



**An Roinn Post, Fiontar agus Nuálaíochta**  
**Department of Jobs, Enterprise and Innovation**

**Consultation on Transposition of EU Directive 2016/943  
on the protection of undisclosed know-how and business information  
(trade secrets) against their unlawful acquisition, use and disclosure**

**June 2017**

## A. Overview

### 1. Introduction

The Department of Jobs, Enterprise and Innovation is seeking the views of interested parties on the transposition of EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure<sup>1</sup>.

The European Commission in its 2020 Strategy suggested that the protection of trade secrets could stimulate innovation, research and development in the EU<sup>2</sup>. In addition, the Commission were concerned that there was insufficient safeguards available for companies within the EU to protect their valuable “know-how” from being disclosed to their competitors or others.

The Trade Secrets and Confidential Business Information in the Internal Market Survey<sup>3</sup> commissioned by the EU in 2013 examined the legal and economic structure of trade secret protection in the European Union. 75% of the companies surveyed stated that trade secrets are important for competitiveness and innovative performance. With the rapid rise of the global information society, increased outsourcing and the increased use of technology the protection of these secrets has become more challenging. Respondents to the survey indicated that the introduction of common EU rules on misappropriation of trade secrets would act as a deterrent and provide for a safer environment for innovation and investment.

#### **What is a Trade Secret?**

A trade secret is a valuable piece of information that companies, researchers and innovators keep secret in order to obtain or keep a competitive advantage and may be technical or commercial in nature. Technical information can be manufacturing processes, recipes, chemical compounds. Commercial information could be customer lists, product launch dates, results of marketing studies etc.

Companies are constantly developing this type of information which can help them to perform better, faster and reduce costs. They can be particularly useful for smaller organisations which may not have the funds to support some of the more traditional forms of intellectual property such as patents.

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<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016L0943>

<sup>2</sup> [http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm)

<sup>3</sup> [http://ec.europa.eu/internal\\_market/iprenforcement/docs/trade-secrets/130711\\_final-study\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf)

Unlike patents, trade secrets can be maintained for an unlimited period of time, they can be broad in scope in terms of the subject matter and they are not subject to high maintenance costs making them particularly suited to certain areas of innovation.

The misappropriation of trade secrets may result in a serious financial loss to companies and innovators. The loss also has the potential to damage wider society as theft of know-how can jeopardise future investment in R&D and innovation. It also undermines trust in knowledge-sharing and technology transfer.

### **EU Response**

In an attempt to harmonise the approach to trade secret protection across the EU and provide a sound legal environment for trade secrets the European Commission introduced a proposal which the European Parliament and the Council adopted on 8 June 2016. Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, aims to standardise the national laws in EU countries against the unlawful acquisition, disclosure and use of trade secrets.

This Directive will enable companies to exploit and share their trade secrets with privileged business partners across the Internal Market, turning their innovative ideas into growth and jobs.

## **2. Objective of Directive**

The objective of EU Directive 2016/943 is to achieve a smooth functioning internal market by means of the establishment of a sufficient and comparable level of redress across the internal market in the event of the unlawful acquisition, use or disclosure of a trade secret.

The protection of these trade secrets has been particularly difficult for companies across the EU due to the substantial differences in the law regarding protection against the misappropriation (e.g. theft or misuse) of trade secrets.

Recital 4 of the Directive outlines the impact on a business when faced with the misappropriation or disclosure of trade secrets whether from within or outside the EU. This theft or economic espionage of a trade secret reduces the ability of the trade secret holder to profit from their innovation related efforts and discourages development and innovation. The lack of effective and comparable legal means to protect trade secrets across the EU can lead to reduced innovative development and undermine the growth potential.

The Directive harmonises the definition of a trade secret and contains provisions to align national legislation to ensure that if competitors steal or otherwise unlawfully acquire or use this information, the victim will be able to defend his/her rights in court and have access to sufficient and comparable civil redress across the EU. The aim is to boost the confidence of businesses, innovators, researchers etc. by providing a legal framework that is conducive to innovation and growth.

### 3. Key Aspects of the Directive

The Directive sets out what constitutes a trade secret and outlines the circumstances for the lawful and unlawful acquisition, use and disclosure of a trade secret. The Directive also provides for measures, procedures and remedies necessary to ensure the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets.

**Article 2** of the Directive includes the definition of a trade secret as being 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 keep it secret.

**Article 3** outlines circumstances where the acquisition of a trade secret is considered lawful, for example:

- independent discovery or creation,
- 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,
- exercise of the right of workers or their representative to information.

**Article 4** outlines circumstances where the acquisition of a trade secret is considered unlawful

- 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 deducted,
- any conduct considered contrary to honest commercial practice.

The use or disclosure of a trade secret is considered unlawful by

- any person without the consent of the trade secret holder who acquired the trade secret unlawfully,
- any person in breach of a confidentiality agreement, or
- any person in breach of a contractual or any other duty to limit the use of the trade secret.

**Article 5** allows for exceptions where the use or disclosure of a trade secret in certain circumstances can be permitted, including:

- right to freedom and expression as set out in the Charter
- for revealing misconduct, wrongdoing, etc.,

- disclosure by workers to their representatives as of the legitimate exercise in accordance with the law.

**Article 6, 7 and 8** provides for measures, procedures and remedies for civil redress, the manner in which they are applied and the time limits to lodge claims.

These measures, procedures and remedies should be

- a) fair and equitable,
- b) not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays, and
- c) be effective and dissuasive.

The measures will be applied in a manner that is proportionate, avoids the creation of any barriers to trade and provides safeguards against their abuse.

The Directive sets out a limit of six years for substantive claims or actions to be filed.

**Article 9** provides for the confidentiality of trade secrets in the course of legal proceedings on the part of individuals involved in the case and the actual trade secret itself.

**Articles 10 and 12** refers to where the unlawful acquisition, use or disclosure of a trade secret has taken place the competent judicial authority may order the infringer

- to cease or prohibit the use or disclosure of trade secret,
- to prohibit the production, offering, placing on the market or use of infringing goods,
- to destroy all or part of any document, object, material, substance or electronic file donating or embodying the trade secret.

The corrective measures may also include recalling the infringing goods from the market, depriving the infringing goods of their infringing quality or the destruction or withdrawal of the infringing goods from the market place.

**Articles 11 and 13** outline the factors that must be considered by the Courts in relation to proceedings under Articles 10 and 12

**Article 14** allows the competent judicial authority to award damages against the infringer at the request of the trade secret holder.

## **B. Implementation of the Directive**

No specific trade secrets legislation currently exists under Irish law. It is understood that disclosure of such confidential information potentially comes within the concept of common law tort of breach of confidence or, in some instances potentially under competition law.

Directive EU 2016/943 is a *minimum harmonisation Directive* dealing specifically with trade secrets as defined in Article 2 and supported by the guidance outlined in Recital (14). The Directive does not, and is not intended to offer protection for all categories of confidential information.

If a person wishes to bring a claim for breach of confidence or misuse of confidential information in respect of information which does not fall within the definition of trade secrets then they may do so and will continue to be able to do so under the existing domestic law.

The transposition is expected to involve new provisions under statute law in the form of Regulations made under the European Communities Act 1972.

Member States are required to transpose its provisions into national law by 9<sup>th</sup> June 2018.

## **Submissions**

Submissions or any observations are welcome in relation to the transposition of this Directive.

Respondents are requested to make their submissions in writing where possible, by e-mail. Submissions to the consultation should be sent to [IPU@djei.ie](mailto:IPU@djei.ie) or posted to:

Trade Secrets Consultation,  
Intellectual Property Unit,  
Department of Jobs, Enterprise and Innovation,  
Kildare Street,  
Dublin 2

The closing date for receipt of submissions is **30 June 2017**. Any queries regarding the consultation should be emailed to [IPU@djei.ie](mailto:IPU@djei.ie) or contact [ann.stapleton@djei.ie](mailto:ann.stapleton@djei.ie).

[A copy of EU Directive 2016/943 can be found here](#)

**Confidentiality of Submissions**

Contributors are requested to note that it is the policy of the Department to treat all submissions received as being in the public domain unless confidentiality is specifically requested.

Respondents are, therefore, requested to clearly identify material they consider to be confidential. Where e-mails include automatically generated notices stating that the content of the e-mail should be treated as confidential, contributors should clarify in the body of the e-mails as to whether their comments are to be treated as confidential.

**Relevant provisions of Freedom of Information Act 2014**

Respondents' attention is drawn to the fact that information provided to the Department may be disclosed in response to a request under the Freedom of Information Act. Therefore, please identify any information you consider commercially sensitive and specify the reason for its sensitivity. The Department will consult with any potentially affected respondent regarding information identified as sensitive before making a decision on any Freedom of Information request.