



Every IPR starts with a secret

...also trademarks!

The impact
of the new European
Trade Secrets Directive
on trademark strategy

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The Schoenherr IP practice group has long-standing experience in trademark, design, patent, copyright and unfair competition matters. Its members frequently represent parties in ground-breaking court cases in national and European courts. The team is also active in brand enforcement such as combating product and software piracy, including customs seizures and domain disputes. The practice group is particularly strong in trademark and design prosecution and portfolio management. It also offers an integrated service on contentious and non-contentious IP, IT, and new technology-related issues and advises on IP matters in M&A and finance transactions. Other core areas are food and drug law, life sciences and media law.

The title of this booklet "Every IPR starts with a secret" is a quote from the Explanatory Memorandum, para 1, in 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, COM(2013) 0813 final - 2013/0402 (COD).



Dear reader,

Perhaps you have a few minutes to spare (after reading all your e-mails) to consider another upcoming trademark related issue:

Trademarks and trade secrets: a paradox?

There is no doubt: once a trademark is finally registered, it should not be kept secret. On the contrary, this new Intellectual Property Right (IPR) should be promoted actively in order to become a widely known brand. So, why keep the trademark a secret?

Well, as we all know, trademark registers are filling up and it is difficult to find a new registrable sign not colliding with any earlier rights, a sign that gives an indication about the product but is nevertheless sufficiently distinctive etc. Companies invest a lot of time, creativity and money in creating new products and brands, testing them, preparing them for market entry – and, they want to maintain the competitive advantage gained on the basis of such efforts. How to protect this efficiently? The answer is simple: Keep this “pre-launch information” a trade secret until trademark applications are completed and products have been launched.

“Pre-launch information” – a “trade secret”?

In 2013 the European Commission published a proposal for a new directive with the aim of harmonising the protection of “undisclosed know-how and business information (trade secrets).” This initiative focuses on the need to protect work results created before protection by IPRs (patents, trademarks, designs, copyrights), be-

comes effective. Following the poetic quotation that we use as a title for this booklet, the Commission added: “Writers do not disclose the plot they are working on (a future copyright), car makers do not circulate the first sketches of a new model (a future design), companies do not reveal the preliminary results of their technological experiments (a future patent), companies hold on to the information relating to the launch of a new branded product (a future trademark), etc”¹. Therefore the aim was to cover all information that is kept confidential in order to preserve competitive gains (usually referred to as “trade secrets”, “undisclosed information”, “business confidential information”, “secret know-how”). And that includes confidential information flowing from the process of creating a new trademark (we call it “pre-launch information”).

This directive has now come into force and EU member states will have to transpose it into their national laws by 9 June 2018.

Protection requirements

The harmonised legal definition of protectable “trade secrets” is one of the core elements of this directive (Article 2 (1)): “Trade secret” means information which meets all of the following three requirements:

- **Secrecy:** The information must 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.

¹ 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, COM(2013) 0813 final - 2013/0402 (COD), Explanatory Memorandum, para 1.

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- **Commercial value:** The information must have commercial value because it is secret.
- **Protection measures:** The information must have been subject to reasonable steps taken by the person lawfully in control of the information to keep it secret under the circumstances.

Sounds familiar? No wonder, it follows the definition of “undisclosed information” in Article 39 of the TRIPS Agreement.

Currently, some EU member states have no such definition; others have different definitions in their national laws. Now they will have to implement this harmonised definition. Although this definition needs further interpretation, which will mainly be the task of the Court of Justice of the European Union (CJEU), having this harmonised definition is a big step towards legal certainty across the EU.

What should (future) trademark owners consider in order to be able to benefit from the protection provided by the new harmonised regime?

- **Secrecy:** This can be tricky when dealing with a brand consisting of a widely understood word, or a sign that is nevertheless distinctive to the respective products and services. In that case the protectable information is not the word or sign as such, but its (intended) use for the specific goods or services by a certain business. The publication of a trademark application which would be readily accessible to the public, may usually end trade secret protection for information contained in the publication. However, in certain cases the intended purpose of

a trademark may still remain unrevealed despite the sign, owner and list of goods and services becoming public.

- **Commercial value:** The mere fact that such information is kept secret and misappropriated by someone else is an indication that it has a value. Disclosure of pre-launch information, which is kept strictly confidential, is likely to harm the interests of the person lawfully controlling it. It may undermine the strategic position or ability to compete. On the other hand, it could give a competitive advantage to a third party having access to such information. Therefore, such information will usually have at least some commercial value.

This should even be true for pre-launch information that did not lead to a valid trademark registration (since the important and valuable information might be that such trademark does not work, is not protectable or that a certain company worked on a respective project which was not launched).

- **Protection measures:** There is no further explanation in the Directive as to what the “reasonable steps” are to keep the information secret. As this definition grants some flexibility by referring to “the circumstances”, the courts will likely assess this on a case-by-case basis. It therefore may take some time until sufficient guidance from the courts is available clarifying whether there are any “absolute prerequisites” in this respect. In the meantime, an initial “tool box” of such technical, organisational and contractual measures may include:

- ▶ Installing a secrecy policy for the company.
- ▶ Appointing a person within the company being responsible for the secrecy regime.
- ▶ Reviewing compliance with the secrecy policy of the company.



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- ▶ Limiting the number of people who receive the information about the new trademark to those who (really) need to know it (in-house staff as well as external contractors).
- ▶ Knowing their identity.
- ▶ Informing them about the secrecy requirement.
- ▶ Binding them by a (contractual) non-disclosure obligation.
- ▶ Marking confidential materials as such.
- ▶ Storing documentation separately and securely (both paper and digital data by using locks/passwords/encryption).
- ▶ Being especially careful with market tests, surveys and entering trademarks in online search tools (such as internet search engines).
- ▶ In certain cases it may even be appropriate to keep the trademark application secret (by filing the application via a trustee) until the launch of the product.

We should be aware that the burden of proof that these requirements are fulfilled will most probably lie with the one who wants to enforce his rights in and to the trade secret, therefore documentation should be maintained, showing which measures were taken and that such are usually sufficient and effective.

Who is the “trade secret holder”?

Any natural or legal person lawfully controlling a trade secret may enforce its rights as a “trade secret holder” (Article 2 (2)). This might be the creator of the trade secret, the company or a licensee. It is therefore recommended to conclude (written) contracts with cooperation partners, advertising agencies, designers and whomever else is involved in the process of creating a new brand,

to agree and define who is lawfully controlling this trade secret.

Who is the “infringer”?

This is any natural or legal person who has unlawfully acquired, used or disclosed a trade secret (Article 2 (3)). Not only the use but even the mere acquisition of a trade secret without the consent of the trade secret holder may be considered unlawful. The acquisition of a trade secret without the consent of the trade secret holder will be considered unlawful, whenever carried out by (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; (b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices (Article 4 (2)). In the *Gillette* case² the CJEU already provided some guidelines for the interpretation of “honest commercial practices” in a trademark law context by stating that this constitutes “a duty to act fairly in relation to the legitimate interests of the trademark owner”.

In addition, the use of a trade secret by a third party not directly involved in the original unlawful acquisition, use or disclosure is unlawful, whenever that third party was aware, should have been aware, or was given notice of the original unlawful act (Article 2 (4)).

² CJEU C-228/03, no 41.

Under similar conditions the production, offering or placing on the market of infringing goods (meaning goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed) including import, export or storage for those purposes, will be considered unlawful and may thus be prevented (Article 4 (5)).

And what if we create a new trademark not knowing that the same had been created by someone else before and kept secret?

Under the Directive, no exclusive rights in trade secrets are granted. Any competitor is free to independently acquire the knowledge protected by the trade secret (Article 3 (1)). Therefore, if two companies independently create the same or similar brands without infringing trade secret protection, both may use this information, and the one who applies first for trademark protection will have priority (as usual).

Enforcement and procedural matters

Other core elements of this Directive are the measures, procedures and remedies which EU member states have to provide trade secret holders with in the event of unlawful acquisition, use or disclosure of the trade secret by a third party, i.e.:

- interlocutory injunctions
- precautionary seizure of infringing goods
- prohibition of use or disclosure of the trade secret
- destruction of infringing products
- damage claims (with the possibility of calculating the damages on the basis of hypothetical royalties)
- publicity measures

This will provide a common set of standards for the enforcement of trade secrets across the EU. It will require knowledgeable and forward-thinking minds to bring these standards in line with current legal practice in a considerable number of jurisdictions, partly having very different traditions particularly when it comes to enforcement.

Conclusion

Like any directive, the Trade Secrets Directive also needs transposition into national laws and interpretation by the courts (including CJEU). So we have some years of transition ahead. It is a work in progress, but it is a big step forward in harmonising an increasingly important legal topic for doing business effectively in Europe.

In any event, keeping pre-launch information secret and installing the necessary measures to meet the protection requirements should be included in every trademark strategy.



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(Excerpt)

Agreement on Trade-Related Aspects of Intellectual Property Rights – TRIPS

(Signed at Marrakesh on 15 April 1994)

(...)

Section 7:

Protection of undisclosed information

Article 39

1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices³ so long as such information:

(a) 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) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

(...)

³ For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.



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(Excerpt)

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

(...)

Chapter I

Subject matter and scope

Article 1

Subject matter and scope

1. This Directive lays down rules on the protection against the unlawful acquisition, use and disclosure of trade secrets.

Member States may, in compliance with the provisions of the TFEU, provide for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than that required by this Directive, provided that compliance with Articles 3, 5, 6, Article 7(1), Article 8, the second subparagraph of Article 9(1), Article 9(3) and (4), Article 10(2), Articles 11, 13 and Article 15(3) is ensured.

2. This Directive shall not affect:

- (a) the exercise of the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
- (b) the application of Union or national rules requiring trade secret holders to disclose, for reasons of public interest, information, including trade secrets, to the public or to administrative or judicial authorities for the performance of the duties of those authorities;

(c) the application of Union or national rules requiring or allowing Union institutions and bodies or national public authorities to disclose information submitted by businesses which those institutions, bodies or authorities hold pursuant to, and in compliance with, the obligations and prerogatives set out in Union or national law;

(d) the autonomy of social partners and their right to enter into collective agreements, in accordance with Union law and national laws and practices.

3. Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees. In particular, in relation to the exercise of such mobility, this Directive shall not offer any ground for:

(a) limiting employees' use of information that does not constitute a trade secret as defined in point (1) of Article 2;

(b) limiting employees' use of experience and skills honestly acquired in the normal course of their employment;

(c) imposing any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.

Article 2

Definitions

For the purposes of this Directive, the following definitions apply:

(1) 'trade secret' means information which meets all of the following requirements:

(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

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keep it secret;

(2) 'trade secret holder' means any natural or legal person lawfully controlling a trade secret;

(3) 'infringer' means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret;

(4) 'infringing goods' means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.

Chapter II

Acquisition, use and disclosure of trade secrets

Article 3

Lawful acquisition, use and disclosure of trade secrets

1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:

(a) independent discovery or creation;

(b) 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;

(c) exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices;

(d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.

Article 4

Unlawful acquisition, use and disclosure of trade secrets

1. Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.

2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:

(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;

(b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.

3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

(a) having acquired the trade secret unlawfully;

(b) being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;

(c) being in breach of a contractual or any other duty to limit the use of the trade secret.

4. 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

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another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.

5. 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 within the meaning of paragraph 3.

Article 5

Exceptions

Member States shall ensure that an application for the measures, procedures and remedies provided for in this Directive is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out in any of the following cases:

- (a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;
- (b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;
- (c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;
- (d) for the purpose of protecting a legitimate interest recognised by Union or national law.

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Chapter III

Measures, procedures and remedies

Section 1

General provisions

Article 6

General obligation

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets.
2. The measures, procedures and remedies referred to in paragraph 1 shall:
 - (a) be fair and equitable;
 - (b) not be unnecessarily complicated or costly, or entail unreasonable timelimits or unwarranted delays; and
 - (c) be effective and dissuasive.

Article 7

Proportionality and abuse of process

1. The measures, procedures and remedies provided for in this Directive shall be applied in a manner that:
 - (a) is proportionate;
 - (b) avoids the creation of barriers to legitimate trade in the internal market; and
 - (c) provides for safeguards against their abuse.
2. Member States shall ensure that competent judicial authorities may, upon the request of the respondent, apply appropriate measures as provided for in national law, where an application concerning the unlawful acquisition, use or disclosure of a trade secret is manifestly unfounded and the applicant is found to have initiated the

legal proceedings abusively or in bad faith. Such measures may, as appropriate, include awarding damages to the respondent, imposing sanctions on the applicant or ordering the dissemination of information concerning a decision as referred to in Article 15.

Member States may provide that measures as referred to in the first subparagraph are dealt with in separate legal proceedings.

Article 8

Limitation period

1. Member States shall, in accordance with this Article, lay down rules on the limitation periods applicable to substantive claims and actions for the application of the measures, procedures and remedies provided for in this Directive.

The rules referred to in the first subparagraph shall determine when the limitation period begins to run, the duration of the limitation period and the circumstances under which the limitation period is interrupted or suspended.

2. The duration of the limitation period shall not exceed 6 years.

Article 9

Preservation of confidentiality of trade secrets in the course of legal proceedings

1. Member States shall ensure that the parties, their lawyers or other representatives, court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or who has access to documents which form part of those legal proceedings, are not permitted to use or disclose any trade secret or

alleged trade secret which the competent judicial authorities have, in response to a duly reasoned application by an interested party, identified as confidential and of which they have become aware as a result of such participation or access. In that regard, Member States may also allow competent judicial authorities to act on their own initiative.

The obligation referred to in the first subparagraph shall remain in force after the legal proceedings have ended. However, such obligation shall cease to exist in any of the following circumstances:

(a) where the alleged trade secret is found, by a final decision, not to meet the requirements set out in point (1) of Article 2; or

(b) where over time, the information in question becomes generally known among or readily accessible to persons within the circles that normally deal with that kind of information.

2. Member States shall also ensure that the competent judicial authorities may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret. Member States may also allow competent judicial authorities to take such measures on their own initiative.

The measures referred to in the first subparagraph shall at least include the possibility:

(a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;

(b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons;

(c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted.

The number of persons referred to in points (a) and (b) of the second subparagraph shall be no greater than necessary in order to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.

3. When deciding on the measures referred to in paragraph 2 and assessing their proportionality, the competent judicial authorities shall take into account the need to ensure the right to an effective remedy and to a fair trial, the legitimate interests of the parties and, where appropriate, of third parties, and any potential harm for either of the parties, and, where appropriate, for third parties, resulting from the granting or rejection of such measures.

4. Any processing of personal data pursuant to paragraphs 1, 2 or 3 shall be carried out in accordance with Directive 95/46/EC.



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Section 2 Provisional and precautionary measures

Article 10 Provisional and precautionary measures

1. Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer:

(a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis;

(b) the 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;

(c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.

2. Member States shall ensure that the judicial authorities may, as an alternative to the measures referred to in paragraph 1, make the continuation of the alleged unlawful use of a trade secret subject to the lodging of guarantees intended to ensure the compensation of the trade secret holder. Disclosure of a trade secret in return for the lodging of guarantees shall not be allowed.

Article 11 Conditions of application and safeguards

1. Member States shall ensure that the competent judicial authorities have, in respect of the measures referred to in Article 10, the authority to require the applicant to provide evidence that may reasonably be considered available in order to satisfy themselves with a sufficient

degree of certainty that:

- (a) a trade secret exists;
- (b) the applicant is the trade secret holder; and
- (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.

2. Member States shall ensure that in deciding on the granting or rejection of the application and assessing its proportionality, the competent judicial authorities shall be required to take into account the specific circumstances of the case, including, where appropriate:

- (a) the value and other specific features of the trade secret;
- (b) the measures taken to protect the trade secret;
- (c) the conduct of the respondent in acquiring, using or disclosing the trade secret;
- (d) the impact of the unlawful use or disclosure of the trade secret;
- (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties;
- (f) the legitimate interests of third parties;
- (g) the public interest; and
- (h) the safeguard of fundamental rights.

3. Member States shall ensure that the measures referred to in Article 10 are revoked or otherwise cease to have effect, upon the request of the respondent, if:

- (a) the applicant does not institute legal proceedings leading to a decision on the merits of the case before the competent judicial authority, within a reasonable period determined by the judicial authority ordering the measures where the law of a Member State so permits or, in the absence of such determination, within a period not



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exceeding 20 working days or 31 calendar days, whichever is the longer; or

(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.

4. Member States shall ensure that the competent judicial authorities may make the measures referred to in Article 10 subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the respondent and, where appropriate, by any other person affected by the measures.

5. Where the measures referred to in Article 10 are revoked on the basis of point (a) of paragraph 3 of this Article, where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no unlawful acquisition, use or disclosure of the trade secret or threat of such conduct, the competent judicial authorities shall have the authority to order the applicant, upon the request of the respondent or of an injured third party, to provide the respondent, or the injured third party, appropriate compensation for any injury caused by those measures.

Member States may provide that the request for compensation referred to in the first subparagraph is dealt with in separate legal proceedings.

Section 3

Measures resulting from a decision on the merits of the case

Article 12

Injunctions and corrective measures

1. Member States shall ensure that, where a judicial decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may, at the request of the applicant, order one or more of the following measures against the infringer:

- (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret;
- (b) the 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;
- (c) the adoption of the appropriate corrective measures with regard to the infringing goods;
- (d) the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files.

2. The corrective measures referred to in point (c) of paragraph 1 shall include:

- (a) recall of the infringing goods from the market;
- (b) depriving the infringing goods of their infringing quality;
- (c) destruction of the infringing goods or, where appropriate, their withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question.

3. Member States may provide that, when ordering the

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withdrawal of the infringing goods from the market, their competent judicial authorities may order, at the request of the trade secret holder, that the goods be delivered up to the holder or to charitable organisations.

4. The competent judicial authorities shall order that the measures referred to in points (c) and (d) of paragraph 1 be carried out at the expense of the infringer, unless there are particular reasons for not doing so. Those measures shall be without prejudice to any damages that may be due to the trade secret holder by reason of the unlawful acquisition, use or disclosure of the trade secret.

Article 13

Conditions of application, safeguards and alternative measures

1. Member States shall ensure that, in considering an application for the adoption of the injunctions and corrective measures provided for in Article 12 and assessing their proportionality, the competent judicial authorities shall be required to take into account the specific circumstances of the case, including, where appropriate:

- (a) the value or other specific features of the trade secret;
- (b) the measures taken to protect the trade secret;
- (c) the conduct of the infringer in acquiring, using or disclosing the trade secret;
- (d) the impact of the unlawful use or disclosure of the trade secret;
- (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties;
- (f) the legitimate interests of third parties;
- (g) the public interest; and
- (h) the safeguard of fundamental rights.

Where the competent judicial authorities limit the duration of the measures referred to in points (a) and (b) of Article 12(1), such duration shall be sufficient to eliminate any commercial or economic advantage that the infringer could have derived from the unlawful acquisition, use or disclosure of the trade secret.

2. Member States shall ensure that the measures referred to in points (a) and (b) of Article 12(1) are revoked or otherwise cease to have effect, upon the request of the respondent, if the information in question no longer meets the requirements of point (1) of Article 2 for reasons that cannot be attributed directly or indirectly to the respondent.

3. Member States shall provide that, at the request of the person liable to be subject to the measures provided for in Article 12, the competent judicial authority may order pecuniary compensation to be paid to the injured party instead of applying those measures if all the following conditions are met:

- (a) the person concerned at the time of use or disclosure neither knew nor ought, under the circumstances, to have known that the trade secret was obtained from another person who was using or disclosing the trade secret unlawfully;
- (b) execution of the measures in question would cause that person disproportionate harm; and
- (c) pecuniary compensation to the injured party appears reasonably satisfactory.

Where pecuniary compensation is ordered instead of the measures referred to in points (a) and (b) of Article 12(1), it shall not exceed the amount of royalties or fees which would have been due, had that person requested authorisation to use the trade secret in question, for the



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period of time for which use of the trade secret could have been prohibited.

Article 14 **Damages**

1. Member States shall ensure that the competent judicial authorities, upon the request of the injured party, order an infringer who knew or ought to have known that he, she or it was engaging in unlawful acquisition, use or disclosure of a trade secret, to pay the trade secret holder damages appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret.

Member States may limit the liability for damages of employees towards their employers for the unlawful acquisition, use or disclosure of a trade secret of the employer where they act without intent.

2. When setting the damages referred to in paragraph 1, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the trade secret holder by the unlawful acquisition, use or disclosure of the trade secret.

Alternatively, the competent judicial authorities may, in appropriate cases, set the damages as a lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due had the infringer requested authorisation to use the trade secret in question.

Article 15

Publication of judicial decisions

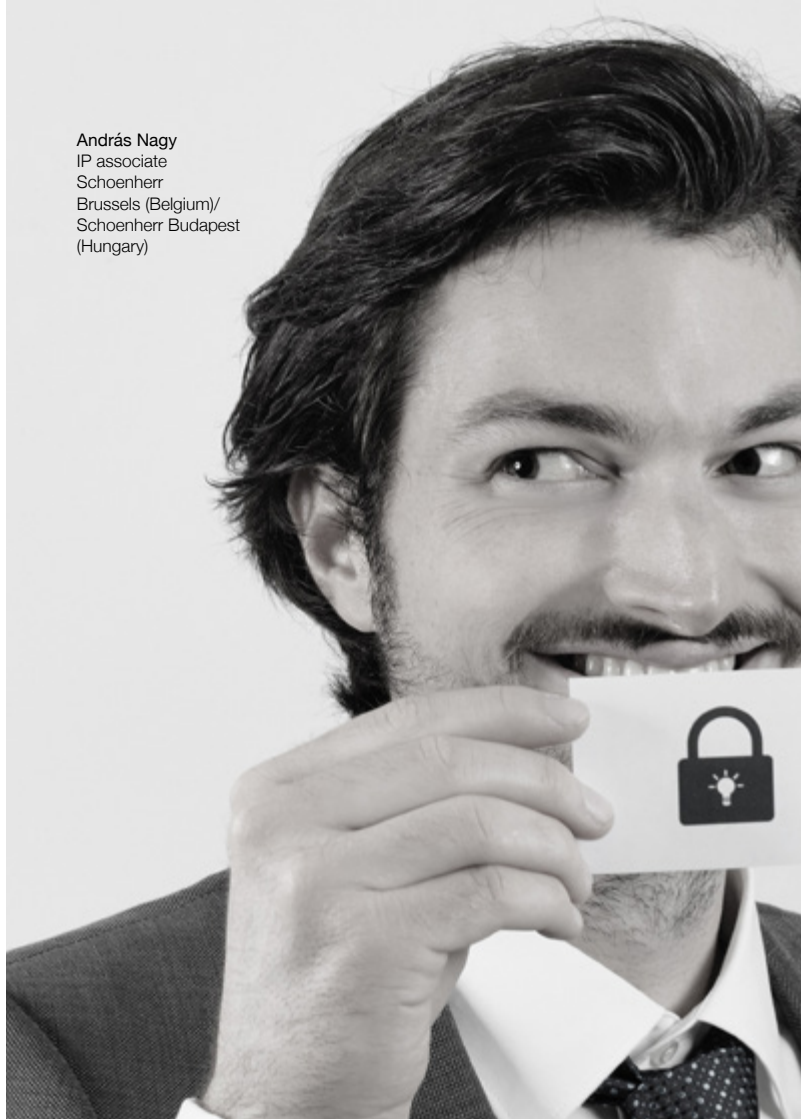
1. Member States shall ensure that, in legal proceedings instituted for the unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the decision, including publishing it in full or in part.


2. Any measure referred to in paragraph 1 of this Article shall preserve the confidentiality of trade secrets as provided for in Article 9.

3. In deciding whether to order a measure referred to in paragraph 1 and when assessing its proportionality, the competent judicial authorities shall take into account, where appropriate, the value of the trade secret, the conduct of the infringer in acquiring, using or disclosing the trade secret, the impact of the unlawful use or disclosure of the trade secret, and the likelihood of further unlawful use or disclosure of the trade secret by the infringer.

The competent judicial authorities shall also take into account whether the information on the infringer would be such as to allow a natural person to be identified and, if so, whether publication of that information would be justified, in particular in the light of the possible harm that such measure may cause to the privacy and reputation of the infringer.

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Chapter IV

Sanctions, reporting and final provisions

Article 16

Sanctions for non-compliance with this Directive

Member States shall ensure that the competent judicial authorities may impose sanctions on any person who fails or refuses to comply with any measure adopted pursuant to Articles 9, 10 and 12.

The sanctions provided for shall include the possibility of imposing recurring penalty payments in the event of non-compliance with a measure adopted pursuant to Articles 10 and 12.

The sanctions provided for shall be effective, proportionate and dissuasive.

Article 17

Exchange of information and correspondents

For the purpose of promoting cooperation, including the exchange of information, among Member States and between Member States and the Commission, each Member State shall designate one or more national correspondents for any question relating to the implementation of the measures provided for by this directive. It shall communicate the details of the national correspondent or correspondents to the other Member States and the Commission.

Article 18

Reports

1. By 9 June 2021, the European Union Intellectual Property Office, in the context of the activities of the European Observatory on Infringements of Intellectual Property

Rights, shall prepare an initial report on the litigation trends regarding the unlawful acquisition, use or disclosure of trade secrets pursuant to the application of this Directive.

2. By 9 June 2022, the Commission shall draw up an intermediate report on the application of this Directive, and shall submit it to the European Parliament and to the Council. That report shall take due account of the report referred to in paragraph 1.

The intermediate report shall examine, in particular, the possible effects of the application of this Directive on research and innovation, the mobility of employees and on the exercise of the right to freedom of expression and information.

3. By 9 June 2026, the Commission shall carry out an evaluation of the impact of this Directive and submit a report to the European Parliament and to the Council.

Article 19 **Transposition**

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 9 June 2018. They shall immediately communicate the text of those measures to the Commission.

When Member States adopt those measures, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 20 **Entry into force**

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Article 21 **Addressees**

This Directive is addressed to the Member States.

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