



Protection of trade secrets according to the EU

In June 2016, the Official Journal of the EU published a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (the “Directive”). The goal of the Directive is to harmonise regulation of trade secrets in the EU and support cross-border investments. The Directive must be transposed to national law by 9 June 2018.

Definition of a trade secret

According to the Directive, a ‘trade secret’ means information that meets 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; and
- c) the person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret.

Unlike the definition contained in Section 504 of the Civil Code, the Directive does not explicitly state such characteristics as competitive significance, indefinability, evaluability or connection to enterprise. The primary characteristic of a trade secret is that it is kept in secret by its holder. This simplified concept is a welcome step, because it makes the holder’s position easier in regards to the burden of proof in a potential dispute with anyone who infringes on the secret.

Know-how

Although it may be implied by the name of the Directive, the Directive does not provide a definition of know-how. The Directive mentions know-how only in its preamble, which is not legally binding. Know-how will therefore only be subject to the provisions of the Directive if it meets the above definition of trade a secret.

Lawful acquisition of a trade secret

The Directive enumerates the means of acquiring a trade secret that are deemed lawful. Basically, these are methods that are in conformity with the principle of fair business conduct. An interesting thing is that, in relation to a trade secret, ‘reverse engineering’ is explicitly allowed (unless otherwise provided in a contract).

Unlawful acquisition of a trade secret

The Directive specifies when acquiring a trade secret is unlawful. Briefly, it is conduct that is contrary to fair business practices. This leaves a lot of operational room for decision-making practices. Furthermore, the law explicitly states when using and disclosing a trade secret is unlawful. In response to criticism of the first draft Directive, the final wording was modified to reduce concerns about any adverse impact of the regulation on investigative journalists or whistle-blowers acting in the public interest.

Legal proceedings

The Directive provides for protecting trade secrets during legal proceedings. The Directive enables, inter alia, a reduction in the circle of persons who will be allowed to take part in court hearings and who will have access to documents containing the trade secret.

Provisional, precautionary and remedial measures

The law provides for regulating the measures a trade secret holder can demand in court proceedings, as well as the conditions for applying them. What can, inter alia, be ordered is to recall infringing goods from the market or destroying them at the expense of the infringer.

Damages

To become liable for damage caused by infringing a trade secret, it is sufficient that it was a fault attributable to negligence. Actual damages and lost profit and, where appropriate, even non-pecuniary harm is to be paid. Alternatively, damages can be determined as a lump sum on the basis of the amount of royalties.

Conclusion

All in all, adoption of the Directive is a positive step in that it guarantees a minimum amount of protection of a trade secret holders' right at the EU level. Notwithstanding the above, it still holds true that parties who wish to make available or obtain information that is a trade secret should conclude a Non-Disclosure Agreement (NDA). They may define not only all in all what kind of information is protected, but may also stipulate the mutual rights and responsibilities and consequences of a potential breach.

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Legislation news

We would like to call your attention the following selected legislation news from the past three months:

Amendment to the Civil Code

The Chamber of Deputies will, in its second reading, debate an amendment to the Civil Code that provides for a range of matters. These matters include: re-introducing a rule allowing fifteen-year-olds to enter into employment contracts as long as the youth has completed his or her mandatory school attendance; limiting a person's legal capacity to five years, with the possibility of extension, instead of the current three years; clarifying that wherever any form of public instrument (notarial deed) is required, it is sufficient if the power of attorney for the legal action is granted in writing with an officially authenticated signature; establishing that if a spouse becomes a co-partner in an enterprise or a member of a cooperative, the other spouse, based on the joint property of spouses, becomes a beneficiary based only on the value of his or her property share, but is not deemed to participate in the enterprise or cooperative, with the exception of housing cooperatives; significant changes in the provisions on trust funds in an attempt to reduce the risk of their being used to legalise the proceeds of criminal activities; and a reduction in the maximum amount of security deposit permitted on rental leases from six to three months' rent.

Employees on supervisory boards

The Chamber of Deputies will debate an amendment to the Business Corporation Act in the second reading. The aim of the draft is to re-introduce compulsory

representation of employees on supervisory boards, which was removed on 1 January 2014. If the amendment is adopted, employees will elect one third of the supervisory board's members in joint-stock companies that have more than 50 employees on employment contracts with working hours exceeding half of weekly working hours.

Advice for holders of EU trade marks

The holders of EU trade marks (formerly Community trade marks) registered before 22 June 2012 that were registered with respect to the whole class name may make a statement by 24 September 2016 that their intention was in fact to apply for protection for products or services beyond those included in the literal meaning of the name of a given class. If they fail to make such statement, their trade mark will be registered only for those products and services that are unambiguously included in the literal meaning of the name of a given class. For example, registering in the "musical instruments" class will in the future not include "conductor's batons.

New public procurement law

On 1 October 2016, a new law on public procurement will go into effect. The new regulations are aimed, inter alia, at harmonising the law with EU law and reducing the administrative demands of the public procurement process. The law contains many partial changes. For example, it is now possible to exclude an applicant who committed serious errors or continually committed errors when implementing a public contract in the previous three years or who engaged in other serious professional misconduct. Further, the new law provides for simplified under-the-threshold proceedings in order to open tender procedures to small suppliers.

New gambling law

On 1 January 2017, a new law on gambling will go into effect laying down the conditions for operating gambling games, measures for responsible gaming and the scope of the powers of administrative authorities in this respect. Where technically possible, the operator will be obliged to offer to set restrictive measures for the gamer. The law introduces a list of natural persons excluded from participation in gambling. Providers connected to the Internet will be obliged to block pages with forbidden games specified in the list prepared by the Ministry of Finance.

