

# Position Paper

## UEAPME<sup>1</sup> position on the Commission proposal of a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure

### 1. Introduction

UEAPME welcomes the objective of developing a trade secrets proposal. Trade secrets are particularly important to SMEs and start-ups as these often lack specialised human resources and financial strength to pursue, manage and defend their undisclosed business and research know-how. While the development and management of knowledge and information have become ever more central to the performance of the EU economy, the exposure of valuable undisclosed know-how and information (trade secrets) to theft, espionage or other misappropriation techniques has increased and continues to increase.

In addition, there is a lack of generally available public advice and system support for small enterprises during the vindication of claims due to misappropriation of the business secrets or theft of intellectual property rights.

Currently, Member States' legal situations on protection of trade secrets are very diverse, ranging from countries with a very high protection to countries with very little protection. Especially among SMEs, the necessity of protecting trade secrets is completely underestimated. Raising awareness of the risk relating to the non-protection of trade secrets / confidential business information at national, European and international level for companies – but especially for SMEs – is crucial for the acceptance of an EU action by companies.

### 2. Comments on specific Articles of the Directive

The proposed directive, however, contains many ambiguous provisions that must be clarified for it to serve its purpose.

- **Article 2 (4) definitions**

The definition of 'infringing goods' is very vague. It is defined as goods whose design etc. significantly benefits from trade secrets unlawfully acquired, used or disclosed. One way of clarifying this article would be by defining what is meant by "significantly benefits". Even better, would be to have a clear wording, such as: if you infringe trade secrets then the goods are infringing goods, if you do not infringe trade secrets, then your goods are not infringing goods.

- **Article 3 (2) (f) unlawful acquisition, use and disclosure of trade secrets**

The definition "any other conduct which, under the circumstances, is considered contrary to honest commercial practices" is far too vague and needs to be clarified or – even better – deleted.

- **Article 4 (2) lawful acquisition, use and disclosure of trade secrets**

The whole second paragraph of Article 4 is worded too ambiguously. To avoid legal uncertainty this Directive

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<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

needs to be written as precise as possible.

In addition in Article 4 (2) (a) one needs to ensure that not every disclosure of a trade secret to the press or any other media is justified under the rights to freedom of expression and information.

- **Article 6 (2) proportionality and abuse of litigation**

Article 6 (2) (a) does not define what is meant with imposing sanctions on the applicant. This is also not clarified by reading it in conjunction with recital 12. Recital 12 is further mentioning “abusive behaviour by claimants who act in bad faith...” However, it is also undisclosed under which circumstances a case has been initiated in bad faith. UEAPME strongly calls for clarification of this paragraph.

- **Article 7 Limitation period**

Article 7 does not specify the meaning of “the last fact giving rise to the action”. This is also not a common legal term. Therefore, to avoid 28 different national interpretations, this Article needs to be reworded. One possibility would be to completely delete the last part of the sentence “the last fact giving rise to the action”.

UEAPME is also concerned that Article 7 could shorten the limitation period and therefore weaken the current level of protection in some Member States (e.g. Finland). A decline of the current level of protection needs to be avoided.

- **Article 8 preservation of confidentiality of trade secrets in the course of legal proceedings**

Preserving confidentiality of trade secrets in the course of legal proceedings in the court hearings is of utmost importance. Therefore, court hearings need to be restricted to the public. UEAPME welcomes that this important possibility is included in Article 8 (2) (b).

- **Article 13 Damages**

When setting damages, the competent judicial authorities shall take into account all appropriate factors, such as 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 unlawful acquisition, use or disclosure of the trade secret.

However, the competent judicial authorities may also, 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 if the infringer had requested authorisation to use the trade secret in question.

Tort law is based around the principle of full compensation. This provision could, however, be understood to differ from this principle. Unfair profits can of course be taken into account while determining the reasonable compensation for damages but it does not equal to the amount of damage to the trade secret holder as such. We therefore feel that the provision should be clarified to match the principle of full compensation, which excludes punitive damages.

### 3. Conclusion

The proposal of protection of trade secrets / business know how is welcomed as a step into the right direction to protect companies and in particular SMEs from misappropriation of trade secrets / business know how in cross border trade. This however can only be done if the Directive is as precise as possible and if a real harmonisation of rules is reached. Therefore, ambiguous wording needs to be avoided.

The protection of trade secrets / confidential business information at EU level is very delicate as it would be touching national labour and civil and criminal law. Such an initiative must be taken in a way that ensures that the existing balance between those areas of law at national level is well maintained.

Moreover, raising awareness of the risk relating to non-protection of trade secrets / confidential business information at national, European and international level for companies – but especially for SMEs – is crucial for the acceptance of an EU action by companies.

It also needs to be ensured that the current level of protection in Member States will not be lowered by this Directive.

For any further legislative steps at EU level, we urge policy makers to keep the Think Small First principle in mind from the drafting phase of the procedure until its implementation, this means that the draft proposal should not create new obligations for SMEs.

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