

Germany has modernized its trade secret law

On 26 April 2019, the **German Act on the Protection of Trade Secrets** has come into force. The act implements **EU Directive 2016/943 of 8 June 2016** on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure in Germany.

In the past, trade secrets had been protected by means of criminal sanctions laid down in the law against unfair competition. **Now**, trade secrets are protected in a separate statute and primarily by means of civil law. Thus, trade secrets have been approximated to intellectual property.

The most relevant aspects of the Act:

- **Trade secrets** are defined as information (i) which is not known or readily accessible, in its entirety or in its particular arrangement or composition, to those persons who usually deal with such kind of information, and which is therefore of a **commercial value**, (ii) which is subject to reasonable **non-disclosure measures** of the legitimate proprietor, and (iii) with respect to which a **legitimate interest** in their confidentiality exists.

Information covers technical know-how (formerly: industrial secrets) like procedures, construction plans, algorithms and prototypes, as well as business information (formerly: trade secrets) like customer lists, business plans and advertising strategies. If the information consists of multiple components it may still be a secret even though the individual components are known to the public, as long as the exact arrangement and combination has not been disclosed.

Information with a **commercial value** includes negative information such as information about production problems, financial problems or infringements of rights. The commercial value can also be a mere potential value if it is still uncertain whether the information may be capitalized on.

Different from the past, the information must not only be intended to be kept secret. Instead, it must be subject to **non-disclosure measures**. This requires that internal structures are set up to ensure that the relevant information is identified and its confidentiality is safeguarded. Such structures have to be documented. Reasonable measures may include an indication that the information is confidential, confidentiality obligations in working or service contracts, technical measures to limit the access to the information e.g. by passwords and firewalls, restrictions of the storage of information on private data carriers and rules for "home office" work.

With the introduction of a **legitimate interest** in the confidentiality of the information the German law deviates from the Directive. Its background is not fully clear but it may serve as a backdoor to disqualify information where this appears to be appropriate.

- **Infringing products** are defined as products the design, characteristics, functioning, production process or marketing of which are significantly based on a trade secret that has been unlawfully acquired.

The inclusion of a product's marketing disqualifies products as being in breach of a trade secret the distribution of which has become possible because of an unauthorized use of confidential customer lists. This issue can be addressed by a strict interpretation of the "significance" of the benefit that the distribution has derived from the trade secret.

- **Actions infringing** the trade secret include the unlawful acquisition (by access to, appropriation of, or copying documents, objects, material etc. containing the trade secret), use or disclosure of the confidential information. Unlawful acquisition of information does not only include accessing restricted information as an employee or hacking, but can also include access to information by retired or dropped out employees, or the unauthorized taking of photos by visitors.
- Different from the past, **reverse engineering** of products is permitted, provided that the product has been made available to the public and is lawfully in the possession of the acquirer, and that the acquirer is not bound by a confidentiality obligation. Accordingly, working, services, distribution or sales contracts should contain respective obligations to prohibit reverse engineering. Products that have been recreated by permitted reverse engineering are only exempt under the aspect of a disclosure of trade secrets but may still infringe intellectual property rights.
- The disclosure of trade secrets can be exempt in particular when exercising the right to **freedom of expression** and information, including respect for the freedom and pluralism of the media (thus protecting **investigative journalism**), and when revealing illegal activities or misconduct, provided that the acquisition, use or disclosure of the information is appropriate for the protection of the **general public interest** (thus protecting "whistleblowing"). In contrast to the Directive, a (subjective) intention to protect the public interest is not required. Instead, it is sufficient that the disclosure is objectively appropriate to protect the public interests.
- **Sanctions** for unlawful acquisition, use or disclosure of trade secrets include primarily **claims under civil law** for cessation and desistance of the infringement, for destruction, surrender and recall of documents, objects, material and files containing or incorporating the trade secret, and for damage compensation. Further, unlawful acquisition, use or disclosure of trade secrets is a **criminal offence** if it is intended to promote the own or another person's competitive position, for self-interest, to benefit a third party or to cause harm to an entrepreneur.
- To keep possible trade secrets confidential in a **lawsuit**, the court dealing with claims brought for breach of a trade secret can classify contested information as confidential.

If you have any questions or require more detailed information, please do not hesitate to contact us.



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