

ICC COMMENTS ON PROPOSAL FOR EU TRADE SECRETS DIRECTIVE

Policy and Business Practices

Summary and highlights

- ICC welcomes proposed directive
- Suggested improvements
 - Definition
 - Clarification of Articles 3 and 4
 - Evidence gathering
 - Damages and costs
 - Limitation period
 - Importation of infringing goods

Introduction

ICC welcomes the Commission's proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. ICC members represent a wide range of industries across the EU. Many of our members rely on trade secrets to protect confidential business information. These companies view the proposed Directive as a much-needed and positive step forward. The current divergence of national rules elevates the business risk in sharing confidential information across borders, and increases the cost of protecting trade secrets in Europe. Greater harmonization of trade secret laws across the EU will make it more efficient for our members to protect their information assets, and will facilitate cross-border R&D activities.

The proposed Directive contains a number of helpful provisions. Among them, we strongly support the requirement that Member States ensure the confidentiality of trade secrets during legal proceedings. The provisions requiring Member States to provide for various remedies against defendants, including injunctions to prevent the use or disclosure of trade secrets or the making, offering, or placing of infringing goods on the market, are also helpful.

Suggestions for improvements

At the same time, we believe that the proposal requires clarifications to ensure as consistent an implementation as possible across the Member States. Certain additions to the proposed Directive would also be necessary to improve the protection of trade secrets. In particular:

- The definition of the term "trade secret" in Article 2 presupposes that the person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret. It would be helpful to clarify in the explanations of the proposal, that the national legislation and jurisdiction should be the benchmark for the interpretation of "reasonable steps".
- Article 3 (e.g. 'honest commercial practices') and Article 4 contain several unclear and open-ended definitions. Their scope could be clarified and better delineated. Article 4 defines, for example, the "lawful acquisition, use and disclosure of trade secrets". It is worth noting that the stated elements are not defined with sufficient clarity and carry the risk of considerably narrowing down the protection of secrets (in particular under items 1(d) "any other practice which, under the circumstances, is in conformity with honest commercial practices", 2(d) "fulfilling a non-contractual obligation" and 2(e) "for the purpose of protecting a legitimate interest"). Similarly, the proposal includes a broad definition of "infringing goods," which encompasses goods and their components whose design, quality, value, manufacturing process or marketing "significantly benefits" from misappropriated trade secrets – without

further clarifying the concept of significant benefit. It would be also helpful if the concept of “significantly benefits” could be specifically clarified in the Directive.

- The proposed Directive introduces a number of helpful procedural and interim measures which will assist trade secret holders to keep their information confidential. However, given that trade secret owners often face difficulties in obtaining sufficient evidence to show misuse of trade secrets and/or to demonstrate damages, it would be useful to have more provisions in the Directive relating to evidence gathering – including provisions allowing civil ex parte search orders. Provisions empowering judicial authorities to compel defendants to present specific evidence to opposing parties, and to order defendants and other third parties to disclose information about infringing goods and/or their distribution chain would also be welcomed.
- Further deliberation on the proposed damages rules to ensure that trade secret holders are adequately compensated for trade secret theft would also be welcome. In particular, the proposed Directive does not appear to impose damages where a party deals in infringing goods, nor does it allow for the seizure of a defendant’s assets in order to preserve the defendant’s ability to pay a judgment or require that unsuccessful parties bear the prevailing party’s legal costs.
- We also note that the limitation period for trade secret actions set out in Article 7 of the proposed Directive is considerably shorter than the current statute of limitation for such actions in some Member States. We would welcome further discussion on this topic to determine the timeframe that strikes an appropriate balance between the interests of all stakeholders. From ICC’s perspective, a limitation period of between three to five years would be reasonable.
- We respect the Commission’s approach that a trade secret is not an intellectual property right. However, there is an urgent need to prevent the importation of infringing goods that have been produced under violation of trade secrets and, therefore, appropriate border measures should be integrated into the Directive. We also note that the Directive is silent on the possibility of actions for the unlawful acquisition, use or distribution of trade secrets taking place outside the EU (e.g., where an EU-established entity has trade secrets stolen in a third country). Permitting trade secret owners to take action in such circumstances is important to address this increasing challenge. We would welcome reflection on possible measures that could be introduced within the Directive without impinging on other areas of EU law and the political challenges this might entail.

ICC looks forward to discussing these and other issues relating to the proposed Directive.

The International Chamber of Commerce (ICC)

ICC is the world business organisation, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote open international trade and investment and help business meet the challenges and opportunities of globalisation. Its conviction that trade is a powerful force for peace and prosperity dates from the organisation's origins early in the 20th century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice. ICC also offers specialised training and seminars and is an industry-leading publisher of practical and educational reference tools for international business, banking and arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on relevant technical subjects. These include anti-corruption, banking, the digital economy, marketing ethics, environment and energy, competition policy and intellectual property, among others.

ICC works closely with the United Nations, the World Trade Organisation and intergovernmental forums including the G20.

ICC was founded in 1919. Today its global network comprises over 6 million companies, chambers of commerce and business associations in more than 130 countries. National committees work with ICC members in their countries to address their concerns and convey to their governments the business views formulated by ICC.