, Director of Institute for Intellectual Property, East China University of Political Science and Law (ECUPL), Shanghai, China



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WIPO SYMPOSIUM ON TRADE SECRETS AND INNOVATION

Panel III Regional Frameworks

Davide FOLLADOR

EUROPEAN COMMISSION

DG for Internal Market, Industry, Entrepreneurship and SMEs

F3 - Intellectual property and Fight against Counterfeiting

The EU Trade Secrets Directive

Legislative instrument

- A **directive** shall be binding, as to the **result to be achieved** but shall leave to the national authorities the choice of form and methods.
- In 2016 the the European Parliament and the Council adopted a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.
- The Member States transpose its provisions into national legislation (by 9 June 2018) and they **can choose forms and methods**.
- The Member States can also decide to adopt **more far-reaching protection** against misappropriation of trade secrets, provided that compliance with certain key provisions (listed in article 1) is ensured.

The EU Trade Secrets Directive

Rationale of the 2016 initiative

- Several Member States did not have specific legislation on Trade Secrets, relying on general principles of civil law, and/or jurisprudence
- In some Member States trade secrets were only protected against misappropriation by competitors
- Legal remedies against misappropriation differ across the EU
- Many courts did not have mechanisms to ensure the confidentiality of Trade Secrets during and after litigation.

Figure 4 – The fragmentation of the legal protection (selected measures)
Source of data: Baker & McKenzie (2013).

Selected measures	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Definition of trade secret in civil law legislation																											
Availability of injunctions against third party in good faith																											
Injunctions not limited in time																											
Availability of orders on destruction of TS/resulting goods																											
Calculation of damages based on fair royalty fee																											
Performing rules on preservation of secrecy (civil proceedings)																											
Sufficient criminal legislation																											

N.B. A blank cell means that the measure concerned is not provided for in national legislation

- Incentives to engage in innovative cross-border activity within the internal market are undermined.
- Businesses' competitiveness is reduced, since their trade secrets-based competitive advantages face higher risks and legal uncertainties.

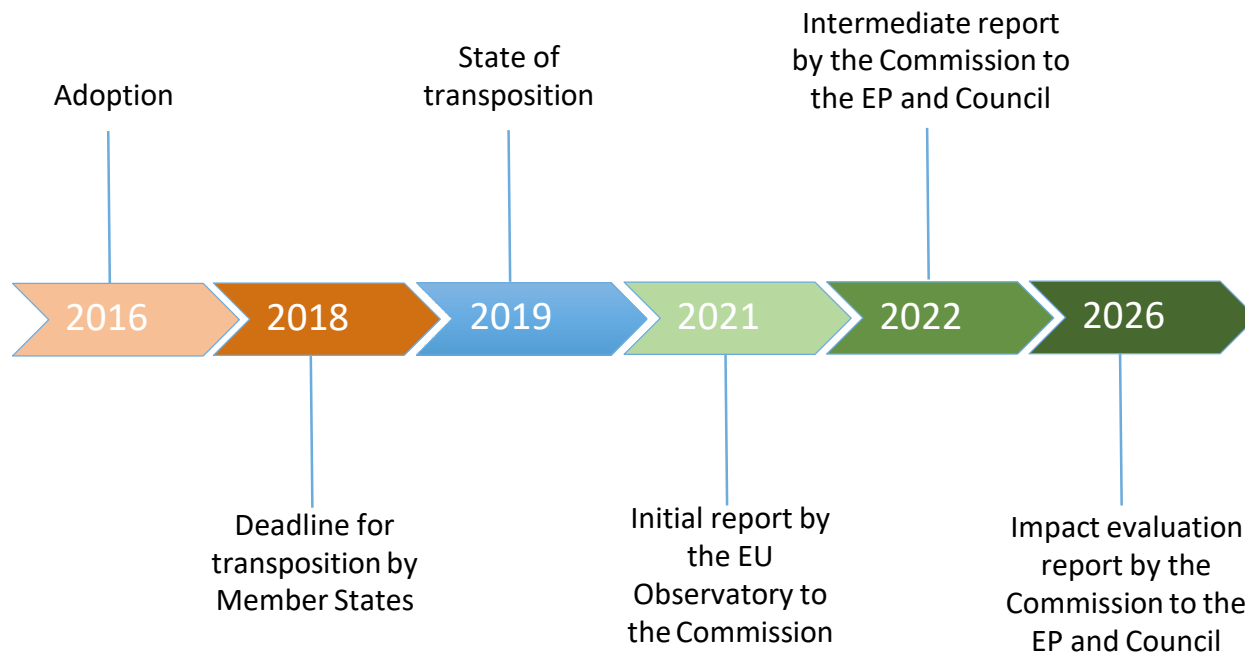
The EU Trade Secrets Directive

Harmonisation scope and objectives

- **Definition** of trade secret, holder, infringer, infringing goods
- **Lawful/unlawful** acquisition, use and disclosure
- **Exceptions:** freedom of expression and information, 'whistleblowing', exercise of workers' rights, legitimate interest by law
- **Civil law remedies**, provisional and precautionary measures, injunctions and corrective measures (no criminal sanctions/enforcement remedies)
- **Limitation period** up to 6 years
- **Preservation of confidentiality** of trade secrets during legal proceedings
- **Damages**
- **Publication** of judicial decisions
- Safeguards against **manifestly unfounded** legal proceedings **in bad faith**

The EU Trade Secrets Directive

State of the art and next steps



The EU Trade Secrets Directive

Definitions

Trade Secret	(a) it 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) it has commercial value because it is secret; (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;
Holder	Any natural or legal person lawfully controlling a trade secret.
Infringer	Any natural or legal person who has unlawfully acquired, used or disclosed a trade secret.
Infringing goods	Goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

The EU Trade Secrets Directive

Lawful acquisition, use and disclosure

No exclusive right	Independent discovery or creation
Reverse engineering	Observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret.
Unions and workers	Exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices.
Honest practices	Any other practice which, under the circumstances, is in conformity with honest commercial practices.

The EU Trade Secrets Directive

Unlawful acquisition, use and disclosure

Acquisition	<p>(a) unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced; or</p> <p>(b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.</p>
Use and disclosure	<p>(a) person having acquired the trade secret unlawfully; or</p> <p>(b) breach of a confidentiality agreement or any other duty not to disclose the trade secret; or</p> <p>(c) breach of a contractual or any other duty to limit the use of the trade secret.</p>
<i>Knowledge of misappropriation</i>	<p>The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully.</p>
	<p>The production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully.</p>

The EU Trade Secrets Directive

Provisional measures

Provisional and precautionary measures	<p>(a) cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis</p> <p>(b) prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes</p> <p>(c) seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market</p>
Evidence	<p>(a) trade secret exists</p> <p>(b) the applicant is the trade secret holder; and</p> <p>(c) the trade secret has been acquired unlawfully, is being unlawfully used or disclosed, or unlawful acquisition, use or disclosure of the trade secret is imminent</p>
Cease of effect	<p>(a) No legal proceedings on the merits within a reasonable period determined by the judicial authority ordering the measures or, in the absence of such determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer; or</p> <p>(b) the information in question no longer meets the requirements of point (1) of Article 2, for reasons that cannot be attributed to the respondent</p>

Trade secret protection in the United States

Jennifer Blank

Attorney-advisor

Office of Policy and International Affairs

Laws protecting trade secrets

- Torts
- Unfair competition/unfair trade practices
- Contract law
- Computer fraud and abuse statutes
- Dedicated trade secret statutes (civil and criminal)

Civil statutes in the individual states

- Most state versions are modeled after the Uniform Trade Secrets Act (UTSA)
 - Published by the Uniform Law Commission in 1979
- Adopted by 49 states, with varying levels of modification
- Most trade secret cases are heard in state courts

Uniform Trade Secrets Act (UTSA)

- Definitions
 - Trade secret
 - Improper means
 - Misappropriation
 - Acquisition, disclosure, use
 - No prior relationship required for a finding of liability

Defend Trade Secrets Act of 2016 (DTSA)

- Legislation amending the Economic Espionage Act to create a federal civil cause of action
- Intended to provide a uniform, reliable, and predictable way to protect trade secrets nationwide
- Does not replace state statutes
 - Statutes exist in parallel
 - Plaintiffs can choose between laws

Defend Trade Secrets Act of 2016 (DTSA)

The [DTSA]...offers a needed update to federal law to provide a federal civil remedy for trade secret misappropriation. Carefully balanced to ensure an effective and efficient remedy for trade secret owners...the legislation is designed to avoid disruption of legitimate business, without preempting State law. This...legislation will provide a **single, national standard** for trade secret misappropriation with clear rules and predictability for everyone involved. Victims will be able to move quickly to federal court, with **certainty of the rules, standards, and practices** to stop trade secrets from...being disseminated and losing their value. As trade secret owners increasingly face threats from both at home and abroad, the bill equips them with the tools they need to effectively protect their intellectual property and ensures continued growth and innovation in the American economy.

Senate Report 114-220, March 7, 2016

DTSA seizure order

- Under “extraordinary circumstances,” a court may enter an ex parte seizure order to “prevent the propagation or dissemination” of a misappropriated trade secret
- This a serious measure, not to be granted lightly

Proof required for a DTSA seizure order

- A more standard restraining order or injunction would not be effective
- Immediate and irreparable harm will occur without the seizure order
- The balance of the equities favors issuance of the seizure order

Proof required for a DTSA seizure order

- The trade secret owner is likely to succeed on the merits of the case
- The person who is the subject of the order has actual possession of the trade secret and anything to be seized
- The trade secret owner can describe the matter to be seized and its location

Proof required for a DTSA seizure order

- If the person subject to the order had advance notice, he/she would destroy or otherwise make the materials unavailable to the court
- The trade secret owner has not publicized the requested seizure

Key seizure order elements

The court must:

- Provide for the narrowest seizure of property as possible
- Direct that the seizure be conducted in a manner that minimizes any interruption of legitimate business operations
- Protect the seized property from disclosure

Key seizure order elements

- Provide guidance to law enforcement officials executing the seizure that clearly delineates the scope of their authority
- Require the person obtaining the order to provide security

Protection of trade secrets during cases

- Courts have tools to maintain the ongoing secrecy of the trade secret and still permit trial preparation and conduct. For example:
 - Protective orders
 - *In camera* reviews by the judge or magistrate
 - Closed courtrooms
- In addition, under DTSA the court may not order disclosure of a claimed trade secret until the owner can be heard on why it should be kept confidential

DTSA remedies

- Damages can include both:
 - award of actual loss to the trade secret owner; and
 - award to prevent unjust enrichment to the misappropriator that is not taken into account in computing actual loss.
- Or, the damages may be measured by liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret
- The court may also order exemplary (punitive) damages

DTSA injunctive relief

- To prevent actual or threatened misappropriation
- To require affirmative actions be taken to protect the trade secret, including return of information or items
- In exceptional circumstances, a royalty for the future use of the trade secret

Criminal offenses under the Economic Espionage Act (EEA)

- Economic espionage: The theft of trade secrets with the intent to benefit a foreign government, agent or instrumentality.
- Theft of trade secrets: The theft of trade secrets for the economic benefit of someone other than the owner and to the injury of the owner.
- Crimes are prosecuted by the Department of Justice.

Economic espionage penalties

- Individuals:
 - Fine up to US \$5 Million, or
 - Prison term up to 15 years, or
 - both
- Organizations:
 - Fine up to US \$10 million or 3X the value of the trade secret

Trade secret theft penalties

Individuals:

- Fine, or
- Prison term up to 10 years, or
- both

Organizations:

- Fine up to US \$5 million

Forfeiture and restitution

- The EEA provides for criminal and civil forfeiture:
 - Any article, the making or trafficking of which, is prohibited under [the EEA]
 - Any property used, or intended to be used, in any manner or part to commit or facilitate the commission of [a violation of the EEA]
 - Any property constituting or received from any proceeds obtained directly or indirectly as a result of the commission of [a violation of the EEA]

Conclusion

The U.S. experience is that specific statutes best address trade secret protection, providing strong protections and clear guidance to parties and courts.



Thank you.

Jennifer Blank

Attorney-Advisor

Jennifer.Blank@uspto.gov

+1-571-272-6540

www.uspto.gov

New development in TS protection in China

Prof. Dr. Huang huangwushuang

邮箱 : 1517@ecupl.edu.cn 手机 : 13601919129



Article 10 Managers shall not use the following methods to infringe upon business secrecy:

1. to steal, coerce, or use any other unfair method to obtain the other's business secrets;
2. to disclose, use or permit others to use the business secrets mentioned in Section 1 of this Article.
3. to violate the contract or the requirement to publish, use or permit others to use the business secrets, which were maintained as secrets by the legal owner of the business secrecy.

The third party who knows or should know the illegal activities as first mentioned, and who gains, uses or publishes the business secrecy shall be looked as activities of infringing upon the others' business secrecy. "Business secrecy", in this Article, means the utilized technical information and business information which is unknown by the public, which may create business interests or profit for its legal owners, and also is maintained secrecy by its legal owners.

Article 9 A business shall not commit the following acts of infringing trade secrets:

- (1) Acquiring a trade secret from the right holder by theft, bribery, **fraud**, coercion, or any other illicit means.
- (2) Disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph.
- (3) Disclosing, using, or allowing another person to use a trade secret under its control **in violation of an agreement or the requirements of the right holder for confidentiality of trade secrets**.

Where a third party knows or should have known that an employee or a former employee of the right holder of a trade secret or any other entity or individual has committed an illegal act as specified in the preceding paragraph but still acquires, discloses, uses, or allows another person to use the trade secret, the third party shall be deemed to have infringed the trade secret.

For the purposes of this Law, "trade secret" means technology or business information unknown to the public and of a commercial value for which the right holder has taken **corresponding confidentiality measures**.

Anti-unfaircompetition law-20190423

▶ Article 9 A business shall not commit the following acts of infringing upon trade secrets:

- (1) Acquiring a trade secret from the right holder by theft, bribery, **fraud**, coercion, **electronic intrusion**, or any other illicit means.
- (2) Disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph.
- (3) Disclosing, using, or allowing another person to use a trade secret in its possession, **in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential**.
- (4) **Abetting a person, or tempting, or aiding a person** into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential.

An illegal act as set forth in the preceding paragraph committed by a natural person, legal person or unincorporated organization other than a business shall be treated as infringement of the trade secret.

Where a third party knows or should have known that an employee or a former employee of the right holder of a trade secret or any other entity or individual has committed an illegal act as specified in paragraph 1 of this Article but still acquires, discloses, uses, or allows another person to use the trade secret, the third party shall be deemed to have infringed upon the trade secret.

For the purpose of this Law, "trade secret" means technical, operational **or other commercial information unknown to** the public and is of commercial value for which the right holder has taken corresponding confidentiality measures.

2. Constitutive Elements of A Trade Secret

❑ Secrecy–Not generally known or readily ascertainable

The most important characteristic of a trade secret is that it is in fact secret. The language "not being generally known to and not being readily ascertainable by proper means by other persons" does not require that information be generally known to the public for trade secret rights to be lost.

➤ Not being generally known

- If the principal persons who can obtain economic benefit from information are aware of it, there is no trade secret.

e.g. A method of casting metal may be unknown to the general public but readily known within the foundry industry.

2. Constitutive Elements of A Trade Secret

- ❑ Secrecy–Not generally known or readily ascertainable
 - Readily ascertainable-容易获取
 - Information is readily ascertainable if it is available in trade journals, reference books, or published materials.
 - Often, the nature of a product lends itself to being readily copied as soon as it is available on the market.
 - If reverse engineering is lengthy and expensive, a person who discovers the trade secret through reverse engineering can have a trade secret in the information obtained from reverse engineering.
 - If reverse engineering needs little time and expense?

最新反不正当竞争法修改-20190423

第32条：在侵犯商业秘密的民事审判程序中，商业秘密权利人提供初步证据，证明其已经对所主张的商业秘密采取保密措施，且合理表明商业秘密被侵犯，涉嫌侵权人应当证明权利人所主张的商业秘密不属于本法规定的商业秘密。

商业秘密权利人提供初步证据合理表明商业秘密被侵犯，且提供以下证据之一的，涉嫌侵权人应当证明其不存在侵犯商业秘密的行为：

（一）有证据表明涉嫌侵权人有渠道或者机会获取商业秘密，且其使用的信息与该商业秘密实质上相同；

（二）有证据表明商业秘密已经被涉嫌侵权人披露、使用或者有被披露、使用的风险；

（三）有其他证据表明商业秘密被涉嫌侵权人侵犯。

- ▶ Article 32 In the civil proceedings involving infringement of commercial secrets, where the rights holder of commercial secrets provides preliminary evidence to prove that it has adopted confidentiality measures for the asserted commercial secrets, and reasonably demonstrate that the commercial secrets are infringed upon, the **alleged infringer shall prove that the commercial secrets asserted by the rights holder do not fall under commercial secrets stipulated in this Law.**
- ▶ Where the rights holder of commercial secrets **provides preliminary evidence** to demonstrate reasonably that the commercial secrets are infringed upon and provides any of the following evidence, the **alleged infringer shall prove that there is no infringement of commercial secrets:**
 - ▶ (1) there is evidence to prove that the alleged infringer **has the means or opportunities to obtain the commercial secrets**, and the information used by the alleged infringer is substantively identical to the commercial secrets;
 - ▶ (2) there is evidence to prove that the commercial secrets are disclosed or used by the alleged infringer, or **there is a risk of disclosure or use of the commercial secrets**; or
 - ▶ (3) there is other evidence to prove that the commercial secrets are infringed by the alleged infringer.

Prima Facie Case

- ▶ A prima facie case in an action for misappropriation of trade secrets requires proof of:
 - (1) the existence of a trade secret;
 - (2) the trade secret was acquired through breach of an agreement, a confidential relationship or by improper means, or was disclosed by one who used improper means to acquire it;
 - (3) the defendant used the trade secret without authorization; and
 - (4) the plaintiff suffered damages as a result.
- Alternatively, injunctive relief may be obtained in some jurisdictions pursuant to the “inevitable disclosure” doctrine when a former employee with knowledge of the former employer’s trade secrets begins employment with a competitor in a substantially similar position and there is a likely threat of use of the information .

Prima Facie Case

▶ DEFENSES

- An action for misappropriation of trade secrets may be defeated on the grounds that:

- (1) the trade secret information was not acquired improperly ;

- (2) the defendant acquired the trade secret by independent development;

- (3) the defendant acquired the trade secret by reverse engineering;

- (4) the information used by the defendant represents "general skills" acquired while employed by the plaintiff.

- ▶ **第十七条** 经营者违反本法规定，给他人造成损害的，应当依法承担民事责任。
- ▶ 经营者的合法权益受到不正当竞争行为损害的，可以向人民法院提起诉讼。
- ▶ 因不正当竞争行为受到损害的经营者的赔偿数额，按照其因被侵权所受到的实际损失确定；实际损失难以计算的，按照侵权人因侵权所获得的利益确定。经营者**恶意实施**侵犯商业秘密行为，情节严重的，可以在按照上述方法确定数额的**一倍以上五倍以下**确定赔偿数额。赔偿数额还应当包括经营者为制止侵权行为所支付的合理开支。
- ▶ 经营者违反本法第六条、第九条规定，权利人因被侵权所受到的实际损失、侵权人因侵权所获得的利益难以确定的，由人民法院根据侵权行为的情节判决给予权利人**三百万五百万元**以下的赔偿。

Article 17 Business operators who violate the provisions of this Law and cause others to suffer damages shall bear civil liability pursuant to the law.

Where the legitimate rights and interests of a business operator are harmed by unfair competition, the business operator may file a lawsuit with a People's Court.

The compensation for a business operator who suffer damages due to unfair competition shall be determined in accordance with the actual losses suffered as a result of the infringement; where it is hard to ascertain the actual losses, the compensation shall be determined in accordance with the gains made by the infringer from the infringement.

For business operators who infringe upon commercial secrets maliciously and if the case is serious, the compensation amount may be determined **in accordance with one to five times the amount determined using the aforesaid method**. The compensation amount shall also include reasonable expenses paid by the business operator to stop the infringement.

Where a business operator violates the provisions of Article 6 and Article 9 of this Law, and it is hard to ascertain the actual losses suffered by the rights holder due to the infringement or to ascertain the gains made by the infringer from the infringement, the People's Court shall, in accordance with the extent of the infringement, **award compensation of less than RMB5 million** to the rights holder.