Fordham presentation: 'Harmonisation folly: the proposed EU Trade Secrets Directive' by Prof. Tanya Aplin

In short, the three points that I wish to make are:

1. *Manage expectations* - we need to adjust our expectations of what this proposed harmonization measure will achieve;
2. *Improve what we can* – we need to improve the existing provisions while it is still possible;
3. *Be more creative and ambitious* – we should be tackling the difficult issues that this directive does not address.

1. Manage expectations

Yes, there are considerable legal divergences when it comes to the protection of trade secrets in the EU (these have been well documented in the reports commissioned by the European Commission), so a harmonization measure seems desirable.

BUT, we should not assume that this proposed Directive will ensure that: i) significantly less misappropriation will occur; ii) significantly more investment will be directed towards innovation; iii) significantly more cross-border, collaborative research will occur; iv) employment growth and mobility and competitiveness of the EU will increase; or v) that legal certainty will ensue. For (i)-(iv) there is an absence of solid economic evidence in support. In relation to (v), legal certainty, we can say the following:

i. there are unclear provisions, some of which can be rectified, some of which involve inherently difficult assessments in which national courts are likely to adopt divergent interpretations, e.g.
    a. relationship to the Enforcement Directive (can be rectified)
    b. position on employees and ex-employees (can be rectified to a certain extent)
    c. certain kinds of lawful acquisition, use or disclosure (the limits of reverse engineering when it comes to use or disclosure; the difference between no liability and no entitlement for remedies in Art 4; whether Art 4 actually creates 'exceptions' or not; the extent to which whistleblowing is protected) (some of these can be rectified)
    d. definition of trade secrets, what constitutes 'contrary to honest commercial practices', who lawfully controls a trade secret?
ii. no full harmonization, only minimum harmonization
iii. flexibility as to the mechanisms of implementation (Intellectual property right? Unfair competition? Sui generis? Other?)
iv. Difficulties/time lag in references to CJEU, difficulties with clear rulings from CJEU and, even assuming there is a clear ruling from the CJEU, the lag in national courts adopting interpretations that are consistent with CJEU rulings

a. Eg notice how French lower courts have not applied the distinction between collecting and creating data even where there have been clear rulings from the CJEU on this point; English courts and originality

So, let's not get overexcited about what this Directive will achieve. What it *will* achieve is some strengthening of procedural mechanisms in Member States, which is no doubt welcome, and overlaying a common (but incomplete) set of obligations over a patchwork of laws.

2. *Improve what we can*

There is political momentum behind this proposed Directive, so we have to resign ourselves to the fact that it likely will be adopted, in which case it is vital to improve the proposed Directive as far as possible. Some suggestions below – no doubt there are more:

i) clarify that the proposed Directive is lex specialis in all cases and not just in cases of overlap with the Enforcement Directive, ie that the Enforcement Directive does not apply
ii) clarify that this is full harmonization
iii) include in recital 8 that private or personal information is not to be covered in the definition of trade secret and remove the confusing references to 'know-how'
iv) amend the definition of infringing goods so that there is a causal connection between use of the trade secret and resulting product and so the definition does not provide wider protection than exists in patent law (for products obtained directly from a patented process)
v) make more explicit that the proposed Directive is not dealing with employees or ex-employees and that this is a matter for national law
vi) clarify whether Article 4 is meant to be creating 'exceptions' or is simply defining when liability does not arise and do not distinguish between paragraphs (1) and (2) in terms of outcome; ensure that reverse engineering extends to use and disclosure of the acquired information

3. *Be more creative and ambitious*

When it comes to harmonization, the Commission *should* be tackling the difficult issues that it has left out, such as:

i) whether trade secrets really are an IPR, albeit a weak form or should be treated as unfair competition
ii) employees/ex-employees
iii) licensing
iv) criminal sanctions
v) applicable law
vi) accessory liability

We should also think about how to align trade secrets protection more closely with its (apparently) economic justifications and to interrogate those justifications more carefully (note that harmonization as a justification is normatively useless). For example, do we want to protect customer lists and marketing information in the same way that we protect technical information that is a prelude to patenting? Is this justifiable? Do we want protection to be linked to the *secrecy* of the information or could we time limit protection? Also, can we think of other, non-IP, ways of ensuring that innovation is bolstered – why always the focus on IP? Isn't there a complex web of legal regulation that affects how businesses do business?