

The EU Directive on the Protection of Trade Secrets and its Relation to Current Provisions in Germany

by Thomas Hoeren*

Abstract: In June 2018, the deadline for the implementation of a new act reforming the trade secret law expired. This contribution examines the underlying EU Directive on the protection of trade secrets (Directive (EU) 2016/943, hereinafter "Directive")

and outlines the differences compared to the current legislation concerning trade secrets in Germany. Furthermore, the legal nature of trade secrets and possible consequences for the industrial practice are illustrated.

Keywords: Know how protection directive; whistleblowing; implementation

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Recommended citation: Thomas Hoeren, The EU Directive on the Protection of Trade Secrets and its Relation to Current Provisions in Germany, 9 (2018) JIPITEC 138 para 1.

A. Introduction

1 Valuable information can leak from a company in several ways; for example, employees with special knowledge leave the company or disclose trade secrets by photographing and storing documents. Further, companies can be victims of cyber-attacks and e-mails can be intercepted and read. The estimated damage caused by industrial espionage amounts to around 50 billion euros per year in Germany.¹ Internationally, the industrialized countries have taken precautions through Article 39 (2) of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. As a minimum standard, the Member States of TRIPS have committed themselves to protect information against unauthorized outflow as long as the information is confidential. Information is assumed to be confidential, if it:

- is not generally known or readily accessible to persons within the usual business circles;
- has commercial value because it is secret; and
- has been subject to reasonable steps under the circumstances to keep it secret.

2 In Germany, a special protection for trade secrets exists in the traditionally criminal law provisions of Sections 17 to 19 of the Unfair Competition Act (UWG). These statutory offenses are sanctioned under civil law as well (section 3 UWG, Section 823 (2) German Civil Code (BGB)). The standards of the UWG had already existed when the TRIPS Agreement became effective. Accordingly, the regulatory objectives of the TRIPS Agreement and sections 17 to 19 UWG are not identical. New challenges occur concerning the proof of the confidential character of information and concerning obligations to provide evidence of appropriate confidentiality agreements. So far, there are huge differences concerning trade secret protection within the European member states.² This persuaded the Commission to initiate

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1 Based on a statement of the former German secretary of the interior Friedrich: <<https://www.handelsblatt.com/politik/deutschland/wirtschaftsspionage-50-milliarden-schaden/8705934.html?ticket=ST-997336-p9E0C0UzIRMxdjfuARTh-ap4>>.

2 See Ohly, in: *Gewerblicher Rechtsschutz und Urheberrecht [GRUR]* 2014, p. 1.

two comparative studies on the protection of trade secrets in the European context in the years 2011 and 2013. The studies came to the conclusion that the protection of secrecy in Europe resembles a patchwork carpet.³ Thereupon, the Commission adopted a first draft of a harmonizing Directive in November 2013.⁴ A common text followed in May 2014, which was adopted by the Council of Ministers. One year later – in June 2015 – the Parliament presented its report on the draft Directive.⁵ Based on the report, the European Commission, the Council and Parliament drafted a proposal through (unofficial) trialogue negotiations, which was published in December 2015.⁶ Finally, the Directive was adopted in June 2016⁷ and was to be transposed into national law by June 2018.⁸ This led to the discussion on the national level regarding whether the protection of trade secrets should be included in a comprehensive set of rules of intellectual property rights,⁹ or at least regulated by a special law.¹⁰ In Germany, the election for the Bundestag caused a discontinuity of the preliminary drafts of the former coalition. Thus, the Federal Ministry of Justice

(BMJV) was required to reintroduce a draft bill into the parliamentary debate. It was certain that the deadline of implementation, which was June 2018, could not be met. It is now clear that the ministry plans an implementation by creating a special law, implementing sections 17 to 19 of the UWG.¹¹

B. Regulatory objectives

- 3 The Directive aims to harmonize the various existing national rules.¹² It is supposed to serve as a complementary or alternative measure to intellectual property rights (recital 2). The Directive does not determine its relation to the UWG (recital 10). Besides, the Directive is supposed to contain only a minimum standard of harmonization for now¹³ (Article 1 (1)). It should also be considered that the EU has no competence for criminal law and does not intend to regulate work council constitution law or press law (Article 1 (2)). It is astounding that the Directive does not contain any regulation on private international law. It could be linked to the criminal law, intellectual property rights, or the UWG. This problem of classification underlines that the legal nature of the newly created system is unclear. If the system is classified in terms of intellectual property rights, the Directive applies to all acts of use with reference to the EU. Instead, the UWG asks for the final market intervention or the intended use of the product.

C. The concept and legal nature of trade secrets

- 4 The cornerstone of the Directive is the concept of trade secrets.¹⁴ It is broadly defined, wider than with accordance to section 17 of the UWG.¹⁵ A secret is

3 Study on Trade Secrets and Confidential Business Information in the Internal Market, MARKT/2011/128/D (April 2013), pp.12 f., 23, available at: <http://ec.europa.eu/internal_market/ipenforcement/docs/trade-secrets/130711_final-study_en.pdf>.

4 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, COM/2013/0813 final -2013/0402 (COD), available at: <<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52013PC0813&from=EN>>.

5 Report on the proposal for a Directive of the European Parliament and of the Council on the protection of disclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, available at: <<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2015-0199+0+DOC+XML+V0//EN>>.

6 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 – Analysis of the final compromise text with a view to agreement, available at: <<http://data.consilium.europa.eu/doc/document/ST-15382-2015-REV-1/en/pdf>>.

7 Directive 2016/943/EU from June 6, 2016, ABIL 157 l from June 15, 2016, available at: <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016L0943>>.

8 Kalbfus, in: GRUR 2016, p. 1009; Ann, in: Gewerblicher Rechtsschutz und Urheberrecht-Prax [GRUR-Prax] 2016, p. 465.

9 Mc Guire, in: GRUR 2016, pp. 1000, 1007 ff. with reference to Italy and Portugal.

10 Like in Sweden for instance: Act on the Protection of Trade secrets (1990), available at <http://wipo.int/wipolex/en/text/jsp?file_id=241716>; see also AIPPI Report Q 2010, p. 215; Tonell, in: Kellezl/Kilpatrick/Kobel, Abuse of Dominant Position and Globalization & Protection and Disclosure of Trade Secrets and Know-How 2017, pp. 541 ff.

11 The draft is available at: <http://www.bmjv.de/SharedDocs/Gesetzgebungsverfahren/Dokumente/RefE_GeschGehG.pdf?__blob=publicationFile&v=1>; McGuire, in: GRUR 2016 pp. 1000, 1008 had assumed that section 17 of the UWG must be overruled or changed. Kalbfus in: GRUR 2016, pp. 1009, 1016 pleaded for a general law with civil law provisions and for the incorporation of criminal law provisions especially in the event of intentional form of breaches in this general law.

12 Ann, in: GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT-Prax [GRUR-Prax] 2016, p. 465; Koos in: MultiMedia und Recht [MMR] 2016, p. 224.

13 Different the Commission draft, COM/2013/0813 final – 2013/0402 (COD) (supra note 2); see also Kalbfus/Harte-Bavendamm, in: GRUR 2014, p. 453.

14 Klein/Wegener, in: GRUR-Prax 2017, p. 394.

15 Kalbfus, in: GRUR 2016, pp. 1009, 1011 f. presents a slightly different thesis, according to which the German jurisdiction concerning section 17 of the UWG essentially complies with the Directive. Nevertheless, he considers the transposition

already supposed to be existent if the information is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question. The definition of those circles remains unclear.¹⁶ Even the existence of an outsider or a hacker makes information factually accessible. However, this issue was already known concerning section 17 of the UWG. The jurisprudence based its decisions on whether gaining specific information requires a great expenditure of time and costliness and focused on the perspective of the circle of experts.¹⁷ In addition, the trade secret must embody a commercial value, lying precisely in its secrecy.¹⁸ This is completely unknown to German readers, as section 17 of the UWG neither asks for the value of information, nor the existence of a secret. Instead, the German law has always been based on the requirement of an objectively existing economic interest. Thus, secrets without economical value have been protected on the condition that the disclosure of these secrets can cause damage.¹⁹ The definition is based on Article 39 of the TRIPS agreement. Henceforth, it will be necessary to document the value of information steadily before the courts.²⁰

- 5 On the one hand, this postulates a financial accounting of trade secrets. And on the other hand, a proof of confidentiality must be provided as a status quo. Therefore, one will have to prove the existence of a comprehensive secret management system that goes all the way to encryption of e-mails and IT security.²¹ But that is not all - it must be proven that the information has been subject to reasonable steps to keep it secret (Article 2 (1) (c)). Therefore, proactive and continuous secrecy measures are needed in order to preserve the confidential character of the information. This requires comprehensive, notably long-term measures that are state-of-the-art.²² It is

a novelty in Germany that legitimate confidentiality measures are a requirement of protection. So far, they only played a role in evidence law. The Federal Supreme Court (BGH) had so far decided that a desire for secrecy resulting from the nature of the matter was sufficient and even the absence of any explicit confidentiality agreement was regarded as unproblematic.²³ For this reason, many people are concerned about the meaning of the term “reasonable steps”.²⁴ The Directive does not clarify this concept. It does not require the optimal or most effective protective measures, but appropriate standards of protection.²⁵ Thus, concrete steps have to be defined for the intra-corporate implementation. The first step is to define clear responsibilities for protecting trade secrets within the company. Subsequently, the potentially relevant know-how must be identified and then evaluated and categorized according to the size and industrial sector of the company. Ultimately, precise protective measures must be defined, including special contractual agreements, IT security measures and the organization of workflows.²⁶ In the automotive industry, for example, care is taken to ensure that measures are carried out and audited concerning building technology, information security and organization. The certification of the IT security sector is carried out in accordance with IS. 27001.²⁷

- 6 Moreover, the dogmatic question remains unanswered whether or not the trade secret is recognized as a subjective right, similar to traditional intellectual property rights. The legal nature of trade secrets is highly disputed in Germany.²⁸ The focus lies on the personal attribution of the right and its exclusionary effect, which is rejected by the majority concerning secrets because the character of secrecy can easily disappear.²⁹ Secrecy protection does not intend to grant an exploitation right, but

of the Directive into a special German law as necessary.

- 16 McGuire, in: GRUR 2016, p. 1000 with the main proposal for embedding the protection of secrecy into the system of intellectual property.
- 17 BGH (Federal Supreme Court) Feb. 12, 1980, KZR 7/79, Wettbewerb in Recht und Praxis [WRP] 1980, pp. 403, 404 – Pankreaplex II; BGH (Federal Supreme Court) Feb. 23, 2012 – IZR 136/10, WRP 2012, pp. 1230, 1232 – MOVICOL-application for approval.
- 18 Sausa e Silva, in: Journal of Intellectual Property Law & Practice 2014, p. 923.
- 19 Kalbfus, in: GRUR 2016, pp. 1009, 1011.
- 20 See also Hermann, in: Compliance Berater [CB] 2016, pp. 368, 369.
- 21 Pacini/Placid/Wright-Isak, in: International Journal of Law and Management 2008, p. 121, with the presentation of a “trade secret compliance plan” including different measures that can be taken as well as different variables that have to be considered depending on the company.
- 22 Kalbfus, in: GRUR-Prax 2017, p. 391; Börger/Rein, in: CB 2017, p. 118; to the special feature in the automotive sector Steinmann/Schubmehl, in: Corporate Compliance

Zeitschrift [CCZ] 2017, p. 194.

- 23 BGH (Federal Supreme Court) April 27, 2006 – I ZR 126/03, WRP 2006, pp. 1511, 1513 – Customer data program.
- 24 See Kalbfus, in: Know-how-Schutz in Deutschland zwischen Zivilrecht und Strafrecht- welcher Reformbedarf besteht? 2011, pp. 65 ff.; Kalbfus in: GRUR-Prax 2017, p. 391.
- 25 Kalbfus, in: GRUR-Prax 2017, pp. 391, 392; inapplicable Steinmann/Schubmehl in: CCZ 2017, pp. 194, 198, who are aiming for a purely factual protection of secrecy and fail to recognize that the Directive has quite normative ideas about the protection of secrets.
- 26 Kalbfus, in: GRUR-Prax 2017, pp. 391, 391 ff.
- 27 Steinmann/Schubmehl, in: CCZ 2017, pp. 194, 197.
- 28 For the classification of trade secrets as absolute rights see Köhler, in: Köhler/Bornkamm, UWG, 35. Aufl. 2017, §17 Rn. 53; GRUR 1967, pp. 1, 6; different opinion Ann, in: GRUR-Prax 2016, p. 465; McGuire, in: GRUR 2015, pp. 424, 426; Hauck in: Neue juristische Wochenzeitschrift [NJW] 2016, pp. 2218, 2221.
- 29 Ann, in: GRUR-Prax 2016, p. 465, GRUR 2015, pp. 424, 426; Hauck in: NJW 2016, pp. 2218, 2221.

rather a protection against unfair access. Recital 16 of the Directive states that the new provisions of the protection of innovation and competition do not create an exclusive right of know-how or information, which is protected as a trade secret. However, there are several reasons to define the character of trade secrets as a minor intellectual property right. The preamble in recital 2 openly characterizes the protection of secrecy as a supplement or an alternative to the traditional intellectual property rights. Concurrently, recital 3 states that trade secrets are one of the most common forms of protection of intellectual creations and innovative know-how. Even the scope of optional sanctions argues in favor of a minor intellectual property right, which is for example protected by a triple damage calculation like traditional intellectual property rights. Therefore, a trade secret is protected just like an intellectual property right. Pursuant to Article 2 No. 2, the proprietor of a trade secret is the natural or legal person lawfully controlling a trade secret. Thus, it is not the creator who is essential, but the person exercising the lawful control. Yet, the meaning of the term “control” remains unclear. If the factual access possibility is taken into account, the employee would be the original proprietor as long as the employer has not received the information. However, the Directive focuses on the protection of companies; that is why there are no regulations about secondary acquisitions of rights. Through the characteristic of reasonable steps of protection, an original acquisition by the entrepreneur is established. This entails the obligation for companies to create confidentiality structures by contractual and operational attendance and thereby establish matters of original acquisition.³⁰

D. The central prohibition

- 7 The central prohibition can be found in Article 4 (1) of the Directive. It should be noted that Article 3 emphasizes the principle of freedom of access. Therefore, the Directive firstly lists fair commercial practices. In any case, Article 4 includes only exceptions for certain constellations in which the principle of freedom of access cannot be applied. This requires the Member States to ensure that the trade secret holders are entitled to apply for all the measures, procedures, and remedies to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret. These measures are specified in Article 4 (2) and (3).
- 8 First of all, the acquisition of secrets is prominent (Article 4 (2)). The English version of the Directive refers to the term acquisition. However, in this case

the official German translation (“Erwerb”) is not quite correct. It is not a question of acquisition in return for payment, but rather of a factual obtaining. If certain matters are given, the obtainment is illegal without the consent of the copyright holder. This includes unauthorized access to, appropriation of, or copying of documents, materials or electronic files that contain trade secrets or from which the trade secret can be deduced.

- 9 These restrictive prohibitions of appropriation are extended in Article 4 (2) (b), where any other conduct will be sanctioned if it is considered contrary to honest commercial practices. Yet, this term is very imprecise and hard to define. It is proposed to outline it according to Article 39 (2) of the TRIPS agreement.³¹
- 10 The list of prohibitions does not regulate the transfer of individual information from an employee’s brain. If an employee working as a programmer reads company-owned programs and saves the source code, this would not constitute a prohibited conduct. Therefore, it can be assumed³² that the use of information from an employee’s brain is free. However, it may be possible to apply Article 4 (2) (b) in certain cases of abuse. Yet, Article 1 (3) of the Directive dictates that no provision of this Directive may be interpreted as a basis for restriction to the mobility of workers. Especially, the Directive is not a basis for any restriction of the use of experience and skills honestly acquired by workers through the standard procedures of their employment. Moreover, it is not a basis for imposing additional contractual restrictions.
- 11 The use and disclosure of trade secrets is regulated in Article 4 (3) of the Directive. People who have unlawfully acquired the trade secret or have breached a confidentiality agreement or other confidentiality obligations are prohibited from using the trade secret without the consent of the rights holder. It remains unclear why the Directive includes two different breaches of contract. This regulation results in the enforcement of contractual obligations by means of the UWG. The validity of the agreement is irrelevant. The term ‘legally binding’, which was originally included in earlier drafts of the Directive, has been deleted without substitution.³³ It is also

³¹ See Koos, in: MMR 2016, pp. 224, 226.

³² BGH (Federal Supreme Court) May 03, 2001 – I ZR 153/99, WPR 2001, pp. 1174, 1176 – “injection molding tools”; BGH (Federal Supreme Court) March 03, 1955 – I ZR 111/53, GRUR 1955, pp. 424, 425; BAG (Federal Labor Court) June 15, 1993 – 9 AZR 558/91, Neue Zeitschrift für Arbeitsrecht [NZA] 1994, pp. 502, 505; BAG (Federal Labor Court) Dec. 15, 1987 – 3 AZR 474/86, NEUE NZA 1988, pp. 502, 504.

³³ Kalbfus, in: GRUR 2016, pp. 1009, 1014 sees section 18 of the Unfair Competition Act (UWG) as a counterpart to the new regulation and demands its abolition in favor of a general

³⁰ Klein/Wegener, in: GRUR-Prax 2017, pp. 394, 396.

new that an unlawful interference on Article 4 of the Directive is sufficient for sanctions. The limitation of intent and gross negligence, which were originally intended in the draft, are not included in the final text.³⁴ For this reason, the question of intention or negligence only plays a role in the compensation of damages according to Article 14 of the Directive. This also does not correlate with the applicable German law, which always presupposes at least negligence of the defendant. In accordance with the Directive, the secret holder can enforce claims for injunctive relief and omission in the event of a mere breach of secrecy. This corresponds with the current legal situation in the case of breach of intellectual property rights (cf. Sec. 14 (5) of the trademark law (MarkenG), Sec. 139 (1) of the patent law (PatG). Consequently, the Directive extends the protection of trade secrets and brings them into line with intellectual property rights.

E. Unlawful pre-acquisitions and the extended liability of the manufacturer

- 12 Further new regulations are included in Article 4 (4) and (5) of the Directive. These extended matters of liability are generally unknown to German law and therefore dangerous.
- 13 Accordingly, the acquisition of secret information is prohibited, if the person knew or negligently did not know that that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully (Article 4 (4) of the Directive). It is astounding that even the indirect use of the external trade secret is sufficient. Thus, the new system is different from the old system of the UWG. Due to contractual protection, third parties can only be held responsible in the matters of Section 17 (1) or (2) No.1 of the UWG. The new regulation is now directed against any unlawful pre-acquisition of third parties. Section 17 focuses on stricter subjective elements (intent) than the Directive (intent or negligence).³⁵
- 14 In accordance with Article 4 (5), the production, offering or placing on the market of infringing goods or the importation, export or storage of infringing

regulation of trade secrets.

34 This modification was demanded among others by the Max Planck Institute: Knaak/Kur/Hiity, in: *International Review of Intellectual Property and Competition Law* 2014, p. 953.

35 In addition to this see Wiese, in: *Die EU-Richtlinie über den Schutz vertraulichen Know-hows und vertraulicher Geschäftsinformationen. Inhalt und Auswirkung auf den gesetzlichen Schutz des Unternehmensgeheimnisses*, Dissertation Münster 2017, pp. 141 ff.

goods for those purposes, are considered an unlawful use of a trade secret. However, this only applies if the person who carried out these activities had knowledge of the fact or should have known the fact under the specific circumstances that a trade secret had been used illegally. In some cases, such breaches of secrecy are prohibited by Section 17 (2) No. 2 of the UWG, because the production of a good is considered an exploitation along the meaning of the provision.³⁶ In accordance with the Directive the use of supplier-related data, obtained illegally by third parties, is related to the production. Thus, legal protection exists against any person who is part of the downstream distribution chain, even if he or she is unaware of the secret and even if the secret is not embodied in the product.³⁷

F. Exceptions and limitations

- 15 These are the innovations that evidently go beyond the matter of fact of Section 17 of the UWG. In compensatory terms, the matter of fact of the limitations and exceptions of the directive has grown exorbitantly in the course of the negotiations. Such limitations can be found in Article 3 and 5 of the Directive. The placement of the central prohibition in Article 4 is unfamiliar, surrounded by Article 3 and Article 5. The delimitation of the specific matter of facts is also unclear. While Article 5 states 'exceptions', Article 3 mentions 'lawful acquisition, lawful use and lawful disclosure'. It is problematic how these linguistic nuances can be reflected in the implementation. For example, Article 3 of the Directive could be an exempting element, while Article 5 could be seen as a justification. Therefore, Article 3 would be understood as a limitation and Article 5 as an exception. The current ministry draft follows this evaluation.

I. Limitations and exempting elements (Article 3)

- 16 Article 3 (1) (a) defines independent discovery or creation as legitimate. The concept of discovery refers to patent law, while creation is a typical term in copyright law. In fact, in the event that an identical invention has been made independently of one another by several persons, patent law regulates that the right is vested in the person who first applied for the invention at the Patent Office (Sec. 6 (3) of the patent law (PatG), Article 60 (2) EPC). The subsequent applicant is then protected, if necessary, by a right of prior use (Sec. 12 (1) patent law (PatG)).

36 Kalbfus, in: GRUR 2016, pp. 1009, 1014.

37 Kalbfus, in: GRUR 2016, pp. 1009, 1014.

The phenomenon of double-creations is also known in copyright law. This is not an infringement of rights, but a black mark on the copyright map and a bizarre constellation of exceptions in which both authors can assert their rights.

- 17 Article 3 (1) (b) regulates the general freedom of testing. The regulation permits the analysis and testing of a product which has been made public or is lawfully in the possession of the purchaser of the information. Thus, the Directive is breaking new ground. It is a European regulation on reverse engineering, which is known from US law. In Germany, reverse engineering is traditionally considered as prohibited.³⁸ Traces of reverse engineering can be found in copyright law (Sections 69d (3), 69e of copyright law (UrhG)) and are regulated in detail in patent law (section 11 No. 1 and 2 PatG). The semiconductor protection law implies a detailed permission of reverse engineering (section 6 (2) No. 1 and 2 HalblSchG). It regulates the reproduction of topographies for the purpose of analysis, evaluation or education, as well as the commercial exploitation of topography as a result of an analysis or evaluation. The freedom of testing refers to a product that has been made accessible to the public or is lawfully owned by the acquirer of the information. The principle goes far beyond the exhaustion doctrine of the copyright and patent law and also relates to rented products. According to an astonishing small addition, the acquirer of the information must be exempt from legal obligations in order to use the secret. Therefore, it is allowed to limit the freedom of testing contractually. Thus, an indication on reverse engineering should be included in supply contracts and cooperation agreements and such conduct should be excluded. In addition, in recital 17 of the Directive, the Commission has given some thought to cases of parasitic copying, where a regulation in the UWG (product piracy or slavish counterfeiting) should also be considered. However, contractual limitations are usually pointless if there are no contracts at all. No one can prevent a producer from purchasing a competing product on the free market and rebuilding it by means of testing. Article 3 (1) (c) regulates the right of work council to pass on information under the application of other European or national law. There is a provision for this in Germany in Section 84 of the Works Constitution Act (BetrVG), which provides

an explicit right for the employee to complain to the work council. However, the Directive explicitly allows in recital 12 that work councils may have agreed to secrecy with the employer. Nevertheless, Section 79 of the BetrVG binds the members of the work council to not disclose or exploit trade secrets. There is a similar provision for individual personal measures in sections 99 (1) (2), 102 (2) (5) of the BetrVG.

- 18 Article 3 (1) (d) permits all other forms of conduct, which are consistent with legitimate business practices. Therein lies an opening clause for the benefit of the judiciary based on the fair-use limitation of US law. Recital 18 mentions the disclosure of trade secrets in audit law as an example.

II. Exceptions and justifications (Article 5)

- 19 The regulation of exceptions in Article 5 of the Directive is new. Firstly, companies are exempted in the field of press and freedom of information. A reference is made expressly to Article 11 of the Charter of Fundamental Rights. Thereby, not only traditional press companies are addressed but possibly bloggers as well.
- 20 Article 5 (b) contains the second institution, which is still foreign to European law, namely whistleblowing.³⁹ Whistleblowing is defined as the disclosure of misconduct, wrongdoing or illegal activities. The distinction between these matter of facts remains unclear. It is also unclear whether a minor infringement is sufficient as a justification of disclosing misconduct. Moreover, the whistleblower can only refer to the limitation if he has acted in the general interest.⁴⁰ It is undetermined whether the intended purpose should be considered as subjective or objective. Recital 20 refers to a conduct which objectively serves the general interest. In addition, the preamble of recital 20 excludes conduct which, according to national court judgments, can be qualified as good faith. The Directive is in line with European and national initiatives to strengthen the whistleblower protection. For a long time, the only existing regulation in Germany was the Occupational Health and Safety Act (Arbeitsschutzgesetz). Furthermore, in individual cases Section 34 of the Criminal Code (StGB) and the duty to disclosure in accordance with Section 138 of the StGB have been considered. Apart from this, the labor law

³⁸ RG Jan./ Nov. 22, 1935 – II 128/35, RGZ (decision of the Imperial Court) pp. 149,329,331 – Stiefelsenpresse; also compare OLG Hamburg (Higher Regional Court Hamburg) Oct. 19, 2000 – § U 191/98, Gewerblicher Rechtsschutz und Urheberrecht-RR [GRUR-RR] 2001, p. 137; In addition to this Beater in: Nachahmen im Wettbewerb – Eine rechtsvergleichende Untersuchung zu Paragraph 1 UWG 1995, p. 136. Kochmann in: Schutz des “Know-how” gegen ausspähende Produktanalysen (“Reverse Engineering”) 2009, p. 140.

³⁹ Groß/Platzer, in: NZA 2017, p. 1097; Eufinger in: Zeitschrift für Rechtspolitik [ZRP] 2016, p. 229.

⁴⁰ Lapousterie/Geiger/Olszak/Desaunettes, in: European Intellectual Property Review 225 2016, Centre for International Property Studies (CEIPI) Research Paper No. 2015-02, pp. 8 ff.

jurisdiction was very restrictive and prohibited the complaint, in particular in the public eye, before making use of internal compliance systems. Thus, on July 2nd 2016 the Financial Services Supervision Act (Finanzdienstleistungsaufsichtsgesetz) already exempted employees of the financial sector from prosecution who reported maladministration in the company to the Federal Supervisory Office for Insurance. Contrary to previous and restrictive German law, the Directive allows the disclosure of maladministration in the press without the consideration of company-internal remedies.⁴¹

- 21 The burden of proof for the accuracy of whistleblowing is difficult to ascertain. The exceptional nature of Article 5 of the Directive indicates that the whistleblower must prove that the disclosure of the questionable trade secrets serves the protection of public interest. However, it is also conceivable that the company has to provide evidence for the accuracy or inaccuracy of the whistleblowing. This evidence is incumbent on the company, while the whistleblower must prove that he acted in the public interest.
- 22 Article 5 (c) mostly excludes the communication between employees and work council from the protection of trade secrets. A limitation of complaints or the notification of maladministration is not conducted. In any event, all communication is exempted if it is necessary for the practice of work councils. There is a general clause in Article 5 (d) according to which any legitimate interest justifies a limitation that is permitted by Union law or national law.

G. Sanctions

- 23 No criminal sanctions are regulated as the EU has no competence in this regard. It is rather intended to bind the member states to introduce a civil sanction system. This involves numerous legal consequences that have so far only been granted for monopoly rights and an extensive protection against illegal acquisition, as well as illegal use and disclosure of trade secrets. Included are claims for destruction or release of documents, objects, materials, substances, or electronic files which contain the secret. Furthermore, it also includes a recall claim for infringing products and the removal as well as the destruction of them. Claims for damages are also regulated in detail. However, there is no right for

information, which is provided by other property rights (see Section 140 (b) Patent Law (PatG) and Section 242 BGB).

- 24 It is now up to the Ministry of Justice to clarify to what extent individual sanctions already exist in German law. The Federal Supreme Court (BGH) recognized the option of triple damage calculation⁴² for section 17 of the UWG. A new system of recall and removal from the distribution channels is likely.
- 25 Compensatory to this bouquet of claims is the new extensive regulation of abuse control (Article 7). The Member States must establish opportunities to protect the defendant from abusive claims. These measures go beyond Section 8 (4) of the UWG. These sanctions of abuse include damages for the defendant, sanctions against the plaintiff, or the dissemination of information concerning court decisions. Such measures are currently unknown in Germany. Known is only a claim for damages in the case of unjustified protective right warnings, i.e. in the case of warnings from special industrial protective rights. In the UWG it is recognized that a careless warning, as a false assertion, justifies a claim for damages as an illegal encroachment on the established and exercised business.⁴³
- 26 The measures of legal remedies include in particular the interim injunction (Article 12), which is focused on injunctive omission, cancellation, and prohibition of sale. Instead of the injunctive relief a right of compensation (license analogy) can be considered, regardless of negligence or fault (Article 13 (3)). The compensation for damages (Article 14) applies to the triple damage calculation, including lost profit, infringing profit of the violator, or license analogy. The option of increase in the event of moral risks of harm is remarkable. It was not noted in the Directive that additional claims may occur for example in Germany from Section 812 and 687 (2) of the BGB.⁴⁴ Moreover, the statutory limitation shall not exceed six years.⁴⁵

H. Conclusion

- 27 The Directive will permanently change European secrecy law. Compared to current German regulations, important differences can be observed,

41 BAG (Federal Labor Court) Dec. 07.2006 – 2 AZR 400/05, NZA 2007, 502; implementation of the case law of the BVerfG (Federal Constitutional Court) July 2, 2001 – I BvR 2049/00, NJW 2001, p. 3474 in the decision of the BAG (Federal Labor Court) July 03, 2003 – 2 AZR 235/02, NZA 2004, pp. 427, 430; Ohly, in: GRUR 2014, pp. 1, 7.

42 BGH (Federal Supreme Court) Feb. 18, 1977 – I ZR 112/75, WRP 1977, pp. 332, 335 – on-line computer.

43 LG Hamburg (Regional Court Hamburg) May 8, 2012 – 407 HKO 15/12, BeckRS 2012, p. 18887.

44 See Hauck, in: NJW 2016, p. 2218.

45 It is not intended to deal with the procedural changes made in the Directive, such as the correction of the Düsseldorf model.

concerning for example the definition of a trade secret or the legitimacy of reverse engineering. Therefore, the final implementation of the Directive can be suspenseful. In the meantime, companies are summoned to conduct concrete confidentiality measures and to adjust to the changed field of secrets. In this context, extended nondisclosure agreements and a strategy to deal with the freedom of reverse engineering are most important. A new culture of secrecy in companies and with suppliers must be added.