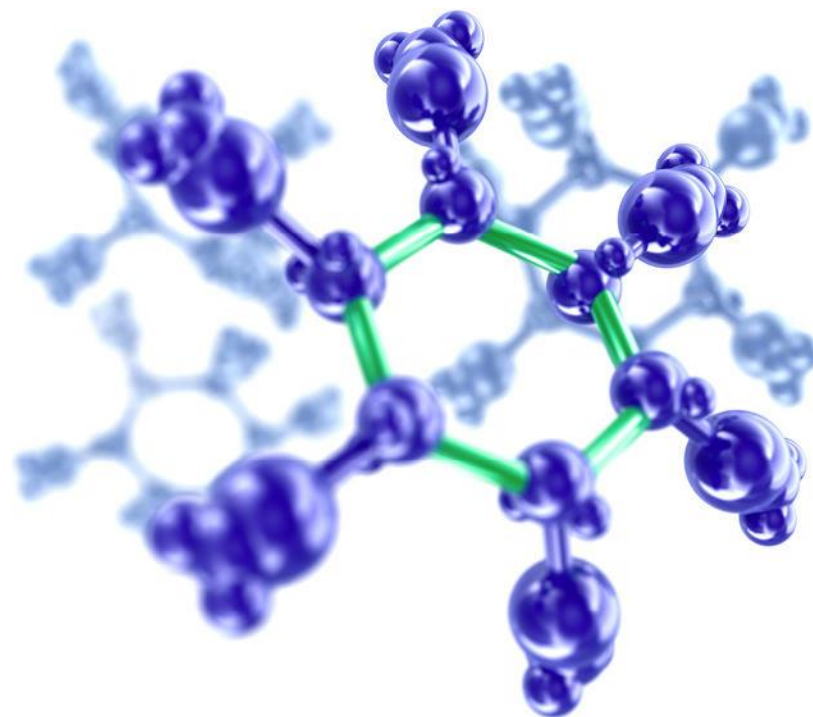


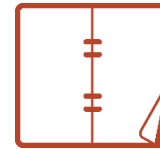
Protecting trade secrets in the Benelux

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Overview of today's session

- Introduction:
 - Background EU Trade Secrets Directive
 - Legal framework Benelux before the Directive
- Part I – Overview
 - Evolution of the Directive: legislative process
 - Key points of the Directive
 - Legal framework Benelux after the Directive
- Part II – Going further
 - General: Measures and remedies in the Benelux
 - Confidentiality in proceedings in the Benelux
 - Tips and tricks
- Q&A



Introduction: Background EU Trade Secrets Directive



- Trade secrets are valuable business assets to companies
- Threat of misappropriation and unfair competition has been accentuated recently by the globalisation of markets and the ever growing digitalization
- National divergences are impairing cross-border R&D and the circulation of innovative knowledge – holders of TS face difficulties to enforce their rights in the EU – higher costs for protecting it
- Trade secrets are relatively weakly protected in almost all EU member states



Introduction: Background EU Trade Secrets Directive



- Global Fraud Report, Kroll
 - 2012 : **18 %** of companies reported theft of information (GFR 2013)
 - 2013 : **25 %** of companies reported theft of information (GFR 2014)



Factors: (1) Globalisation and fierce competition; (2) outsourcing, increased use of external consultants, longer supply chains; (3) increased use of ICT; (4) increased job mobility

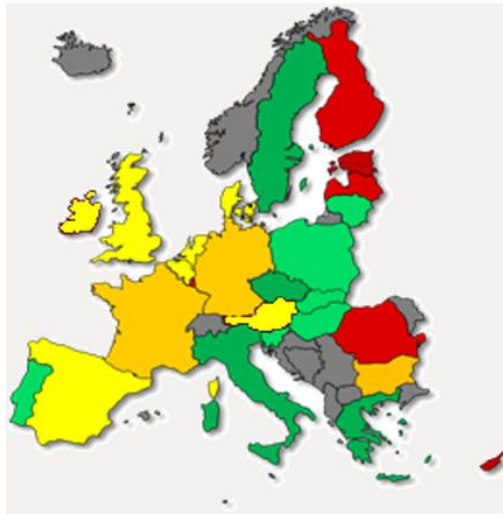
- As a consequence:
 - 2012 Industry Survey: 40% of EU companies refrain from sharing TS with other parties because of fear of losing confidentiality;
 - 2013 Public Consultation: for more than 50% of business different national rules result in less incentives to undertake R&D activities in a cross-border context



Overall objective of the Directive :

« *To ensure that there is a sufficient and consistent level of civil redress in the internal market in the event of unlawful acquisition, use or disclosure of a trade secret.* »

[Recital 10]



Green: definition of TS and meaningful remedies

Yellow: no definition of TS but possible remedies (under the general provisions on extra-contractual liability or under common law)

Red: no definition of TS and no meaningful remedies



Previous legal instruments :



- Article 1382 Civil Code
Tort law
- Article 17§3 Employment Agreements Act:
Prohibition for each employee to disclose secrets obtained during the employment
- Article 309 Criminal Code:
Prohibition to disclose secrets obtained in the factory
- Article VI.104 Code of Economic Law
Prohibition of unfair commercial practices

Previous legal instruments :

- Article 6:162 Civil Code:
Tort law
- Article 7:611 Civil Code
Obligation employee to act as a good employee
- Article 7:678(i) Civil Code:
Liability employee who discloses particulars of the business of the employer which he should have kept confidential
- Articles 272/273 Criminal Code:
Liability for trade secret violation committed on behalf or for the benefit of a company

Legal framework in Luxembourg before the Directive



- No formal definition → defined by case law and refers to information having the following characteristics:
 - Known by a limited number of persons who want to keep it secret;
 - Concerns a commercial or industrial company;
 - Disclosure may damage its owner
- No specific regulation but:
 - Criminal law, art 309 of the Criminal Code → material element and moral element (malicious intent)
 - Civil liability → general obligation towards anyone to repair damages caused by his/her fault (misconduct + injury + causal link)
 - Unfair competition law, art 14 of the Unfair Competition Law → most relevant for litigation between competitors

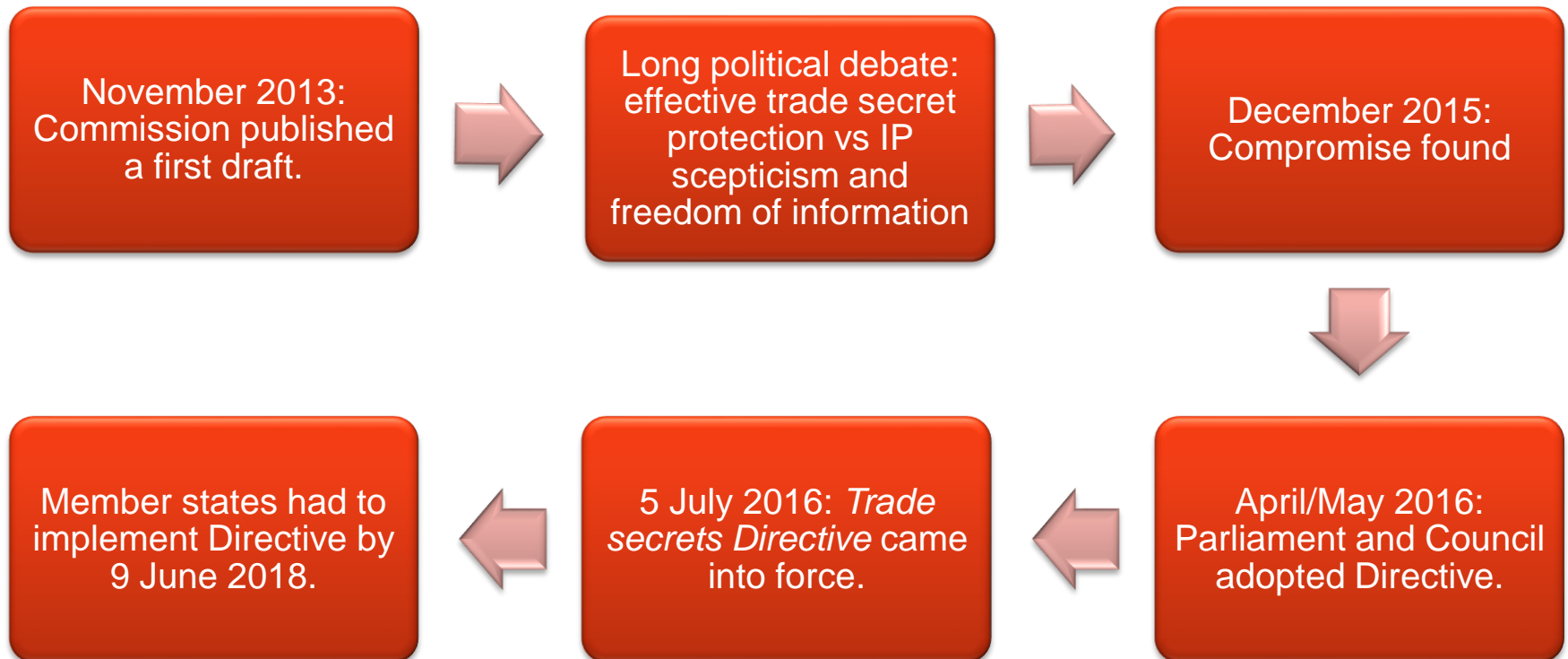
→ Not effective as there were no adequate measures to protect trade secrets and to prove violations.

PART I – OVERVIEW

- Evolution of the Directive: legislative process
- Key points of the Directive
- Legal framework Benelux after the Directive



Evolution of the Directive: Legislative process





Unification of...

1) **Definitions**, in particular definition of a **trade secret**

= *Information which...*



- a) *is **secret** = **not 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,*
- c) *has been subject to **reasonable steps** under the circumstances by the person in control of the information **to keep it secret.***



Unification of...

2) Unlawful acts

- Acquisition = (i) unauthorized access, appropriation or copying, or (ii) any other conduct contrary to honest commercial practices.
- Use or disclosure = (i) following an unauthorized acquisition, or (ii) in breach of a confidentiality duty or a limitation of use.

3) Lawful acts and Exceptions

- Reverse engineering
- Freedom of expression and information
- Whistleblowing
- Workers' rights





Unification of...

4) Remedies and procedures

- a) General principles
- b) Provisional and precautionary measures
- c) Measures resulting from a decision on the merits (injunctions and corrective measures)





a) General principles

- Appropriate measures against abusive actions
- Limitation period: Not more than 6 years

- **Confidentiality in proceedings** relating to the unlawful acquisition, use or disclosure of a trade secret => **Courts may** (on a duly reasoned application by a party):
 - **Prohibit** all persons involved **to use or disclose** a trade secret
 - **Restrict access to documents** to a limited number of persons
 - **Restrict access to hearings** to a limited number of persons
 - **Restrict publication** of court decisions

- One person of each party + lawyers always need to have access
- Preservation of the secrets vs due respect for the rights of defence





b) Provisional and precautionary measures

- Cease and desist order
- Prohibition to produce, offer, place on the market or use of infringing *products* (or import, export and storage for those purposes)
- Provisional seizure of infringing goods
- Alternative: Guarantees in exchange for a continuation of use (but not for a disclosure!)





c) Measures resulting from a decision on the merits

- Cease and desist order
- Prohibition to produce, offer, place on the market or use of infringing *products* (or import, export and storage for those purposes)
- Recall and withdrawal from the market of infringing goods
- Destruction of all documents and media containing the secret or delivery to trade secret owner
- Destruction of all infringing goods or delivery to the trade secret owner
- Exceptional alternative: Pecuniary compensation





c) Measures resulting from a decision on the merits (continued)

- Damages (lost profits, unfair profits made by the infringer, moral prejudice, hypothetical license fee)
- Dissemination of information about court decision, publication of court decision



Overview: legal framework in Belgium after the Directive



Introduction (by Trade Secrets Act) of new provisions in:

- the Code of Economic Law (« CEL »);
- the Judicial Code; and
- the Act of 3 July 1978 on employment contracts



Overview: legal framework in the Netherlands after the Directive

New separate legal act:

- the Trade Secret Act (Wet bescherming bedrijfsgeheimen)

Introduction of new provisions in:

- the Code of Civil Procedure
- the Civil Code

Overview: legal framework in Luxembourg after the Directive

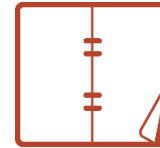


New separate legal act

- Draft law N° 7353 on the protection of undisclosed know-how and commercial information (trade secrets) against unlawful acquisition, use and disclosure
- The project was submitted on 13 August and is still under discussion. Opinion of the State Council was given on 18 February and a rapporteur was appointed on 14 March

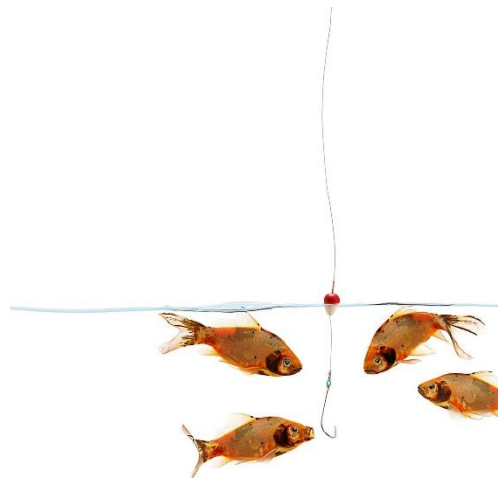
PART II – GOING FURTHER

- Measures and remedies in the Benelux
- Confidentiality in proceedings in the Benelux
- Tips and tricks





- **Competent courts:** (President of the) Commercial Courts, « without prejudice to the jurisdiction of the Labour Courts »
- **Time-limit for court actions:** 5 years / 20 years
“without prejudice to article 15 of the Act of 3 July 1978” (=1 year after termination of the employment contract or 5 years after the facts (but in any case 1 year after termination of the employment contract))
- **Preliminary measures:** article 584 Judicial Code
- **No counterfeit seizure**



Confidentiality in proceedings in Belgium



- **Not limited to legal proceedings relating to** the unlawful acquisition, use or disclosure of **a trade secret**: also other proceedings in which a trade secret is invoked as a remedy
- Belgian courts can also take measures **on their own initiative**
- **“A limited number of persons”** in Directive replaced by **“the persons or categories of persons explicitly appointed by the court**
- **Sanctions:**
 - Fines of 500 to 25.000 EUR
 - Compensation for damages
 - Penalty payments (« dwangsommen »)



Going further: Measures and Remedies in the Netherlands



- **Competent courts:** Civil Court / Preliminary Relief Court
- **Time-limit for court actions:** 5 year / 20 years
- **Preliminary measures:** Article 5 Trade Secrets Act
- **Counterfeit seizure:** Is possible as preliminary measure
- **Reimbursement of legal costs:** art. 1019ie Code of Civil Procedure
 - The court can order reimbursement (1019h Rv: *will* order)

Confidentiality in proceedings in the Netherlands



- **Not limited to legal proceedings relating to trade secret infringement:** also other proceedings in which a trade secret is involved
- The court can determine that **access** to the trade secrets is **only granted** to (at least):
 - In trade secret proceedings: 1 person of the party and its lawyer/representatives (confidentiality club)
 - In other proceedings: the lawyer/representatives (External Eyes Only confidentiality club)
- An **informal request** from one of the parties for confidentiality is sufficient
- The court can take **all measures** during the proceedings to guarantee the confidentiality of a trade secret
- **Sanction:** Penalty payments

Going further: Measures and Remedies in Luxembourg



- **Competent courts:** District Court, Commercial Chamber
- **Time-limit for court actions:** 2 years as from the moment the holder of the trade secret has knowledge or is presumed to have reasonably known of the unlawful acquisition, use or disclosure of the trade secret and where he knows or is reasonably presumed to know the identity of the offender.
- **Preliminary measures:** interim order, District Court
 - Cessation or prohibition of the use or disclosure of the trade secret on a provisional basis
 - 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
 - Seizure or delivery of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.

Going further: Measures and Remedies in Luxembourg



- **Preliminary measures:** interim order, District Court
 - Court will evaluate such request
 - Is there a trade secret
 - Is the applicant the trade secret holder
 - Has the trade secret been acquired unlawfully, is it being unlawfully used or disclosed, or unlawful acquisition, use or disclosure of the trade secret is imminent.
 - And its proportionality
 - Value of the trade secret
 - Measures taken to protect the trade secret
 - Impact of the unlawful use or disclosure of the trade secret
 - Legitimate interest of the parties
 - Impact of the granting / rejection of the measures
 - Public interest
 - ...

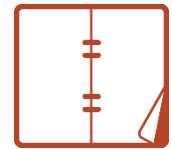
Confidentiality in proceedings in Luxembourg



- **Preservation of the confidentiality** during the legal proceedings and after it has ended for court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of trade secrets.
 - Except if the alleged trade secret does not meet the requirements to be considered as such by a final Court decision.
 - Except if, over time, the information becomes generally known among or readily accessible to persons within the industry = becoming public
- **Specific measures** necessary to preserve the confidentiality can be taken, upon reasoned request by any party or ex-officio by the judge:
 - Restricting access to documents
 - Restricting access to hearings
 - Making available non-confidential version of judicial decision
- **Publication of the legal decision** can be requested by any of the parties only if it contributes to stop the infringement.

PART II – GOING FURTHER

Tips & Tricks for protecting trade secrets in the Benelux





- **Contractual means:** *e.g.* confidentiality and non-compete provisions
- **Technical means:** *e.g.* access control, password protection, encryption, locked rooms, safes, security system for the company premises etc.
- **Organizational measures:** *e.g.* a "Know-how Protection Policy", limiting the number of knowledge holders, access to information only on a "need-to-know" basis, classification of information ("Confidential", "Strictly confidential", "Top secret"), trainings, exit-interviews etc.

Tips & tricks for protecting trade secrets in the Benelux



CMS Online-Tool: www.know-how-protect.com

The screenshot shows a web browser displaying the CMS International website. The page is titled "Test your Know-how Protection" and is part of an online questionnaire. The navigation menu includes "About Us", "Expertise", "Lawyers", "News & Media", "Events", "Online Services", "Career", and "Alumni". The "Online Services" menu item is highlighted. The main content area features a large image of a keyhole and a key, with the text "Test your Know-how Protection" and a "Next" button. A question is displayed: "Does your company have a concept for identifying know-how, apart from intellectual property rights (such as patents)?" with three radio button options: "Yes", "No", and "I don't know". The right sidebar contains "Contact" and "Brochure" sections. The left sidebar lists various resources like "Newsletters", "CMS App", "CMS Blog", "CMS E-Guides", "CMS Tweets", "RSS Feeds", "Law-Now", "RegZone", "Deployment of external staff", and "Know-how Protection" with sub-links for "CMS helps" and "Questionnaire".

Home > Online Services > Know-how Protection > Questionnaire

Test your Know-how Protection

Thank you for your interest and welcome to our online questionnaire

With our online risk analysis tool, it takes just ten minutes to find out whether your company needs to take action to protect its know-how.

Does your company have a concept for identifying know-how, apart from intellectual property rights (such as patents)?

Yes

No

I don't know

Next

Contact
If you have any questions about Know-how Protection please send them to contact@cms-hs.com.

Brochure
• [Know-how Protection - Changes. Risks. Solutions.](#)

Newsletters
CMS App
CMS Blog
CMS E-Guides
CMS Tweets
RSS Feeds
Law-Now
RegZone
Deployment of external staff
Know-how Protection
CMS helps
[Questionnaire](#)

Tips & tricks for protecting trade secrets in the Benelux



CMS Online-Tool: www.know-how-protect.com

The screenshot shows a web browser displaying the CMS website. The page is titled "Test your Know-how Protection" and shows the results of a questionnaire. The results are displayed in a table with three rows, each representing a different area of protection. The first two rows have a red light, indicating a need for improvement, while the third row has a green light, indicating good performance.

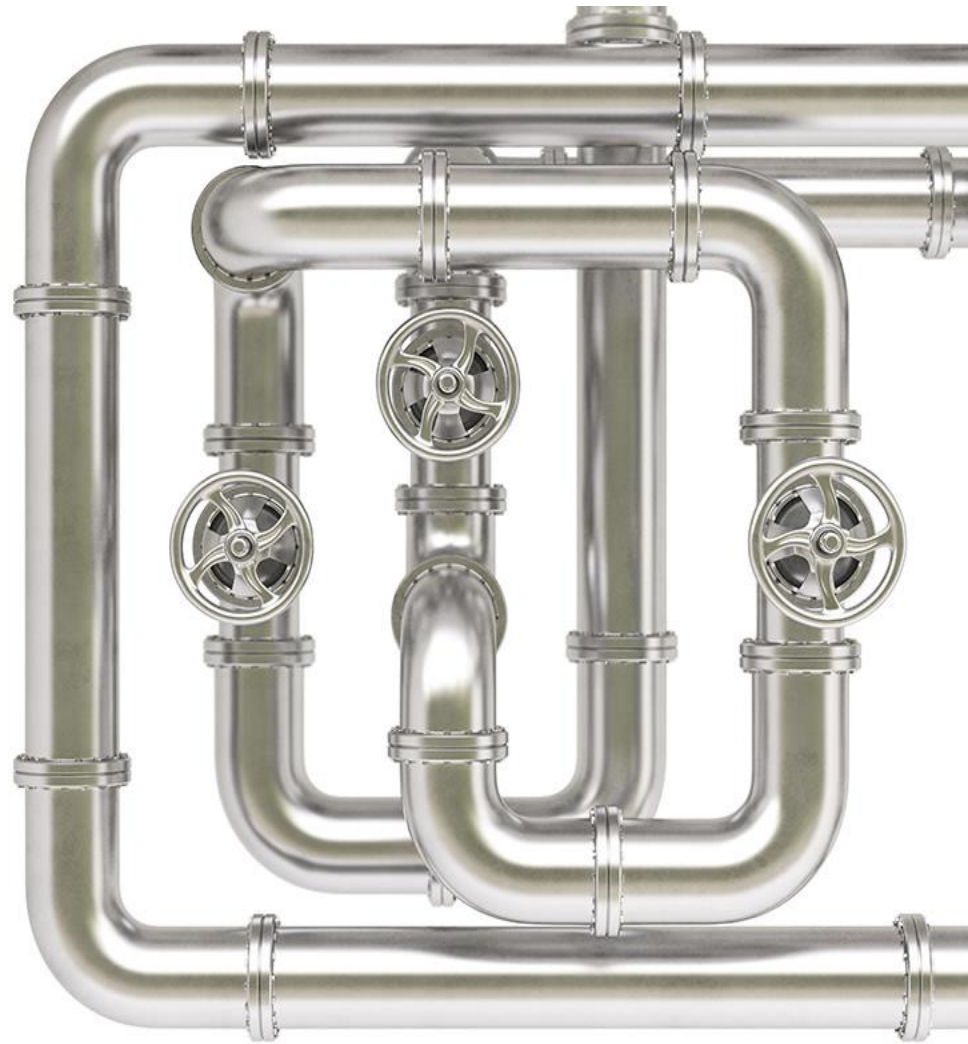
Area	Result
Prevention/Organisation Your company's organisational measures for protecting know-how reveal certain weaknesses. It is essential that you comply with all the measures listed to ensure that your know-how is adequately protected and that the more stringent requirements proposed by the EU are met.	Red light
Contract management/Compliance Your current measures in relation to contract management and compliance are inadequate. The impending EU Directive on know-how protection requires proof of specific protective measures with regard to identified know-how. The contractual protection should be extended to cover other areas and specifically adapted to your organisation's needs.	Red light
Assertion of claims Your company appears to be familiar with the measures required to assert your rights following an unlawful outflow of know-how. As such, it seems well equipped to handle legal disputes in this area.	Green light

Thank you for participating.

Any loss of valuable know-how due to industrial espionage or disclosure of secrets can have serious financial consequences. This makes it all the more important to be properly prepared to deal with the legal aspects of such a

Q & A

NOW WE
ANSWER
YOUR
QUESTIONS



Q & A



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