

TRADE SECRETS LITIGATION TRENDS

EUIPO in cooperation with the University of Turin

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PROGRAMME

50'
Presentation

1. Introduction
2. Key quantitative trends
3. Key qualitative trends and case law
4. What's new?

10'
Questions and answers

1 INTRODUCTION



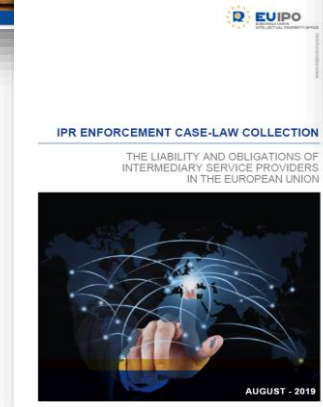
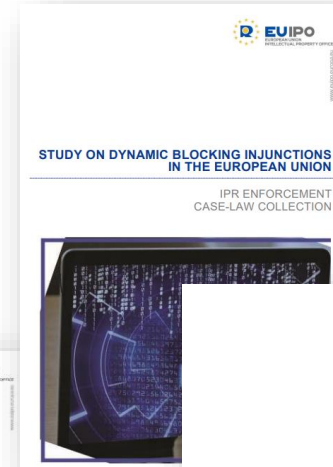
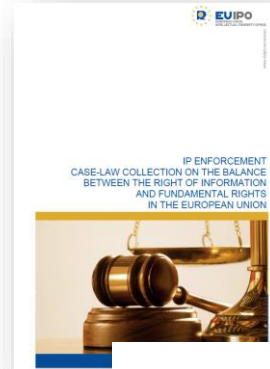
Observatory case-law collection and analysis activities

SYSTEMATIC MONITORING AND ANALYSIS OF RECENT JURISPRUDENCE

OUTPUTS

Case-law collection reports
on specific topics;
legal publications

- [Case-law page](#)
- [Observatory publications](#)
- [eSearch Case Law DB](#)



Study on trade secrets litigation trends

- [Trade Secrets Directive \(TSD\) adopted in 2016](#)
- Litigations Trends Study required by TSD Art 18
- [Study undertaken by University of Turin for the EUIPO](#)
- [Complements the 2018 Baseline Report on Trade Secrets](#)



Trade Secrets Directive: Legal Framework



TSD Objective: to provide harmonised ‘procedures and remedies intended to protect trade secrets ... to meet the objective of a **smooth-functioning internal market for research and innovation**, in particular by deterring the unlawful acquisition, use and disclosure of a trade secret’ (Recital 21)



Trade Secrets Examples



Google

L'ORÉAL

amazon

Sales data

Kevlar

Distribution methods



Customer lists

SONY

Manufacturing processes

Coca-Cola

Software algorithms

TESLA



Formulas

LISTERINE

TUESDAY
WEBINARS

Question to the audience 1



Trade secrets law concerns more often:

- a) Technical innovation
- b) Prototypes/Unreleased product designs
- c) Commercial information
- d) Clinical trials

2

KEY QUANTITATIVE TRENDS



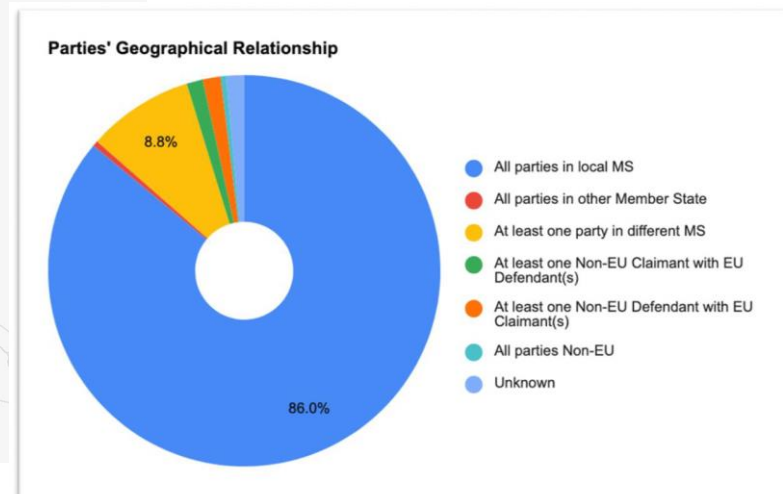
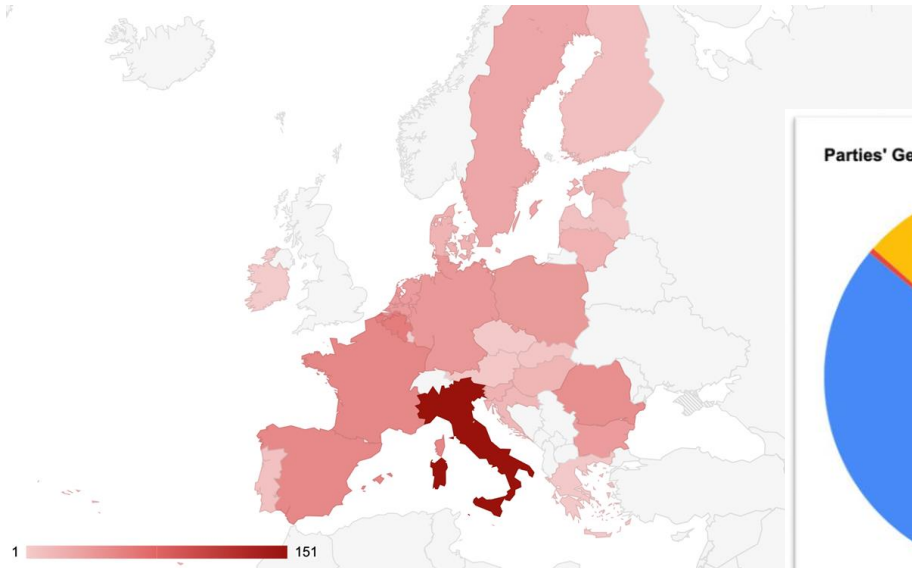
Key quantitative trends

Analysis of **695 proceedings** (est. 586 unique cases)
across **27 EU Member States**
(01.01.2017 - 31.10.2022)

Limited by public availability of judgements from lower courts (differs between MSs)

Member States with **disproportionately high** litigation: **BG, EE, HR, IT, LT, LI, HU, RO, SK, SL.**

Member States with **disproportionately low** litigation: **FR, DE, AT**



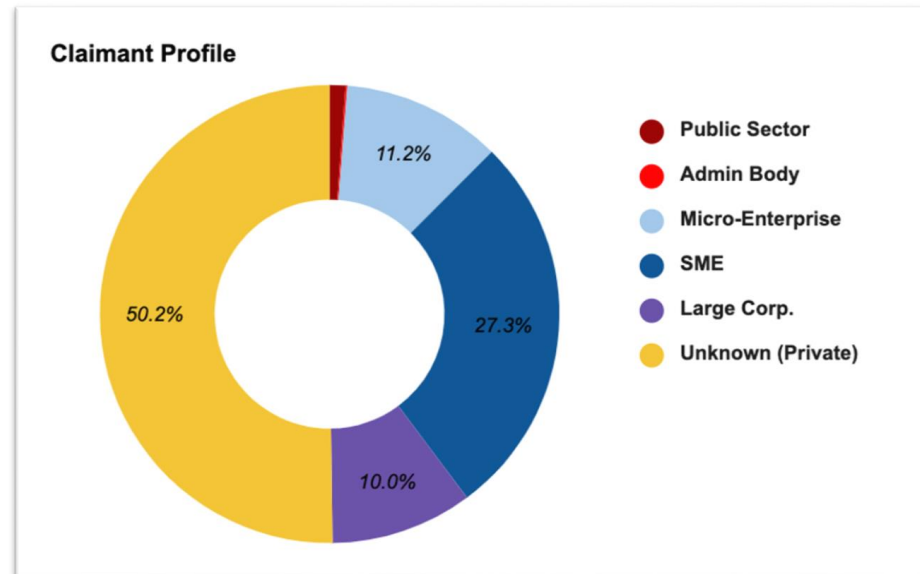
Legal fora

Trade Secrets Litigation is distributed in a range legal fora

- *Specialised IP Courts (26%), Appeal Courts (25%), General Civil Courts (24%), Specialised Labour Courts (7%), Specialised Competition Fora (6%), Criminal Courts (3%).*
- *Civil proceedings dominate (89%), relative to criminal (6%) or administrative proceedings (5%)*

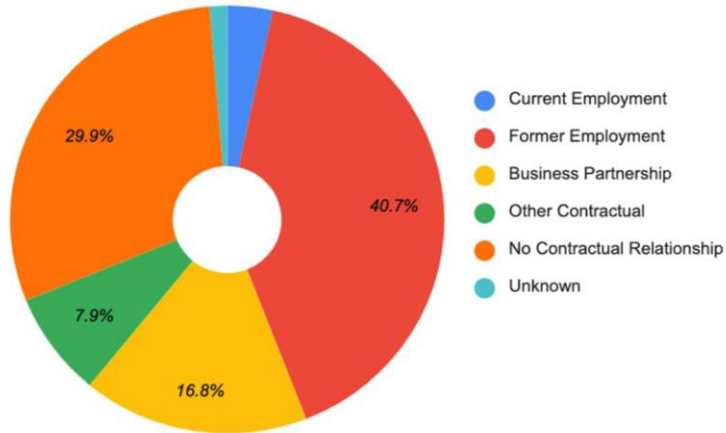
- **Appeal rate: 46% (est)**

- **Infringement claim
Success rate: 27%**

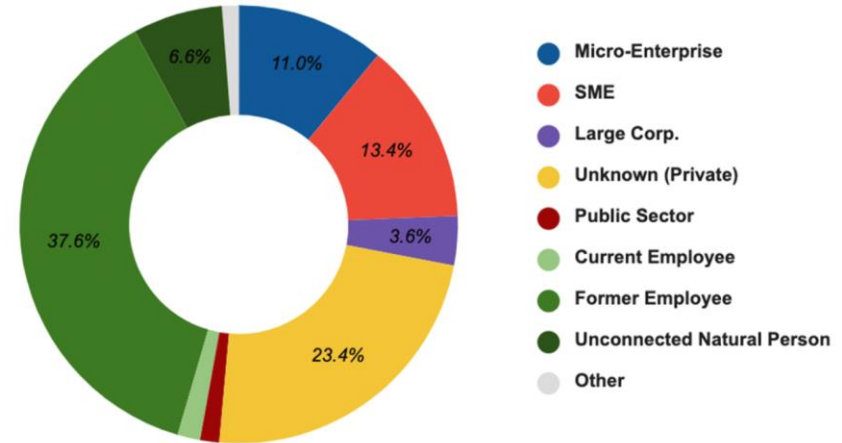


A majority of cases involve issues of former employment

Parties' Contractual Relationship



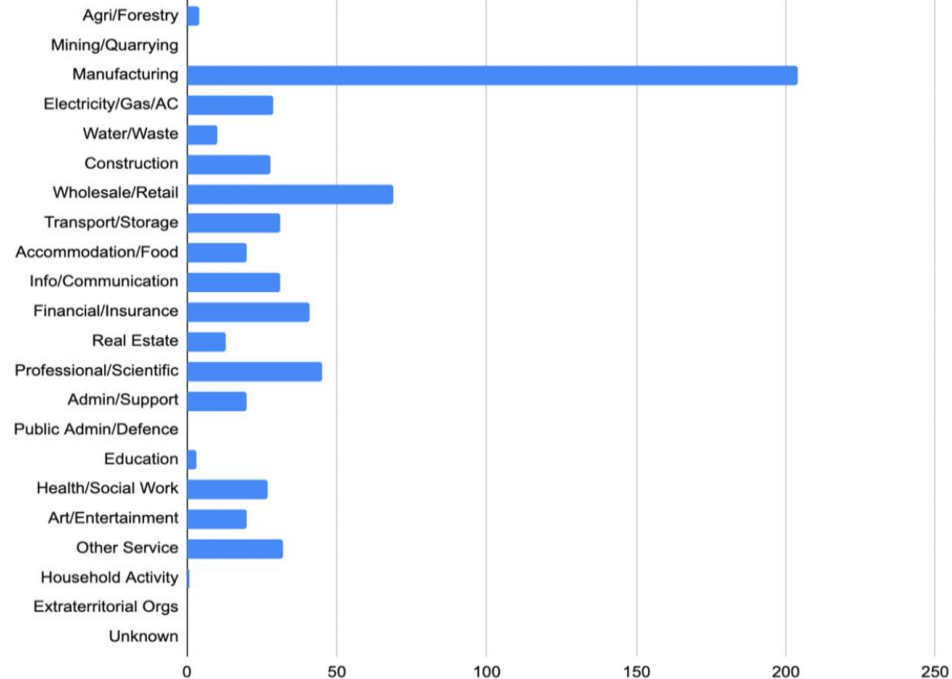
Defendant Profile



Litigation

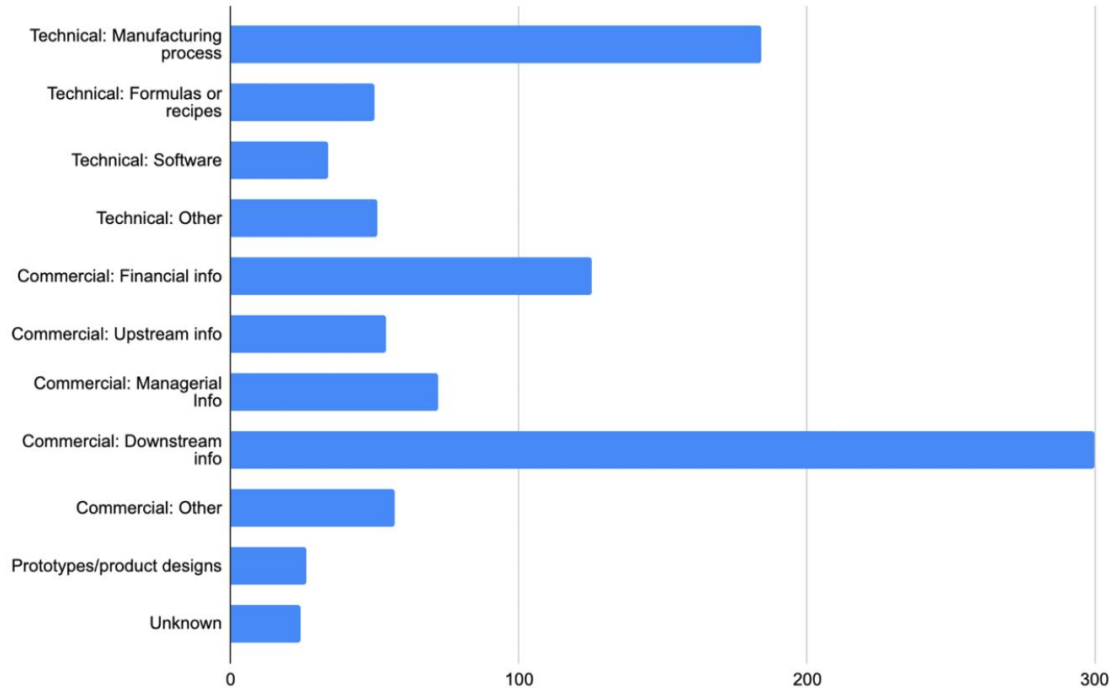
Litigation occurs throughout all sectors, but **dominates** in **MANUFACTURING**

Commercial Sector



Enforced trade secrets

Type of Trade Secret

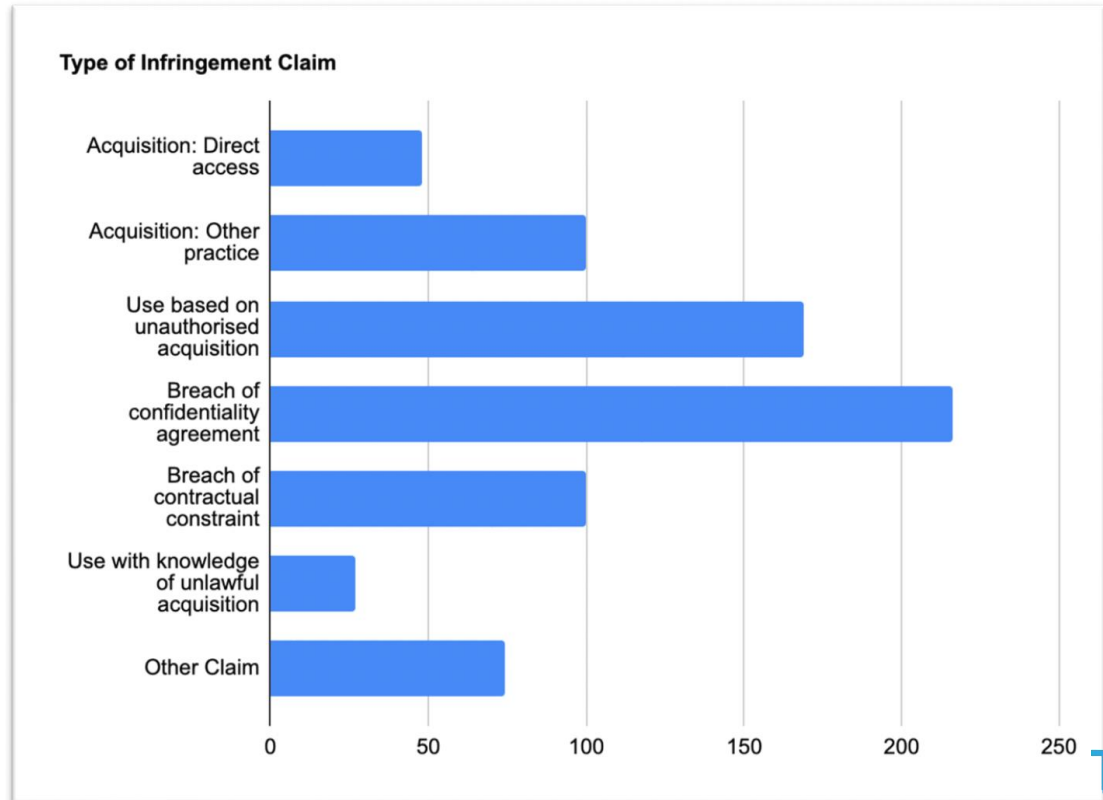


Most commonly enforced Trade Secrets is **DOWNSTREAM COMMERCIAL INFO**

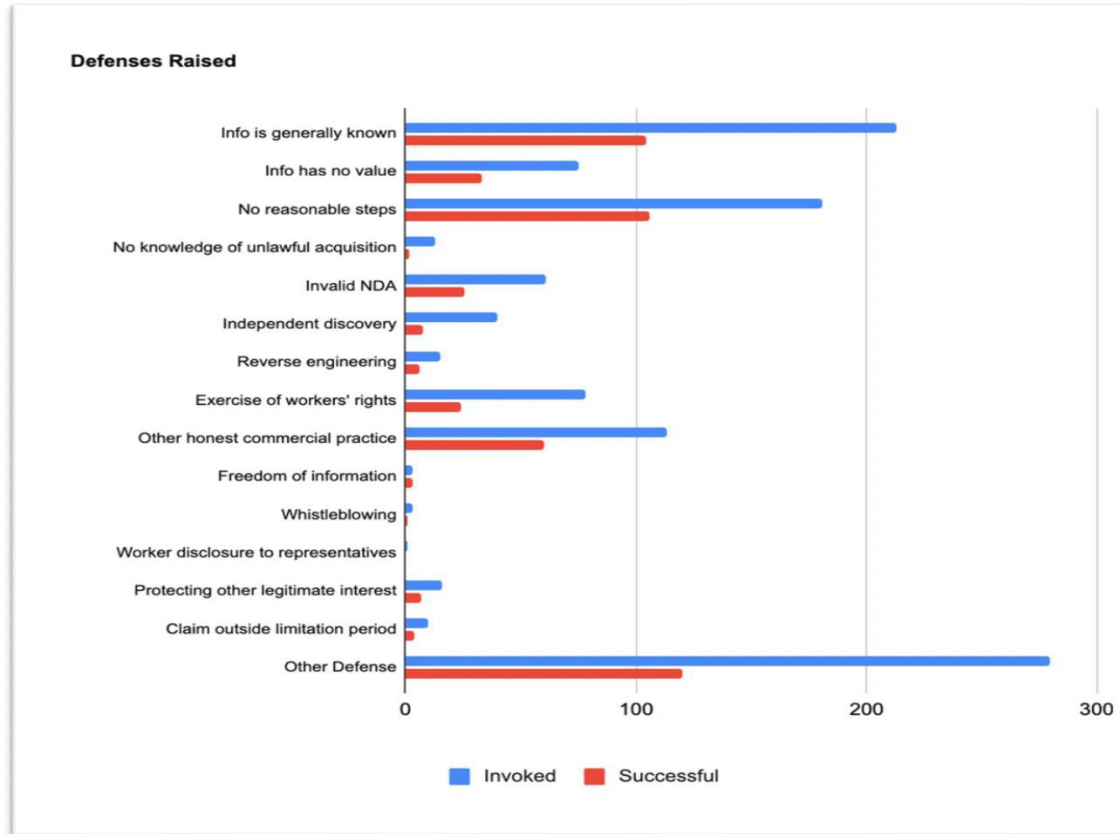
(e.g. distribution methods, advertising strategies, marketing data, customer lists)

Infringement claim

The most common claim is:
CONFIDENTIALITY /NDA BREACH



Common defenses



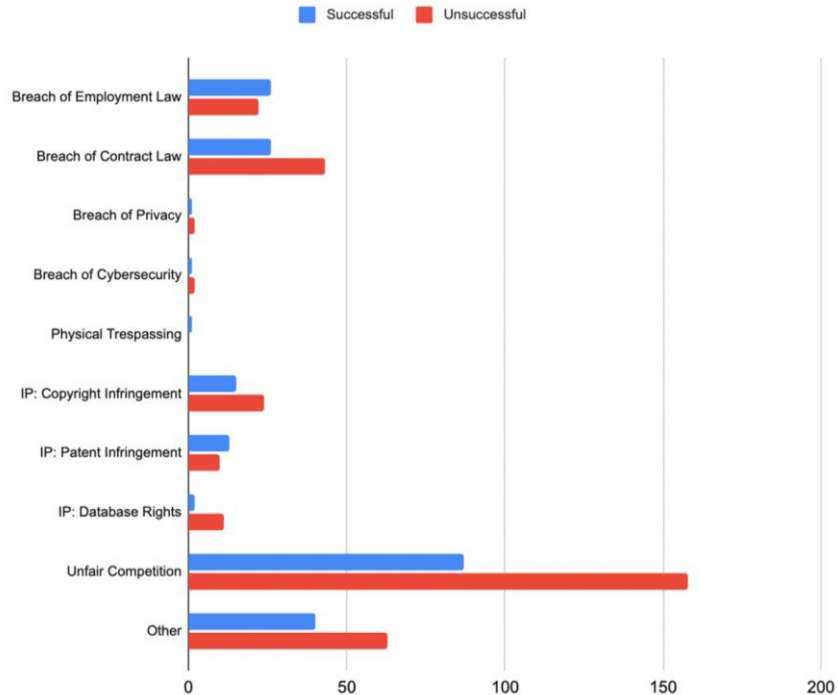
Most common defences
 relate to the criteria for
**DEFINITION OF TRADE
 SECRETS**

*Defences based on lawful
 conduct or exceptions are
 relatively uncommon*

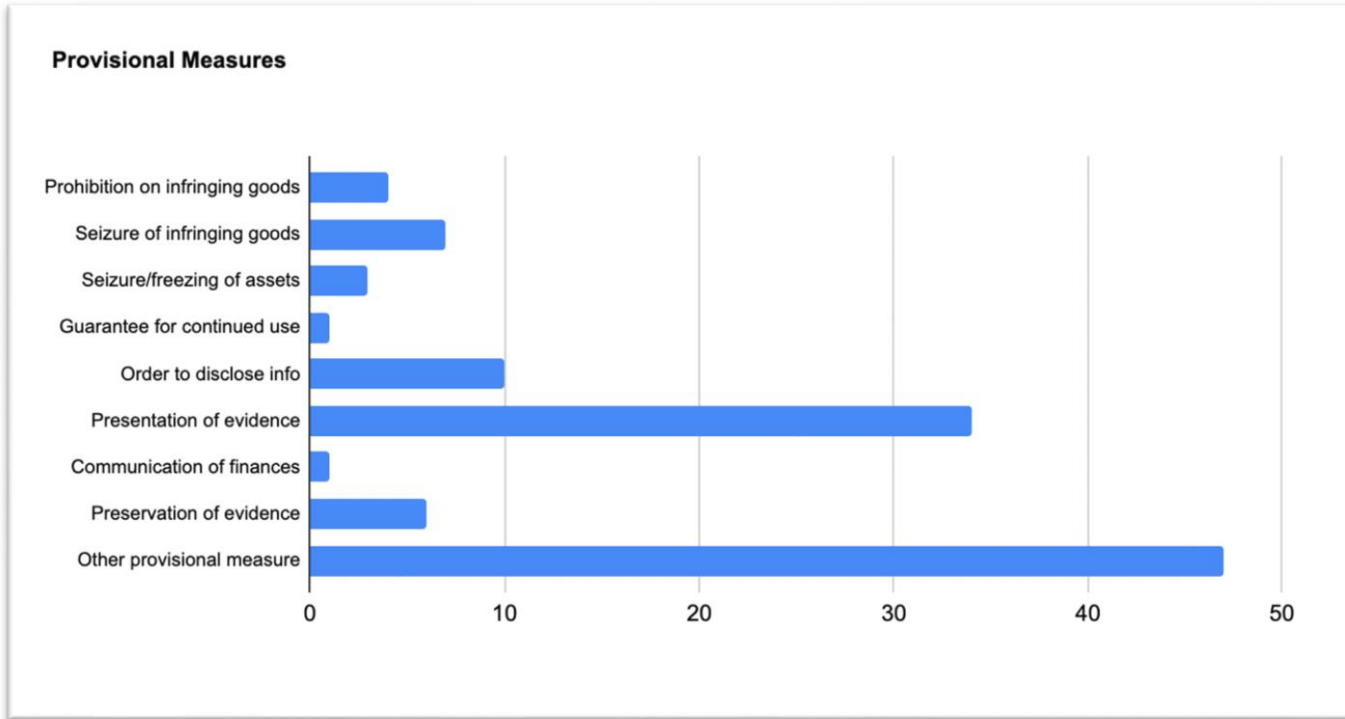
Concurrent

UNFAIR COMPETITION
claims are common

Concurrent Non-Trade Secret Claims



Provisional measures

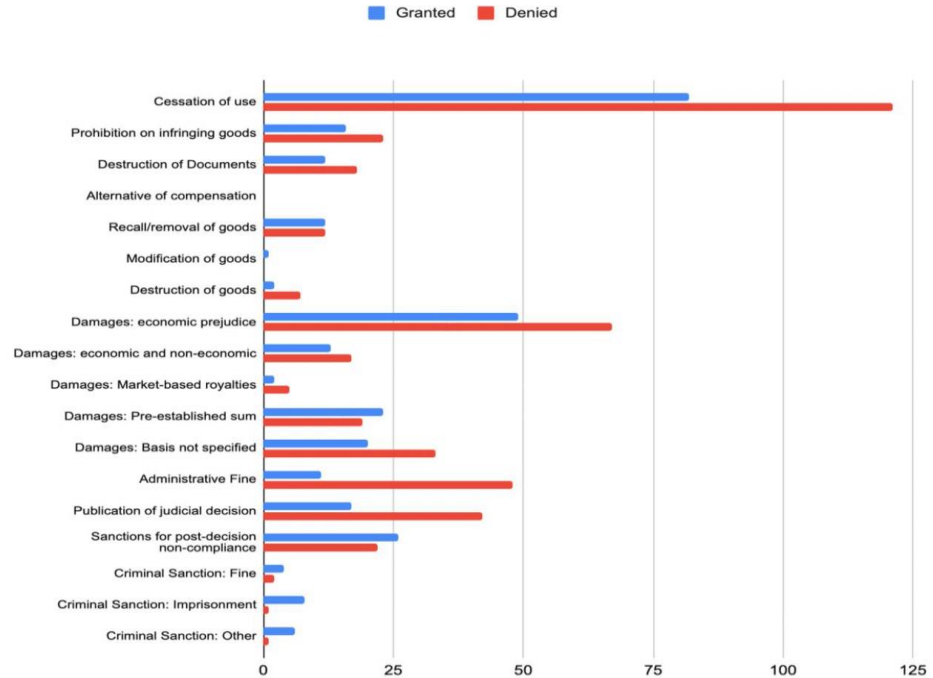


Most common
provisional
measures relate
to **EVIDENCE**

Measures on merits

Most common
measures on merits
relate to **CESSATION**

Measures on Merits



Question for the audience 2



Which of the following **is not** a requirement for certain information to be considered a “trade secret”:

- a) Must have commercial value
- b) Must be genuinely used in the course of trade
- c) Must be secret
- d) Must be subject to reasonable steps to be kept secret

3

KEY QUALITATIVE TRENDS AND CASE LAW



TSD Art 2: definition of trade secrets

TRADE SECRET

SECRET

- *In precise **configuration/assembly of components***
- *Not generally known / readily accessible to persons within the circles that normally deal with kind of info*

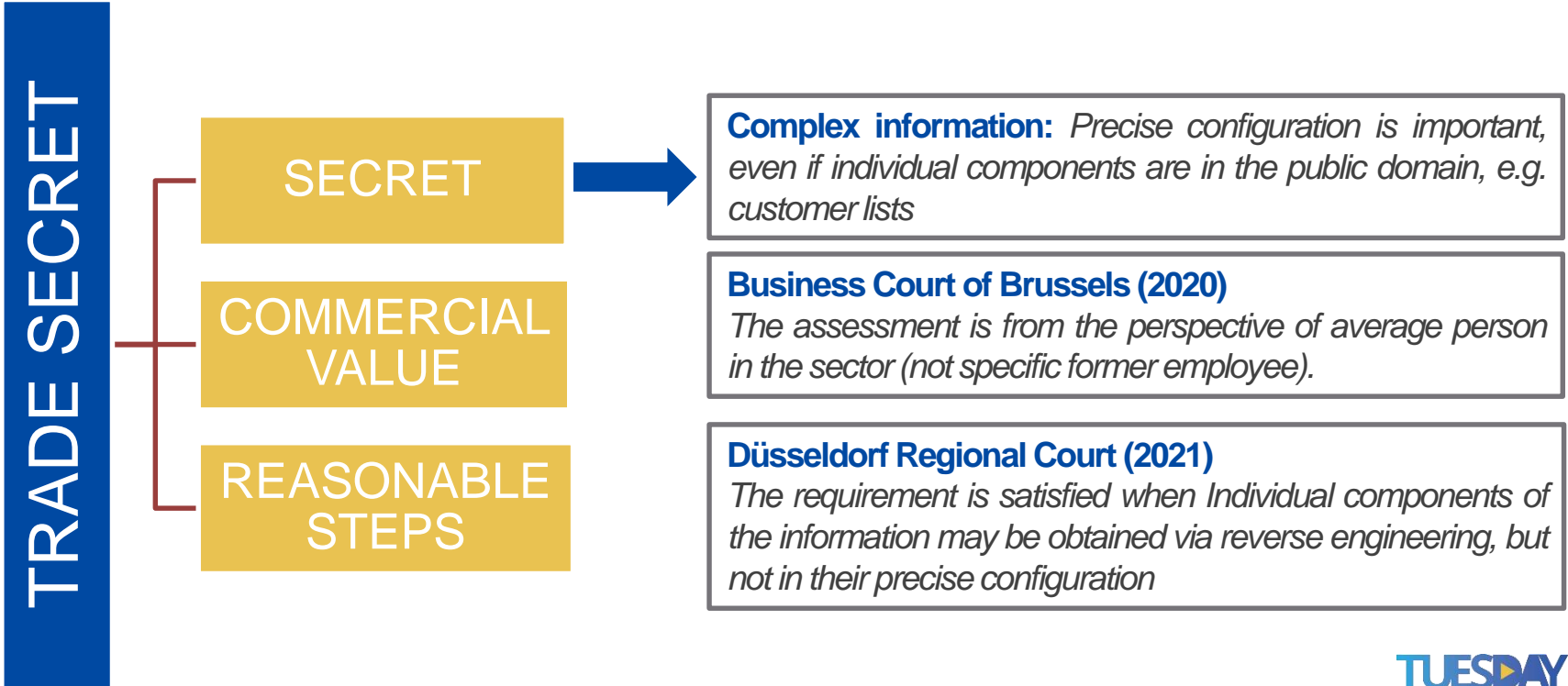
COMMERCIAL
VALUE

- *Commercial value is due to **secrecy***

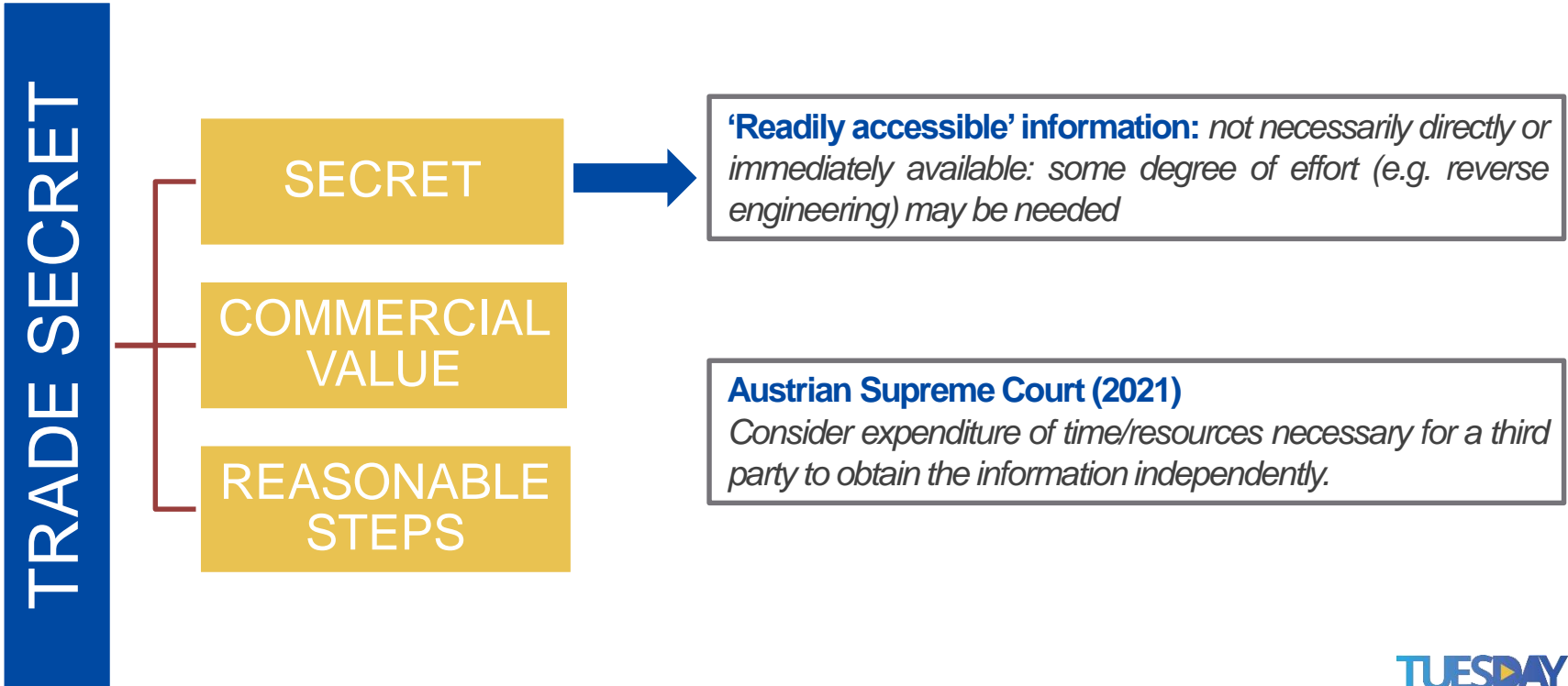
REASONABLE
STEPS

- *Subject to **reasonable steps under circumstances***

Definition of Trade Secrets: Secrecy



Definition of Trade Secrets: Secrecy



Definition of Trade Secrets: Secrecy

TRADE SECRET

SECRET

COMMERCIAL
VALUE

REASONABLE
STEPS

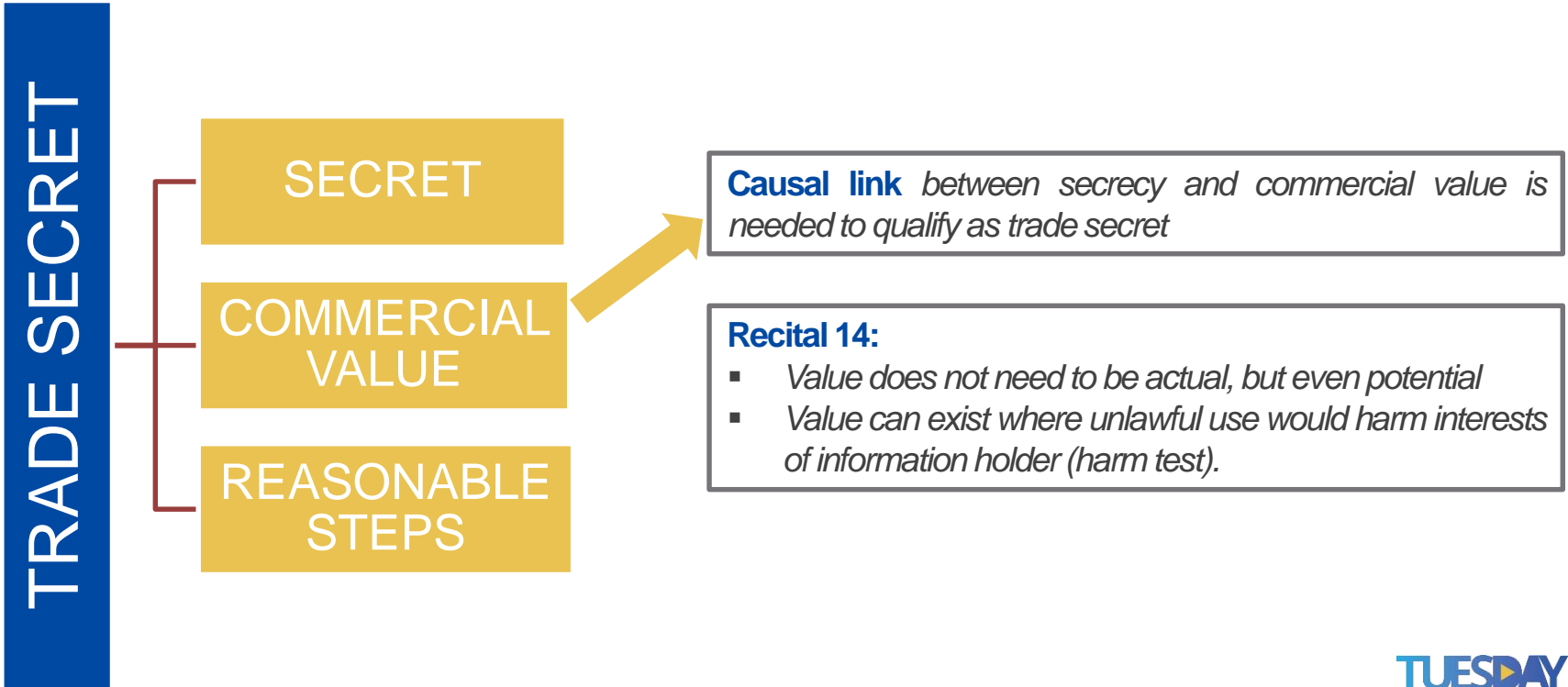
“Persons within the circles”

- The exclusion of **Employee’s honestly acquired experience and skills** (Rec. 14)
- Double standard of enforcement?

Estonian Supreme Court (2020)

Employment contracts defining trade secrets too broadly cannot be construed as limiting the use of long-standing knowledge and experience acquired during the employment.

Definition of Trade Secrets: commercial value



Definition of Trade Secrets: commercial value

TRADE SECRET

SECRET

COMMERCIAL
VALUE

REASONABLE
STEPS

Tribunal of Milan (2018)

Assessment should be made not (only) in relation to the information itself, but (also) to the method by which the information is processed

Definition of Trade Secrets: reasonable steps

TRADE SECRET

SECRET

COMMERCIAL
VALUE

REASONABLE
STEPS

No consensus on standard

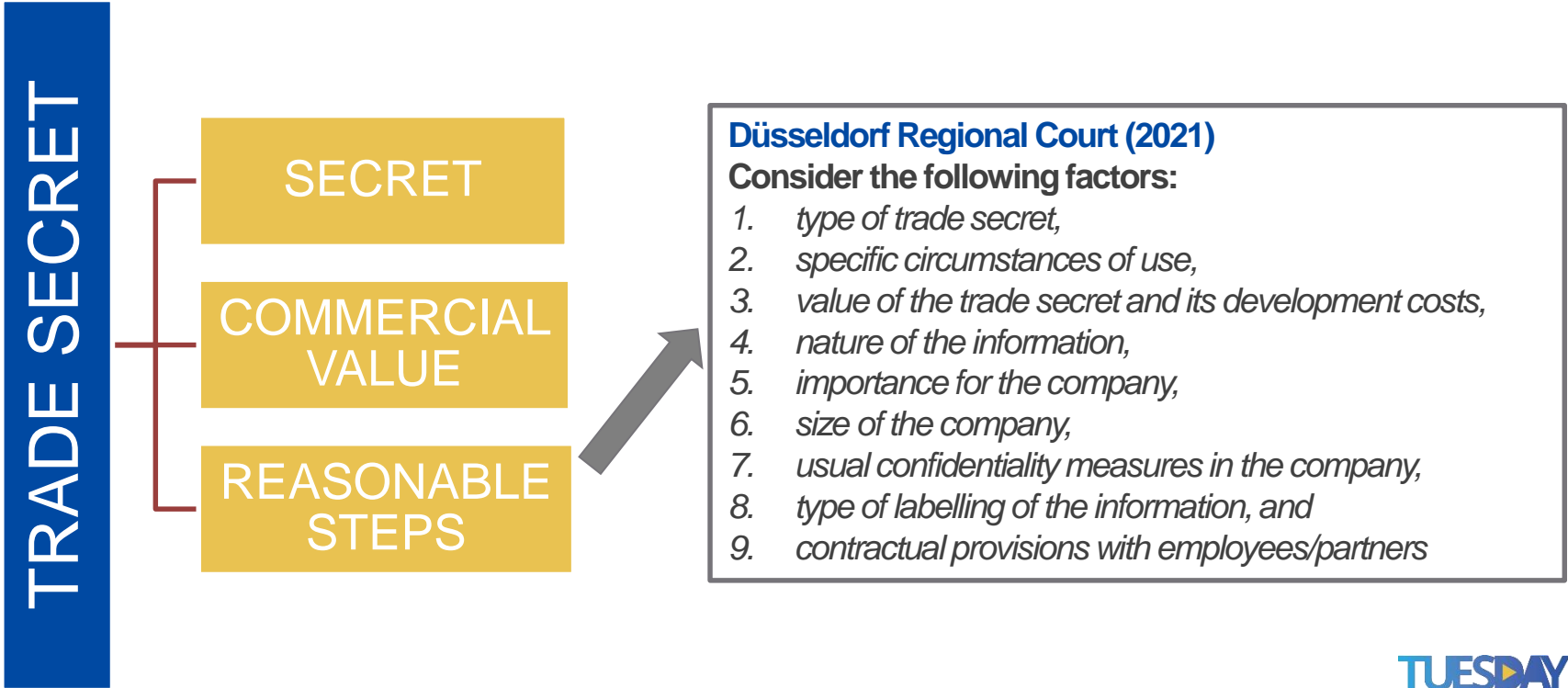
Trend: Interpretation is case-specific and the standard is flexibility based on circumstances.

Subjective intention to keep secret is insufficient.

Tribunal of Milan (2021)

- *Assessment must consider both physical and cybersecurity measures.*
- *Not in abstract, but in the specific context*
- *“More than minimal” protection is sufficient*

Definition of Trade Secrets: reasonable steps



Definition of Trade Secrets: reasonable steps

TRADE SECRET

SECRET

COMMERCIAL
VALUE

REASONABLE
STEPS

Precise Identification of Information

Trend: General steps (like broad NDAs) are insufficient. Steps should be specific and targeted to protected information.

- *Düsseldorf Labour Court (2020)*
- *Hungarian Supreme Court (2021)*
- *Bulgarian Competition Commission (2018)*

Italian Supreme Court (2019)

Persons accessing information need to be made aware of the intention of the holder to keep the information secret.

Specificity of claims

- **Issue:** *Specific Identification of protected information is not only needed to meet the definition of trade secret, but also to successfully file a claim.*

This is particularly important for the consideration of preliminary measures

- **Trend:** *Many claims dismissed by courts because object of protection not clearly/sufficiently defined by complainant.*

- **Challenge:** *Stakeholders fear that overly specific claims will result in unintentional disclosure of the secret (and loss of protection)*

- **Response:** *Courts need to ensure adequate measures for preservation of confidentiality during proceedings (TSD Art 9)*

e.g.: Use of judicially appointed experts to produce confidential reports on evidence

Question for the audience 3



Which of the following **is not likely** to be considered a trade secret:

- a) information characterized by the precise configuration and assembly of its components, where some of the components could be ascertained through reverse engineering
- b) information acquired by a former employee as a result of his/her previous long term work experience
- c) readily accessible information processed by an AI technology in a particular way
- d) know-how, whose unlawful acquisition, use or disclosure is likely to harm the interests of the person lawfully controlling it

4

WHAT'S NEW / WHAT'S NEXT?

Trade Secrets cyber theft prevention tool kit



The Cyber-theft Prevention Toolkit will include awareness-raising materials and two training courses for SMEs to help them **better prevent and respond to cyber-attacks against their trade secrets.**



The toolkit will include, in particular, **business guides** for five sectors (defence, biotechnology, transport, energy and semiconductors), **case studies**, **frequently asked questions** and other awareness raising materials as well as online training materials for SMEs.

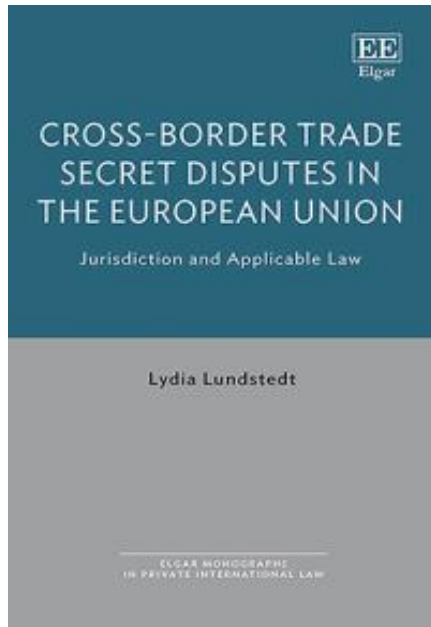


The toolkit will be presented in a **workshop scheduled for 24 April.**

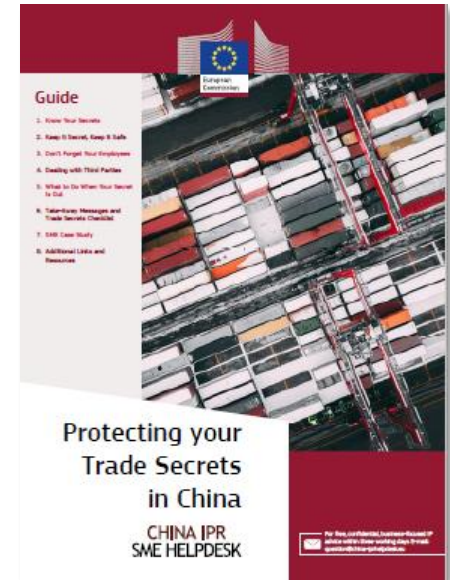


Useful trade secret resources

[Protecting your trade secrets in China, IPR Helpdesk](#)



[Cross-border trade secret disputes in the EU](#)



Case law - Pending EFTA Court request for an advisory opinion involving trade secrets



[E-11/23 Låssenteret AS v Assa Abloy Opening Solutions Norway AS of 30/08/2023](#)

Question regarding the **material scope of the TSD**

Clarification regarding the **last sentence of Art. 9 (2) TSD**



Case law - Recent Trade Secrets case law from national courts

POLAND

Verdict of SAC rendered on 25 April, 2023 III OSK 1908/21

- Information which is accessible in regular and permitted form cannot be a TS (e.g., data identifying company in an environmental report under environmental law)

Verdict of SAC rendered on 14 February, 2023 III OSK 2704/21

- Law on public access to information does not exclude application of TS to **State Companies** (including broadcasters). **TS can protect TV services contract** (legislature left discretion to state company to use TS as competitive tool).

KEY TAKEAWAY: The interface between public laws regarding accessing information and TS is complex and depends on legal contexts

Case law - Recent Trade Secrets case law from national courts

SPAIN

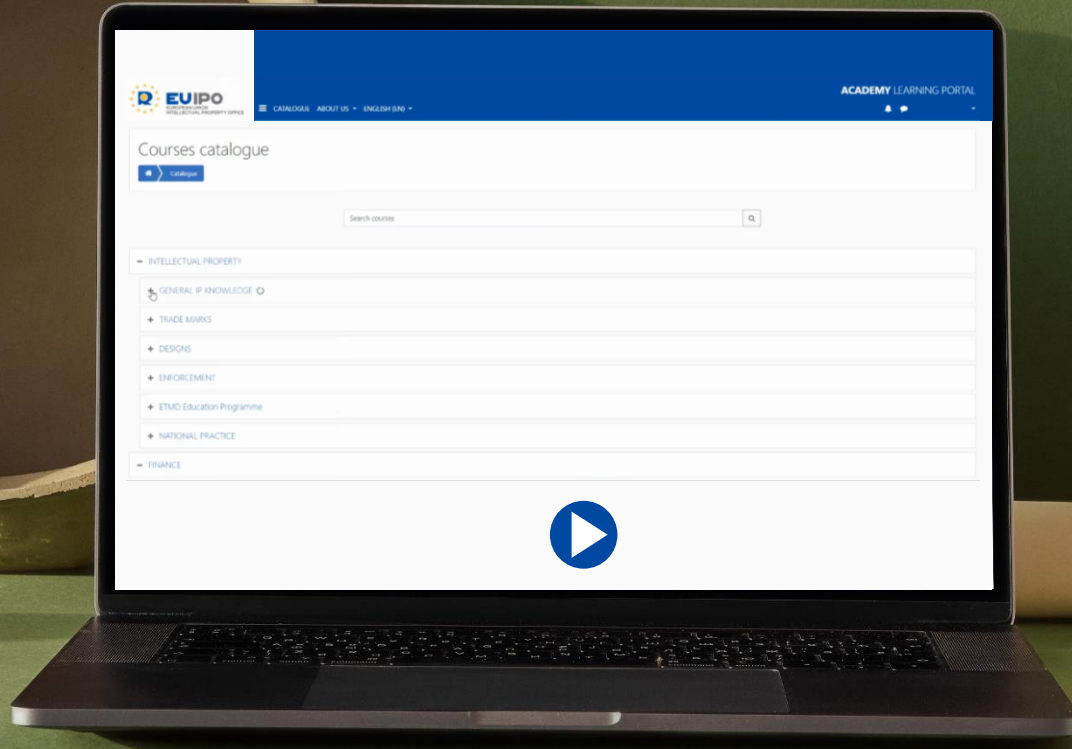
Audiencia Provincial de Barcelona, Sección 15ª, Auto 74/2023 de 16 Jun. 2023, Rec. 4258/2022

- The Court of Appeals dismissed request for preliminary injunction because **existence of TS not proven**
- **Diligence is required** in identifying the TS (and proving three criteria)
- **Employee confidentiality agreement does not imply that all info obtained is protected**
- **Confidentiality agreement may be a reasonable measure, but other TS criteria still need to apply**

KEY TAKEAWAY: Proving and specifically identifying the TS is critical to obtaining a preliminary injunction



Keep in touch with the EUIPO Academy





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