

AmCham EU position on the Commission proposal for a Directive on the protection of undisclosed know-how and business information

Executive summary:

The American Chamber of Commerce to the European Union (AmCham EU) welcomes the Commission proposal for a Directive on the protection of undisclosed know-how and business information, also known as trade secrets. As pointed out in the Europe 2020 Strategy, investing in innovation is essential to stimulating economic growth and employment in Europe. To remain competitive, Europe must continue to develop breakthrough technologies and processes and maintain its share of high added value activities. The confidential knowledge that is a result of innovation has important economic value to companies. The ability to protect these trade secrets is crucial to supporting European investment in innovation and collaborative R&D.

American Chamber of Commerce to the European Union (AmCham EU)
Avenue des Arts 53, B-1000 Brussels, Belgium
Register ID: 5265780509-97
Tel: +32 (0)2 513 68 92 | www.amchameu.eu

Secretariat Point of Contact: Ania Szatkowska; asz@amchameu.eu +32 (0)2 289 10 33

Attempts to undermine European competitiveness persevere and companies are increasingly becoming the target of efforts to misappropriate proprietary information. However, trade secret protection in Europe is fragmented and difficult to navigate. Creating a minimum standard of protection across the EU is an important part of effective innovation policy and will not only benefit global companies with investments in Europe, but also to an even greater extent SMEs. Smaller companies often rely on trade secrets to protect their innovations, as trade secrets require no formal registration, making them an affordable and flexible alternative to conventional, and exclusive intellectual property rights.

The American Chamber of Commerce to the European Union (AmCham EU) believes that the Commission proposal strikes a good balance in protecting the rights of trade secrets owners, avoiding abuse and protecting innocent third parties. However, the directive should provide a minimum standard of protection, and it should not prevent individual Member States from continuing to provide higher levels of protection; higher standards should not be discouraged.

Among the helpful provisions in the Commission draft, we particularly support:

- The requirement in article 8 that Member States ensure the confidentiality of trade secrets during legal proceedings, which is a cornerstone of an effective framework to protect against trade secret misappropriation. Without the possibility to keep the actual trade secrets confidential throughout the proceedings, the purpose of seeking legal redress for misappropriation is undermined ; and
- The provisions in article 9 requiring Member States to provide remedies, including injunctions, to prevent the use or disclosure of trade secrets or the making, offering or placing of infringing goods on the market.

At the same time, AmCham EU believes that the proposal would benefit from some clarifications to ensure a consistent implementation across the EU:

- The limitation period of two years for trade secret actions set out in article 7 is considerably shorter than the current statutes of limitation in some Member States. It may cause unnecessary litigation, and parties might find themselves forced to issue proceedings solely to avoid their suits becoming time-barred;
- Some of the defences listed in article 4 ('fulfilling a non-contractual obligation' or 'protecting a legitimate interest') are unclear. Similarly, the proposal includes a broad definition of 'infringing goods' that 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';
- Certain provisions of the proposal may be subject to misuse. In particular, article 3(5) on the production, marketing, import, export and storage of 'infringing goods' does not appear to require that the defendant knew or should have known that the goods in question were infringing. This lack of knowledge requirement could be misused by trade secret holders against those that had no part in or awareness of the misappropriation of trade secret;
- Care should be taken not to inadvertently introduce a compulsory licensing regime by virtue of article 12(3). Such interference by the judicial authorities could be inappropriate in light of the strategy defined by the trade secret holder for the use of his trade secret; and
- The notion of 'commercial value' in article 2 needs further clarification, even though it is derived from the TRIPs agreement. Trade secrets, understood as a prototype, a chemical

formula or a new material compound, have a potential future commercial and economic value for the company, but not necessarily at the very moment of its coming into existence.

Furthermore, AmCham EU believes the directive could be improved by introducing provisions related to evidence gathering and preservation. The Commission proposal already contains a number of helpful procedural and interim measures that will assist trade secret holders to keep their information confidential, however trade secret owners often face difficulties in obtaining the necessary evidence to show misuse of trade secrets and/or to demonstrate damages.

Lastly, in article 13, the proposal imposes damages where a party deals in infringing goods. However it does not 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 defendants bear the prevailing party's legal costs.

AmCham EU strongly supports efforts to make Europe an innovation hub. Given that innovation is a key contributor to growth, it is more important than ever that the value of trade secrets is understood and that an adequate framework for protection against misappropriation is put in place.

* * *

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €1.9 trillion in 2012 and directly supports more than 4.2 million jobs in Europe.

* * *