

Employment Issues Under the European Trade Secrets Directive: Promising Opportunity or Burden for European Companies?

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1. INTRODUCTION

In June 2016, after more than four years of deliberations, the European legislator introduced the Trade Secrets Directive (TSD).¹ The TSD had to be implemented into the national laws of the EU Member States by 9 June 2018 and marks a milestone of EU legislation as the first attempt to comprehensively harmonize the legal framework on trade secret protection in Europe.² Employment relationships are significant risk factors endangering the confidentiality of sensitive business information.³ Employees do not only create and process confidential information for their employers but regularly have access to such information within their everyday work. Possible scenarios of (unlawful) trade secret disclosures by employees include the unintended disclosure by accident or due to a lack of awareness within their daily work or the intended disclosure during or after the termination of an employment relationship, such as to a new employer in the same industry field.⁴ As regards the latter the interest of companies to keep their sensitive information confidential often collides with the interest of employees to further apply their knowledge and pursue their careers within their areas of specialization. Despite this striking divergence of interests and the significant importance of employment relationships for the effective protection of trade secrets, the TSD specifically only touches these issues.

This article focuses on the provisions of the TSD and intends to provide an overview of certain legal consequences for the protection of trade secrets by European companies in relation to (1) the contractual and legal relationship with existing employees, (2) the termination of employment relationships and post-employment implications, as well as (3) the employment of new employees from competitors.⁵

The protection of trade secrets can be considered as a prerequisite for the continuous growth and success of European companies as well as the general (technological) advancement and competitiveness of the European economy.⁶ Trade secrets can basically be described as secret information that is of value for its owner because of its secrecy. Trade secrets must be differentiated from other (registered) intellectual property rights, such as patents, designs or trademarks. They are not publicly registered and do not grant the trade secret owner an exclusive right against third parties. Most legal systems rank trade secret protection as part of unfair-competition law rather than intellectual property law.⁷ However, trade secrets are nevertheless related to intellectual property rights. In particular, they could be considered as a preliminary step or by-product to the intellectual property rights creation. Further, trade secrets could also be maintained as permanent alternative to (registered) intellectual property rights. They do not involve costs for the application or subsequent prolongations with the competent authorities and do not impose risks of disclosure

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1 Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure [2016] OJ L 157/1 (TSD).

2 The international TRIPS agreement (see below) is also addressing trade secrets protection but covers only basic principles, which provide for a relatively low degree of harmonization.

3 Natalja Sosnova, *EU Directive Proposal: Trade Secrets*, 20(1) Marq. Intell. Prop. L. Rev. 45, 76 (2016).

4 Rick Richmond, Kelly M. Morrison & Kathleen J. Covarrubias, *Keeping Your Trade Secrets Secret*, 43(2) Emp. Rel. L. J. 26, 27 (2017).

5 Providing for a similar structure: David W. Quinto & Stuart H. Singer, *Trade Secrets: Law and Practice* 269–294 (2d ed., Oxford University Press 2012).

6 Commission, *Full Impact Assessment Accompanying the Document Proposal for a Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure*, SWD(2013) 471 final, 12–14.

7 Tanya Aplin, *Right to Property and Trade Secrets*, in *Research Handbook on Human Rights and Intellectual Property* 421–437 (C. Geiger ed., Edward Elgar 2015).

during such proceedings.⁸ Especially small- and medium-sized enterprises and start-ups in the research and engineering business often rely on the confidentiality of sensitive information as basis of their existence.⁹

The importance of effective trade secret protection has been acknowledged by lawmakers globally. Back in 1994, the Member States of the World Trade Organization (WTO) entered into the international Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement),¹⁰ which mandates the WTO Member States to ensure the protection of undisclosed information without consent in a manner contrary to honest commercial practices. In addition, the Paris Convention on the protection of industrial property of 20 March 1883 (CUP Agreement)¹¹ provides another international legal framework, which some scholars argue does afford protection to trade secrets.¹² However, the rather vague minimum requirements of the TRIPS Agreement and the CUP Agreement resulted in significant differences in the national levels of trade secret protection, especially within the Member States of the European Union (EU).¹³ The European Commission acknowledged this situation and started to actively engage with the issue of trade secret protection in the EU. In November 2013, the European Commission introduced its proposal for the TSD (together with an impact assessment and implementation plan).¹⁴ The TSD was then enacted in June 2016 after further input from the European Economic and Social Committee¹⁵ and the European Parliament Committee on Legal Affairs.¹⁶ The TSD has been based on two main reasons.¹⁷ On the one hand, it has been argued that the different levels of protection in Europe caused companies to refrain from exchanging confidential information across borders and hindered the proper development of research and innovation. On the other hand, European companies regularly faced competitive disadvantages when their trade secrets are misappropriated.

As regards employment-specific issues, it has been clarified by the European legislator that the TSD shall not limit the employees'

use of experience and skills honestly acquired in the normal course of their employment or impose any additional restrictions on employees in their employment contracts other than in accordance with EU law or national laws.¹⁸ An assessment of the TSD, however, results in a rather unclear situation regarding the rights and obligations of European companies in employment matters.

2. SCOPE OF PROTECTION AND INITIAL ANALYSIS OF THE TSD

Before being able to assess the potential implications on employment matters, it is essential to provide a brief overview of the structure and the functioning of the TSD. From a general perspective, the TSD could be divided into three main parts.

First, the TSD defines the term 'trade secret' and states the requirements for its protection. To be protected as trade secret, information must meet the following three requirements¹⁹: (1) It must be 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. (2) It must have commercial value because it is secret. (3) It has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret. In practice, trade secrets are generally grouped into two main types, namely technical and non-technical (commercial) information.²⁰ Technical information could, for instance, be the outcome or by-product of a research project, which often constitutes the basis for future intellectual property applications. Commercial information regularly concerns information about the business conduct of a company, such as sensitive information about products or services, customers, suppliers, other business partners or certain financial information. Second, the TSD identifies the requirements for trade secret misappropriations under the TSD. In detail, the TSD prohibits the unlawful acquisition, use and disclosure of trade secrets.²¹ An

8 Diogo Pereira Dias Nunes, *The European Trade Secrets Directive (ETSD): Nothing New Under the Sun?*, 2015(1) Lex Research Topics on Innovation 1–3 (2015), <https://ssrn.com/abstract=2635897> (accessed 11 Feb. 2018); Chiara Gaido, *The Trade Secrets Protection in US and in Europe: A Comparative Study*, 24 *Revista La Propiedad Inmaterial* 129, 130 (2018), <https://ssrn.com/abstract=3113580> (accessed 17 Feb. 2018).

9 Commission, *Citizens Summary EU Proposal – Protecting Trade Secrets*, Ares(2016) 56388 (2016) – 06 Jan. 2016.

10 Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 Apr. 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) (TRIPS Agreement).

11 United International Bureaux for the Protection of Intellectual Property (BIRPI) 1968 Paris Convention for the Protection of Industrial Property of 20 Mar. 1883, as revised at Brussels on 14 Dec. 1900, at Washington on 2 June 1911, at the Hague on 6 Nov. 1925, at London on 2 June 1934, at Lisbon on 31 Oct. 1958, and at Stockholm on 14 July 1967 (CUP Agreement).

12 Davide Arcidiacono, *The Trade Secrets Directive in the International Legal Framework*, 1(3) *European Papers* 1073–1085, 1076 (2016).

13 *Ibid.*, at 1075; Gaido, *supra* n. 8, at 135.

14 Commission, *Proposal for a Directive on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure*, COM(2013) 813 final.

15 EESC, *Opinion on the Proposal for a Directive on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure*, [2014] OJ C 226, 48.

16 European Parliament, *Report on the Proposal for a Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure*, Ref. Ares (2015)5920608–17 Dec. 2015.

17 Commission, *supra* n. 14, at 5.

18 TSD, recital 13; TSD, Art. 1 para. 3.

19 TSD, Art. 2 para. 1.

20 Gaido, *supra* n. 8.

21 John Hull, *The EU Trade Secrets Directive: A Case of Form Over Substance*, 15(6) *BSLR* 239, 244–245 (2016).

unlawful acquisition is defined as acquisition without the consent of the trade secret owner (such as by unauthorized access, appropriation or copying) or any other conduct, which is, under the circumstances, contrary to honest commercial practices.²² The use or disclosure of trade secrets is unlawful, if the trade secret has been acquired unlawfully or, if the disclosure or use is conducted in breach of a confidentiality agreement or any other contractual obligation or duty.²³ Third, the TSD provides for specific requirements under which the trade secret owner is entitled to seek legal redress for trade secret misappropriations. According to the TSD, the national courts may impose provisional and precautionary measures, injunctions and corrective measures or grant damage claims.²⁴

An initial review of the TSD provides an overall idea of the scope of protection to be expected by European companies as employers. Substantial issues in employment matters include the questions whether certain disclosed information is protected as trade secret or not and whether the circumstances allow for remedies to be granted to the harmed trade secret owner. Further, it becomes clear that the responsibility is not entirely imposed on the alleged perpetrator but also on the harmed company. Especially, the requirement of trade secrets being subject to reasonable safeguards can result in significant organizational and financial burdens and potentially exclude the availability of remedies, if not considered properly.²⁵

3. EMPLOYMENT ASPECTS OF THE TRADE SECRETS DIRECTIVE

3.1. Major Implications on Existing Employment Relationships

The TSD is generally inspired by the TRIPS Agreement as well as the US legal framework of the Defend Trade Secrets Act.²⁶ Accordingly, the TSD provides that trade secrets must be subject to reasonable steps under the circumstances, by the person lawfully in control of the information. The TSD does not provide further clarification on these requirements. Based on the wording of the TSD, the protection of sensitive information as trade secrets depends on two main requirements. First, sensitive information must be subject to 'reasonable steps' of protection by the trade secret

owner. Second, the scope and extent of such reasonable steps may vary depending on the 'circumstances' on a case-by-case basis.²⁷ According to Hull (2016), reasonable steps to protect trade secrets can be grouped into external and internal measures.²⁸ For external measures, Hull mentioned cybersecurity and database protection safeguards to prevent unauthorized external access. Internally, companies could, for instance, be required to implement physical and electronic safeguards, enter into suitable confidentiality agreements with employees and business partners, implement confidentiality policies and conduct employee education programs or hold exit interviews, which address the importance of confidentiality after the termination of the employment.²⁹ The requirement of reasonable precautions has recently been addressed in a comprehensive article by Richmond, Morrison and Covarrubias (2016).³⁰ In particular, the authors refer to the current US framework and propose a list of possible steps to ensure the proper protection of trade secrets.³¹ From an employment specific perspective, the following proposals deserve a special mention: First, companies should clearly identify confidential information and mark any documentation containing trade secrets.³² Second, companies should enter into (effective) confidentiality and non-disclosure agreements (NDAs) with their employees.³³ Third, the authors suggest implementing need-to-know policies and document destruction policies, limiting the use of personal devices by employees, limiting the physical removal of information, providing for highly visible workspaces and restricting the access to information by visitors and temporary employees.³⁴

However, the TSD does not include further clarifications on the specific scope and extent of such reasonable steps. Further, the TSD is also silent on the circumstances, which may affect the required intensity of such steps. Thus, it will remain in the competence of the national laws of the EU Member States as well as the courts to further clarify these issues. In any case, it must be pointed out that the scope and extent of steps taken by the respective company may also influence the success of potential remedies against alleged misappropriations. In particular, the TSD mandates the EU Member States to ensure that the judicial authorities take the measures taken to protect the trade secret into account when deciding on an

22 TSD, Art. 4 para. 2.

23 TSD, Art. 4 para. 3.

24 TSD, Arts 9–14.

25 Nunes, *supra* n. 8, at 13; Richmond, Morrison & Covarrubias, *supra* n. 4, at 27–28.

26 See Lothar Determann, Luisa Schmaus & Jonathan Tam, *Trade Secret Protection Measures and New Harmonized Laws*, 34(1) *Computer & Internet Law*, 1, 1–2 (2017); David Flint, *Public Secrets*, 37 *Bus. L. Rev.* 153, 153 (2016).

27 As a one size fits all approach might be impractical given the complex aspects involved (See Fabian Junge, *The Necessity of European Harmonization in the Area of Trade Secrets*, Maastricht Faculty of Law European Private Law Institute Working Paper No 2016/04, 56 (2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2839693 (accessed 11 Feb. 2018)).

28 Hull, *supra* n. 21, at 243.

29 *Ibid.*; Sosnova, *supra* n. 3, at 53.

30 Richmond, Morrison & Covarrubias, *supra* n. 4, at 29–32.

31 *Ibid.*

32 *Ibid.*

33 *Ibid.*

34 *Ibid.*

application for relief by a trade-secret owner.³⁵ This applies for provisional and precautionary measures as well as for injunctions and corrective measures. Since the TSD mandates the national courts to consider the efforts conducted by the respective trade secret owner, it can be assumed that companies are more encouraged to implement (and record) such measures to the widest extent possible. The fact that the national courts of the EU Member States will mandatorily need to focus on these efforts can be seen as positive development for the European harmonization in this area.

Another aspect of the TSD in relation to existing employment relationships concerns the so-called 'whistle-blower' exception. EU Member States shall ensure that an application for the measures, procedures and remedies provided for in the TSD is dismissed where the alleged acquisition, use or disclosure of the trade secret was carried out or revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest.³⁶ From a mere business perspective, it can be argued that the whistle-blower exception puts European companies in a rather favourable position. Harmed companies will regularly seek remedies for the public disclosure of their trade secrets from whistle-blowers. Concerned whistle-blowers must oppose to such application and face the burden of proof that their activities are covered by the exception and conducted for the (sole) purpose of protecting the general public interest.³⁷ This approach has been criticized for imposing unreasonable burdens on whistle-blowers and potentially restricting the human right to freedom of expression under the Convention and the Charter.³⁸

3.2. Major Implications on the Termination of Employment Relationships

It is a fundamental interest of companies to maintain the employment relationships with their key employees. In the case that an employment relationship is nevertheless terminated, the (former) employer will be keen on maintaining the confidentiality of information, which has been disclosed to the former employee during the employment and prevent such employee from disclosing or using trade secrets for the benefit of a competitor. Although the TSD seeks to avoid the restriction of workers' mobility and movement,³⁹ it states that it is not intended to affect the possibility of concluding non-competition agreements between employers and employees, in accordance with applicable law.⁴⁰ The issue of post-employment

relationships triggers several significant issues, which could have been included in European harmonization efforts but were not.

As trade secrets are generally not granting an exclusion right towards third parties (such as intellectual property rights), the interest of a trade secret owner to maintain the secrecy of information must typically be pursued by way of contractual arrangements.⁴¹ Common practice established two main contractual bases to reach this objective. On the one hand, the employer and the employee regularly enter into confidentiality or NDAs, which apply during the term of the employment and remain in force after its termination. On the other hand, employers and employees could also conclude non-competition agreements, which prevent the former employee from working in the same industry or same position after the employment agreement has been terminated.

Van Caenegem (2013) addressed the issue of confidentiality agreements and NDAs in an international context and pointed out that courts are reluctant to enforce confidentiality clauses that are expressed in terms that amount to a restraint of trade, especially, in cases where the information covered by the agreement would also include information that already is in the public domain (and which is, thus, no trade secret any more) or general know-how and experience of the concerned employee.⁴² Austrian law, for instance, also accepts the validity of confidentiality agreements and NDAs, but provides for certain limitations on to their enforcement. As damage claims are typically difficult to calculate, practice is regularly including clauses for contractual damages in the case of contract violations. In Austria, contractual damages in employment matters are mitigated by the courts depending on the degree of fault (reaching from mere negligence to intent of disclosure by the employee).⁴³

Non-competition agreements must be viewed more sceptically. Since non-competition agreements are generally preventing the (former) employee from working, they potentially violate the employee's right to free movement. Thus, non-competition agreements are regularly subject to certain limitations provided by EU law, the national laws of the EU Member States and the individual approach by national courts in the field of employee protection. According to Van Caenegem, courts in UK and France are enforcing non-competition agreements, which are reasonably adapted to protect valid interests, principally 'client connection' and genuine trade secrets.⁴⁴ Austrian law, for instance, is considerably stricter on

35 TSD, Art. 11 para. 2 (b); TSD, Art. 13 para. 1 (b).

36 TSD, Art. 5 (b).

37 See Vigijlenca Abazi, *Trade Secrets and Whistleblower Protection in the European Union*, 1(3) European Papers 1061–1072, 1068 (2016).

38 *Ibid.*

39 The objective of ensuring the free movement of workers shall affect the TSD itself but does not limit the possibility of concluding confidentiality and non-compete clauses with employees (Gertjan Kuipers et al., *Keeping It Secret: Start Preparing for the EU Trade Secrets Directive*, 22(1) IP Litigator 24 (2016)).

40 TSD, recital 13.

41 See Nunes, *supra* n. 8, at 3–4.

42 William Van Caenegem, *Employee Know-How, Non-Compete Clauses and Job Mobility across Civil and Common Law Systems*, 29 Int'l J. Comp. Lab L. & Indus. Rel. 219, 230 (2013).

43 S. 38 of the Austrian Employment Act (*Angestelltengesetz*, BGBl 292/1921, as amended).

44 Van Caenegem, *supra* n. 42, at 233.

the validity of non-competition agreements. In detail, non-competition agreements are only accepted, if (1) the termination of the employment agreement has not been caused by fault of the employer, (2) the employee has earned a certain minimum salary, (3) the term is limited to a maximum of one year after the termination of the employment relationship and (4) the scope is limited to the geographical region in which the former employer is pursuing relevant business.⁴⁵ To avoid the repeal of non-compete clauses by national courts, practice developed certain alternative strategies. Van Caenegem explicitly mentioned the common practice of so-called 'garden-leave' clauses in the UK and France.⁴⁶ According to Lazar (2008), garden leave clauses prohibit the (former) employee to work for a specific period of time (usually between three and twelve months) and prevent the employee from accessing or using confidential information but provide for a continuing payment of the salary for the time of the restriction.⁴⁷

Although the national laws of the EU Member States provide for significantly different rules on the validity of confidentiality agreements, NDAs and non-competition agreements in employment matters, the European legislator has not attempted to provide a uniform legal framework and explicitly excluded any impacts of the TSD on contractual arrangements. In their recent article, Lapousterle, Geiger, Olszak and Desaunettes (2015) outline that it has been left to the EU Member States to regulate post-employment contract phases and to provide the respective legal framework.⁴⁸ Scholars have justifiably criticized this approach and qualified the implementation of the TSD as missed opportunity to significantly improve the European legal framework on (effective) trade secrets protection.⁴⁹

3.3. Major Implications on the Establishing of Employment Relationships

Companies are constantly looking for highly qualified and skilled employees. An ideal candidate does not only dispose of adequate education, but valuable experience and know-how for the new employer. Hence, companies are regularly addressing candidates, which used to work for one or more competitors in the past.

The TSD refers to this practice and clarifies that its provisions shall not be considered to limit the freedom of establishment or the free movement of workers or their mobility within the EU.⁵⁰

However, the TSD also causes substantial risks for hiring companies, which could potentially be capable of frustrating the objective to maintain the free movement of employees in Europe. In particular, the TSD provides that the liability for unlawfully acquired trade secrets is not always limited to the direct infringer (the former employee). In detail, the TSD states that the acquisition, disclosure or use of a trade secret shall also be considered unlawful, if a third party knew or ought, under the circumstances, to have known that the trade secret had been unlawfully obtained, directly or indirectly, by another person.⁵¹ The TRIPS Agreement provides for a similar approach, but in a more general manner by subsuming the unintended but faulty acquisition of undisclosed information under 'a manner contrary to honest commercial practices'. Thus, the TSD exceeds the scope of the TRIPS Agreement from the mere acquisition of trade secrets to also include the use or disclosure of such trade secrets.⁵² Practically, it can be argued that this expansion makes a significant difference, as a hiring company could, for instance, use or disclose trade secrets without actually being aware, when the new employee independently acts for the new employer. When analysing the legal position of a hiring company, it should first be assessed whether the candidate is actually introducing trade secrets (or just knowledge and experience). Second, it should be considered that the hiring company must not have intention, but could nevertheless be subject to potential liability, when it 'ought to have known' about the misappropriation.

Whincup (2016) pointed out that the differentiation between trade secrets and mere knowledge and experience of employees could potentially be an area of the TSD where ambiguity remains.⁵³ Knowledge and experience of the employee must be gained 'honestly' and 'in the course of the normal employment' of the employee.⁵⁴ As regard to the general distinction from (fully protected) trade secrets, the TSD does not provide for further clarifications. From the context of the TSD, it can be concluded that potential information gained by the employee and introduced to a new employer can be differentiated into three categories: First, information that does not fulfil the requirements of a trade secret under the TSD (for instance, because it is already in the public domain and/or not subject to reasonable protection). Second, information that does fulfil these requirements, but is considered as

45 Ss 36 and 37 of the Austrian Employment Act.

46 Van Caenegem, *supra* n. 42, at 233–234.

47 *Ibid.*; Wendi S. Lazar, *Employment Agreements and Cross Border Employment – Confidentiality, Trade Secret, and Other Restrictive Covenants in a Global Economy*, 24(2) *Labour Law*. 195 (2008).

48 Jean Lapousterle et al., *What Protection for Trade Secrets in the European Union? CEIPI's Observations on the Proposal for a Directive on the Protection of Undisclosed Know-How and Business Information*, Centre for International Intellectual Property Studies Research Paper No 2015-02, 12 (2015), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2970461 (accessed 18 Feb. 2018).

49 *Ibid.*; Junge, *supra* n. 27, at 47–48.

50 *Ibid.*; TSD, recital 13; TSD, Art. 1, para. 3.

51 Tanya Aplin, *A Critical Evaluation of the Proposed EU Trade Secrets Directive*, King's College London Law School Research Paper No 2014-25, 18–19 (2014), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2467946 (accessed 11 Feb. 2018).

52 TRIPS Agreement, footnote to Art. 39.

53 David Whincup, *How Should Employers Prepare for the EU Trade Secrets Directive?*, *Empl'r's L.* 14–15 (Mar. 2016).

54 Hull, *supra* n. 21, at 245.

mere knowledge and experience of the employee and is therefore excepted from protection. Third, information that qualifies as trade secret and is subject to full protection. Since the TSD also requires the trade secret owner to reasonably protect his trade secrets,⁵⁵ it can further be argued that the trade secret owner should also be obliged to define trade secrets and their differentiation from mere knowledge and experience during the existing employment. Thus, the former employer is regularly required to clearly identify and mark trade secrets during the existing employment relationship. The scope of identified information must meet the general objective of the TSD not to limit the free movement of employees (thus, not be too broad)⁵⁶ and also allow for reverse engineering, which is generally permitted under the TSD subject to certain requirements.⁵⁷

Concerning the potential liability of the hiring company, it must be noted that such liability provides an additional layer of protection for the trade secret owner.⁵⁸ A third-party liability could even be necessary to allow for a general possibility to recover damages from a trade secret misappropriation, as the employee as direct perpetrator is often not (fully) liable under the relevant national laws, either due to the lack of intent (such as in the case of mere negligence) or mitigation by court.⁵⁹ On the other hand, however, it is evident that the potential liability of the hiring company could impose significant organizational and financial burdens.⁶⁰ Although it would be practically difficult for the hiring company to assess whether certain information can be qualified as trade secret of a competitor or mere know-how and experience of the employee (as this should be the responsibility of the former employer during the employment relationship), the hiring company would be required to comply with a certain standard of care during the hiring process and implement measures and processes to identify and avoid the usage and disclosure of foreign trade secrets. Quinto and Singer (2012) analysed the legal position of employers from a US law perspective.⁶¹ They provided a list of possible measures and mechanisms to avoid third-party liability. Such mechanisms include, for instance, an extensive list of documents that could be collected from job applicants (such as employment and termination agreements, confidentiality agreements, professional articles and projects, where the applicant was involved), the obtaining of a written confirmation of the employee not to disclose trade secrets of the former employer, intellectual property rights applications involving the candidate or a detailed transcript of the hiring interview. Although the proposals of Quinto Singer (2012) must be treated with precaution (the requirement to present the employment agreement could itself be qualified as

trade secret misappropriation under the TSD), they could be a suitable starting point for the hiring company.⁶²

In any case, the exact scope and extent of possible measures and processes needs to be asserted on a case-by-case basis. This is specifically implied by the phrase 'ought to have known, under the circumstances' pursuant to the TSD. To solve this situation, it would have been beneficial for the European legislator to directly address this issue. A possible solution could consist in recommendations, guidelines or good practice examples, depending on the sensitivity of the industry or business model of the hiring company or the position for the candidate in question. This could, for instance, be structured as 'traffic-light system', which is considering the involved risk and the potential degree of severity of trade secret disclosures for the harmed company. The implementation of such 'soft-law' measures by the European legislator could then serve as orientation for concerned companies, employees as well as the national courts to ensure a harmonized interpretation of the TSD. This could qualify as first step to eliminate legal uncertainty and support the objective of a harmonized even-level playing field for companies in the EU.

4. CONCLUSION

As a general conclusion, it can be argued that the TSD provides for a reasonable first step to an encompassing legal framework on trade secrets protection in Europe but should not be the end of European consolidation aspirations in this area. The implementation of uniform rules regarding the effective enforcement of trade secrets by the national courts of the EU Member States, for instance, will certainly improve the legal position of European companies as employers. In particular, it can be argued that the TSD provides European companies with legal certainty that the national courts will consider their efforts (reasonable steps) to keep their information secret when deciding on an application for relief by the respective company as trade-secret owner. On the other hand, however, it must also be noted that the TSD excludes certain important matters, such as the governing of post-employment relationships and contractual arrangements between European companies and their employees, which would have been suitable to include in the European harmonization process under the TSD. Although the TSD may further be criticized to provide a rather vague wording (which leaves extensive room for interpretation by the EU Member States and national courts), the implications and practical consequences of the TSD will be revealed after the implementation period has passed.

55 Sosnova, *supra* n. 3, at 52–53; Hull, *supra* n. 21, at 245.

56 Anand B. Patel et al., *The Global Harmonization of Trade Secret Law: The Convergence of Protections for Trade Secret Information in the United States and European Union*, 83 (4) Def. Couns. J. 472, 481 (2016).

57 *Ibid.*, at 476.

58 Nunes, *supra* n. 8, at 12–13.

59 The TSD refers to this issue and provides that Member States may limit the liability for damages of employees towards their employers for the unlawful acquisition, use or disclosure of a trade secret of the employer where they act without intent (TSD, Art. 14).

60 Nunes, *supra* n. 8, at 12–13.

61 Quinto & Singer, *supra* n. 5, at 278–279.

62 *Ibid.*

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