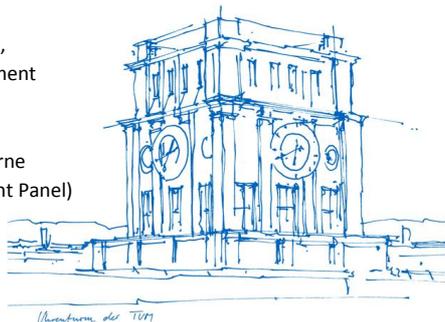


## EU Trade Secret Directive (2016/943) – Transposition into German Law

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### Syllabus

- I. Trade Secret (TS) Protection under German National Law
- II. From Proposal to EU TS Directive (2016/943)
- III. Transposition of EU TS Directive (2016/943) into German Law
- IV. Transposition Deficits
- V. Summary and Outlook on Further Development in Germany

## I. Trade Secret (TS) Protection under German National Law



- Under German Law, trade secret protection always used to be a **cross section issue** (Querschnittsmaterie).
- By and large, protection was granted by means of:
  - **Employee's duty of loyalty** (arbeitsvertragliche Treuepflicht, § 611 BGB) **and**
  - **Supplementary penal provisions** in unfair competition law (§§ 17, 18 UWG); which is linked to BGB tort law (§ 823 BGB).
- Other than e. g. in Swiss Law (Art. 5 schwUWG) – **no specific civil law safeguards existed.**
- On the **remedy side**, the holder of a violated trade secret can claim **injunction, disclosure, abatement and removal**, as well as **damages**.
- In Germany, trade secret law for a long time remained insignificant. Reasons most likely being its nature as a cross section issue and the strength and relevance of German patent law. This is different now, because...

3

## I. TS Protection under German National Law



1. **Enterprises have turned into information societies**, because of which significance and value of information as an asset are rising, **and**
  2. **ALL enterprises hold trade secrets** (by far not only or even those that are technology driven, which often is misperceived) **and**
  3. Technology protection by patents alone becomes increasingly difficult to practice, which is why enterprises are trying to intelligently intertwine the use of patent protection on the one hand and trade secrecy on the other.
- Trade secret cases are always centered around **the same three legal issues**:
    1. Did the allegedly misappropriated or illegally disclosed **information qualify as a trade secret** (and did it thus enjoy legal protection)?
    2. Were **its appropriation or disclosure illegal**?
    3. **Which remedies are available**?
  - Even though obligations laid down in Art. 39 TRIPS always bound (also) all **EU Member States**, no union or harmonized law used to exist - **until the enactment of EU Trade Secret Directive (2016/943) in July 2016.**

4

## II. From Proposal to EU TS Directive (2016/943)



- November 2013: **EU-Commission publishes proposal** for a *Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* – Ms. Jorna (EU-Commission) outlines proposal's basics at GRUR Annual Conference 2013.
- Proposal's development progresses remarkably slow; reason are (unofficial) *Trilog-Negotiations* between Council, Parliament und Commission, that could not happen before the presentation of the EU-Parliament's judiciary committee (Rechtsausschuss) in June 2015, i. e. in the last four months of 2015.
- Upon conclusion of *Trilog-Negotiations* **Directive** is being published on 15 June 2016 in EU's Official Journal and **enters into force on 5 July 2016**; more than 2.5 years(!) after presentation of the directive proposal.
- **At least: directive's basic concepts** had been known in Germany since the GRUR Annual Conference 2013 – as in other member states.

5

## III. Transposition of EU TS Directive (2016/943) into German Law



- **Transposition deadline** is **9 June 2018** (Art. 19 Directive).
- For Germany **this time frame creates a problem**, because the federal election for the 19th German Bundestag has been scheduled for September 2017. According to the **"Discontinuity Rule"** (Grundsatz der Diskontinuität) that governs the German legislative process parliamentary bills (eingebrachte Gesetzentwürfe) expire at the end of the legislative period, and a transposition before the election is unrealistic.
- The best option seems to **prepare a legislative draft** (Referentenentwurf) **now**, but **to table it only once the** (then elected) **19th Bundestag** will have been constituted.
- Still unclear (March 2017) and open is the conceptual approach of said transposition. Basically, there are **two options**:
  - **maintain the nature of trade secret protection as a cross section issue** in statutes, that address trade secret protection (UWG, HGB, AktG, GmbH etc.)
  - **consolidate the issue** in a special statute, e.g. a "GeheimnisSchG"

6

### III. Transposition of EU TS Directive (2016/943) into German Law

- This regulation technique is more than a formality. Rather, it is linked to content, e. g. the dealing with whistleblowers, which is of political complexity.
- My personal assessment is that the better reasons speak for the creation of a separate German Trade Secret Act – with the option of tying together all aspects concerned.
- **BUT:** whether all disputed issues can be resolved within the transposition period, is doubtful; especially because a statutory definition of privileged whistleblowing would have to be found, which would need to define the exceptions that in the public interest were to take place from obligations under labor law (Arbeitsrecht) or the law of civil servants (Beamtenrecht).
- Things are not made easier by the fact, that the labor law part of whistleblowing resorts with the Federal Ministry of Labor and Social Issues (Bundesministerium für Arbeit und Soziales), not with the Federal Ministry of Justice and Consumer Protection (Bundesministerium für Justiz und Verbraucherschutz), as the rest.
- In order to avoid infringement proceedings one could think of an elevated form of **preliminary ruling** (Vorabregelung). Its consolidation then could follow later.

7

### IV. Transposition Deficits

- Directive does **not regulate trade secret protection comprehensively**: Significant questions will continue not to be standardized within the EU.
- **Examples:**
  - No clarification of **trade secrets' legal status** (in German law there is a dispute whether trade secrets are “absolute rights” according to § 823 I BGB).
  - **Whistleblowing** shall not be a trade secret violation, because according to Art. 5 Directive disclosure of trade secrets is admissible, if in the public interest. → but **when is disclosure in the public interest?**
  - In Germany **trade secrecy in (civil) trial** is insufficient, especially because there is no protection against access by opponent. Directive leaves this problem unsolved → this **puts Germany as a forum at a disadvantage**.

8

#### IV. Transposition Deficits



##### ➤ Examples (cont'd):

- Sanctions and claims to compensation in Art. 12 bis 15 Directive have been modeled after the Enforcement Directive.
- Remarkable is the even stronger adherence of Art. 14 Directive to the trifold damage compensation (**dreifache Schadenersatzberechnung**) as known from Germany → nevertheless, an approximation of damage awards within the EU is not to be expected, because even the enforcement directive has not yielded that effect, see only the considerable differences between Germany and France.

9

#### V. Summary and Outlook on Further Development in Germany



- Germany must transpose the Directive into national law until 9 June 2018.
- Preferable seems the creation of a German **Geheimnisschutzgesetz**.
- In terms of timing, a considerable problem lies in the election of the 19<sup>th</sup> Bundestag in September 2017. It thus seems advisable to proceed in two steps: **create a legislative draft** (Referentenentwurf) **that then will be tabled in the newly elected 19<sup>th</sup> Bundestag**.
- Before then end of the transposition deadline the **issue of whistleblowing** cannot be solved. In order to avoid infringement proceedings, **a transitory solution** will have to be found .
- Until today, practice is unsure what **reasonable steps under the circumstances ... to keep it secret** shall be. Because it is these that will secure the quality of internal know-how as trade secrets, Art 2 (1) c Directive.

10

## V. Summary and Outlook on Further Development in Germany



- Open remains the **legal status of trade secrets**.
- Open remain the labor law parts of whistleblowing and the protection of trade secrets in civil trials.
- Little effect the rules on damage calculation will yield. It seems unlikely that they will lead to an approximation of damage awards.
- For Germany the improvement of trade secret protection in civil trials, namely from the opponent, remains to be desired; such a structural disadvantage a world export champion should not allow itself!
- **Improvements** are to be expected for **bases for claims as well as remedies**: besides **claims for injunction, disclosure, removal, and damages** there will also be claims for **recall and destruction**.

11

**Thank you very much for your attention!**

