Question Q215

National Group: Germany
Title: Protection of Trade Secrets through IPR and Unfair Competition Law
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1. Legal developments on trade secrets

How did trade secret protection evolve in your jurisdiction? For example, what kind of practical influence did the TRIPS agreement have on trade secret protection?

The betrayal of trade and company secrets by employees was first made punishable by law under the Act against Unfair Competition (UWG) of 1896. These regulations were incorporated into the UWG of 1909. In addition, an amendment to the UWG in 1986 introduced a sanction on spying on secrets by a third party. Besides this – even after TRIPS came into force – there have been no significant changes.

2. Definition of trade secrets

What is the definition of a trade secret in your jurisdiction? This may not be an easy question to answer. Some jurisdictions may adopt different definitions for different fields of law – unfair competition law or others. In some jurisdictions, no statutory law provides a definition of trade secrets. It may be useful to focus on the definition that is believed to be most important for your jurisdiction for discussion purposes. Your definition can be based on the conditions required by Article 39.2 of TRIPS Agreement for the protection of undisclosed information as well as the WIPO proposal for the definition of secret information, and/or if it is the case, the definition can be complemented by features required in your jurisdiction, such as the degree of secrecy, novelty and originality that is considered reasonable for enforcement purposes.

The protection of trade and company secrets is ensured by the supplementary penal provisions set out in sections 17-19 of the Act against Unfair Competition (UWG). Notwithstanding this legal technicality, their primary significance in civil law is their use as a basis for injunctive relief and compensation claims. The aforementioned clauses, however, contain no definition of the central term of a business or trade secret. In theory and legal terminology, business secrets relate to the commercial section of a business and trade secrets to the technical sides of a business. This distinction of term merely serves the purpose of clarification. They are comprehensively used to refer to financial and company secrets and are protected in exactly the same way.

The concept of trade secret covers all information connected to the business which is not public knowledge, and for which it has been made expressly known by the company owner that this should be kept secret for the purposes of economic interest. The defining points of this definition of trade secret have been set out by legal practice as follows:

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1 GK/Otto, UWG (2006), §17, Rn. 10.
2 See RGSt 21, 90, 91.
a) Where knowledge is not in the public domain

The first pre-requisite for the existence of a trade secret is that the information does not belong to public knowledge. However, in judging whether and to what extent it is in the public domain, it needs to be noted that section 17 of the Act against Unfair Competition does not protect the secret information as such, but rather its relation to a particular firm. Therefore information may remain a trade secret even if the process as such is known, but is used by a company and it is not known that it aims precisely through this process to achieve certain economic targets.

Further information qualifies as not belonging to the public domain as long as the secret is only known by a restricted group of people. The holder of the secret must maintain control over this group of people and exclude his competitors from knowledge of the secret. The notion of a restricted group of people is dependent on the specific circumstances of individual cases. In case of betrayal the secrecy however is only lost when the information becomes known to wider circles.

By contrast, information is understood to be part of the public domain when knowledge of the information can generally be acquired by normal means – hence also by the competitor —, and the product which contains the ‘secret’ is therefore available for anyone to access it. This is the case when the interested average tradesman can acquire the information with the aid of honest means and without great difficulty. The mere possibility to obtain the information is the determinant: it is not necessary that the knowledge actually has been acquired by someone. It is also irrelevant whether the secret holder was responsible for the accessibility of the information, or whether it was acquired under the infringement of (contractual) obligations. The secrecy lapses therefore when for example manufacturing secrets can be deduced without much trouble with the help of a sold product. Medicines are also regarded as being in the public domain when the average tradesman can establish the substances used as well as their proportional quantities and weights and the manufacturing process. It remains to be seen which impact advances in the area of “reverse engineering” (for example in computer programmes) will have upon an increased assumption of what belongs to the public domain.

b) Company relatedness

The criterion of information relating to a company is to be regarded separately from its non-disclosure to the public. A further pre-requisite, therefore, is that the information is related to the concrete operation of a business, the company sphere. Consequently, all information which

5 RGZ 139, 329, 332 – Stiefeleisenpresse.
6 BGH, GRUR 1955, 424, 425.
7 BGH, GRUR, 1964, 31, 32 – Petromax II.
8 Kraßer, GRUR 1977, 177, 179; Többens, WRP 2005, 552, 556.
9 RGSt 42, 394, 396.
12 BGH, GRUR 1958, 297 – Petromax; BGH, GRUR 1980, 750 – Pankreaplex II.
16 BGH, GRUR 1980, 750, 751 – Pankreaplex II.
17 See Kiethe/Groschke WRP 2005, 1358, 1364.
18 Fezer/Rengier, UWG (2010), § 17 Rdn. 10.
19 Fezer/Rengier, UWG (2010), § 17 Rdn. 10.
impacts only upon the private sphere (of the owner or the employee) is excluded from this. The necessary relatedness to a business therefore does not apply when the information can also be assigned to other companies or general market relations. However, the company connection is maintained when products containing the secret are sold or handed over, or when company waste is removed.

c) Intent observance of secrecy

The company owner must have the intention to keep the knowledge secret and has to communicate this intention. This criterion is necessary to distinguish a trade secret from information which is simply not known. It is to be assumed that the desire for secrecy applies to all internal company information not known by the public. In individual cases, it is sufficient that this desire is contained in the nature of the information to be kept secret. Therefore, trade secrets also include information and knowledge which have not (yet) been revealed to the owner, or have been withheld from him. By contrast, the interest in secrecy is held to be lacking when the holder of the secret demonstrates that he does not place much importance on information being treated in a trustworthy manner, by, for example, passing on the information to a third party who is not subject to any non-disclosure agreement.

d) Interest in the observance of secrecy

In addition to the desire for secrecy, the owner must also have an objectively legitimate economic interest in observing secrecy. This applies when the disclosure of the information could have an impact on the competitiveness of the company. The criterion of objectivity serves to exclude the ability of the company owner to decide at will on the observance of secrecy. However, it remains a point of contention whether there can be such legitimate interest with regard to knowledge of unlawful or immoral information (e.g. documents on pricing which infringe upon cartel law, or documentation on breaches against taxation or the environment). On the one hand it is argued that the employee is not the moralizer or controlling organ of the employer, on the other hand, that secrets concerning unlawful or immoral circumstances can in fact influence the competitiveness of the company.

f) Examples

The following are recognised as company and trade secrets: marketing policies, supplier lists, construction drafts and manufacturing processes, client lists, which contain data of customers.

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22 RGZ 149, 329, 332 – Stiefeleisenpresse.
23 OLG Hamm, WRP 1993, 118.
25 BGH, GRUR 1964, 31, 31 – Petromax II.
26 Piper/Ohly/Ohly, UWG, § 17 Rdn. 11.
27 BGHSt 41, 140, 142.
28 BGH, GRUR 1977, 539, 540 – Prozessrechner.
29 BGH, GRUR 1982, 225, 226 – Straßendecke II.
32 BGH, GRUR 1955, 424, 426 – Möbelpaste.
33 For verification, see Piper/Ohly/Ohly, UWG (2010) § 17 Rdn 12.
with whom a business relationship already exists and who also in future might be considered as buyers of the products on offer.\textsuperscript{36}

g) Comparison with Article 39.2 of TRIPS
A comparison with the demands on trade secrets developed under German law with the demands on non-disclosed information as defined by Article 39, paragraph 2 of TRIPS reveals numerous parallels. The criterion of secrecy according to Article 39 para 2 lit. a) of TRIPS corresponds with the aforementioned feature of non-disclosed information developed under German law. The criterion of economic worthiness according to Article 39, para 2 lit. b) is under German law taken into account through company-relatedness as well as the objective economic interest in the, observance of secrecy, since information, which does not concern the economic sphere does not qualify as trade secret. At most, they differ with regard to the secrecy observance measures demanded in Article 39, para 2 lit. c) of TRIPS, because German law takes into account a subjective component in the interest in the observance of secrecy, even if this is measured according to objective interests.

3. Control of Trade Secrets

Also, who is entitled to control trade secrets should be discussed with respect to the employer-employee relationship. Can an employee who conceives an idea or invention may have primary control over it? Can the employer have control over information created by an employee under assignment from the employer even if personal knowledge and skills of the employee are involved? Is co-ownership of trade secrets addressed by your legislation or case law?

By their definition, trade and company secrets are directly related to a company. Accordingly, the company owner concerned is, in principle, authorised to make use of the secret. This also applies when the secret is based on the experience or knowledge of the employees. In cases where there is more than one owner, then these all have equal authority.

The extent to which an employer can make use of a secret is problematic and arises in particular in connection with every change of employees. Here, equal consideration needs to be given to, on the one hand, the protection of the company interests, and on the other hand, to the interest of the employee in his professional advancement and therefore in being able to use the knowledge he has gained even after he has left the company as freely as possible.\textsuperscript{37} In order to take into account this conflict of interests, the employee is in principle authorised – as long as he is not subject to a non-competition-agreement – to freely use the skills and knowledge which he has honestly acquired.\textsuperscript{38} In this respect, the control of the company owner (employer) is restricted.

3.2 Can the employer then also have control over information when this has been acquired by the employee under instruction by the employer, and the employee’s personal knowledge and expertise participated in this? Is joint ownership of trade secrets addressed by your legislation or legal system?

Currently, trade secrets are only regulated in the context of competition law. A result of this legal technique is that the question of exercise and control is not explicitly provided for.\textsuperscript{39} The initial starting point is that the qualification as a trade secret is not restricted by the fact that it is based on the knowledge/skill of an employee. However, a consequence of the aforementioned weighting of interests\textsuperscript{40} is that the exclusivity of control is restricted in the interests of the employee. According to the reasoning of the BGH (Federal Supreme Court), the employee can freely use his honestly acquired knowledge and skills after his departure from the firm, even against his former

\textsuperscript{36} BGH, GRUR 2006, 1044 – Kundendatenprogramm.

\textsuperscript{37} On this see RGZ 65, 333, 337 – Pomril.

\textsuperscript{38} BGH, GRUR 1963, 367, 369 – Industrieböden.

\textsuperscript{39} Compare with question 7 below.

\textsuperscript{40} Compare with question 3.1 above.
employer, as long as he is not subject to a non-competition-duty. He can, therefore, in principle pass on and make use of honestly acquired trade secrets in the context of his new employment.

4. Source of law for trade secret protection

4.1. Are statutory provisions available for the protection of trade secrets? Is protection awarded by case law or court precedents or direct application of the relevant provisions in the TRIPS Agreement?

Although there are statutory provisions for the protection of trade secrets in German law, know-how protection has been called the “stepchild” of intellectual property law. In fact know-how is protected indirectly and reflexively, but it has not been shaped as a positive right. Regardless of this, a trade secret may be more valuable for a company than a (published) intellectual property right. The bases for the protection of trade secrets which are most important in practice are the criminal offences in Sec. 17 para. 1 and para. 2 Act against Unfair Competition (UWG). That protection is afforded through criminal offences is based on the rationale that the remedy of damages will regularly fail because the responsible person will be without means. Besides their function as criminal offences, the provisions mentioned above also serve as the basic law and benchmark for the legal evaluation in which cases the use of trade secrets may be deemed inadmissible. In conjunction with Secs. 3, 4 No. 9 (use of knowledge or materials which have been unlawfully acquired) and No. 11 (breach of law) as well as with Secs. 8 und 9 UWG, these criminal offences simultaneously constitute the basis for civil law claims.

A further legal basis is the criminal offence enacted in Sec. 18 UWG. The so-called offence of „Piracy of Samples“ (”Vorlagenfreibeuterel“) provides legal sanction for the transmission or use of objects that have been “entrusted” to somebody, e.g. to business partners (and which are therefore necessarily secret). Sec. 19 UWG broadens the offences of Secs. 17, 18 to cover also preparatory actions beyond the attempt phase.

Apart from Secs. 17-19 UWG there are special liability provisions covering the proliferation and use of trade secrets through certain professionals. There are, for instance: provisions for certain secret carriers such as attorneys, doctors, public notaries; for public servants such as public officers, judges and persons at public authorities as well as for legal representatives of private juristic persons, such as executive officers, members of supervisory boards or managing directors.

Protection of trade secrets (by means of civil claims and criminal offences) is afforded through the application of said statutory provisions by the courts. The scope of protections is determined through constructions of these provisions by the courts. The „case law“ derived from these court decisions constitutes the factual guidelines for the application of the law in practice. However, from a methodological point of view the above mentioned statutory provisions are authoritative. It should be emphasised that there is no direct application of the relevant provisions in the TRIPS treaty (Art. 39 TRIPS).

4.2. Under your laws, do trade secrets belong to the category of property rights? Or is the protection derived from unfair competition law or other sources of law against misappropriation or dishonest commercial practices?

Trade secrets are recognised in the provisions of unfair competition law as property assets, but they

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41 BGH, GRUR 1963, 367, 369 — Industrieböden.
42 BGH, GRUR 2002, 91, 92 – Spritzgießwerkzeuge; compare with question 8 below.
43 See the commentary from Ann, GRUR 2007, 39 ff.
44 See the critique from Harte-Bavendamm, (above Fn. 15), § 77 at No. 3.
46 Harte-Bavendamm, (see above Fn. 15), § 77 at No. 3.
47 See Secs. 203 Abs. 1, 204 StGB.
48 See Secs. 203 Abs. 2, 204 und 355 StGB.
49 See Secs. 404 AktG, 151 GenG, 85 GmbHG.
are not afforded protection as proprietary rights or rights similar to those rights.\textsuperscript{50} Trade secret protection, which is basically afforded by unfair competition law, only covers a narrow section of potential uses of trade secrets. Many more potential uses – such as, e.g., the lawful acquisition of know how and its use – are regarded as conforming to unfair competition standards.\textsuperscript{51} A more extensive protection may be afforded by an agreement between the parties, which may also cover the further use of knowledge based on experience which is lawfully acquired.\textsuperscript{52}

5. Available remedies

5.1.1. What would be an outline on remedies available against trade secret violations in your jurisdiction (types of prohibited acts and available remedies)?

5.1.1. Types of prohibited acts

The basic provisions in Secs. 17, 18 UWG, which play the decisive role in practice, cover the acts of betrayal of secrets, industrial espionage, handling of unlawfully acquired secrets and piracy of samples.

(a) Betrayal of secrets (Sec. 17 para. 1 UWG)

The characteristic element of the betrayal of secret is the communication of entrusted secrets by employees of a company to third parties during the employment. Generally, the offender of a “betrayal of secrets” may be described as a dependent service provider, which is a person who provides services to a company without carrying the business risks of profits and losses.\textsuperscript{53} Among these are both “dependent” employees as well as legal representatives of juristic persons.

The object of the prohibited acts is a trade secret, which has been entrusted or disclosed to the employee in the course of the employment. It is not relevant whether the secret has been disclosed in good or in bad faith. The characteristic element for the act is the communication to third parties during the employment, and not the manner in which the secret has been acquired.

The prohibited act is the unauthorised communication of another’s trade secrets to third parties. The communication is “unauthorised” if it is made in breach of a contractual obligation of secrecy, which is regularly part of an employment contract, and if there is no justification.

The act must have been committed during the employment. So the communication of secrets to third parties after employment has ended is not a criminal offence under either Sec. 17 para. 1 or para. 2 UWG if the secrets have been disclosed to the employee during the time of employment. If there is no contractual obligation to keep the trade secrets confidential after the employment has ended, the communication of secrets acquired in good faith cannot be pursued with civil claims. Only under “particular circumstances” it is possible to assert claims for unfair competition under the “general rule” in Sec. 3 UWG\textsuperscript{54} or – if an intent to afflict damage can be established – a claim pursuant to Sec. 826 BGB (Civil Code).

A further – subjective – requirement of Sec. 17 para. 1 UWG is that the offender must have acted either for the purpose of competition, or in self-interest, in the interest of a third party or with the intent to afflict damage on the owner of a business. In addition the secret must not have been known to the third party.

(b) Industrial espionage (Sec. 17 para. 2 No. 1 UWG)

The group of persons who may commit this offence is not limited to persons affiliated with the company. Also an external third party may commit this offence. The prohibited act of “industrial espionage” is the unauthorised procurement or saving of secrets with certain means that are enlisted in letters a) to c).

\begin{itemize}
  \item \textsuperscript{50} See below Question 7.
  \item \textsuperscript{51} See only BGH 3.5.2001, GRUR 2002, 91 et seq. – Spritzgießwerkzeuge.
  \item \textsuperscript{52} See for this aspect below under Questions 7.1.
  \item \textsuperscript{53} See for this aspect \textit{Brammsen}, Münchener Kommentar zum Lauterkeitsrecht (2006), vol. 2, § 17 UWG, at No. 30.
  \item \textsuperscript{54} For instance BGH, GRUR 1963, 376, 379 – Industrieböden: basic trade secret of the company, short employment term of the employee.
\end{itemize}
“Procurement” means to acquire one’s own reproducible knowledge, e.g. through old fashioned transcription, but also through photocopying or scanning. “Saving” is more than procurement; with this act the offender intensifies his knowledge which he has already acquired. This difference is relevant in practice in the case of company affiliates (employees) who may previously have acquired certain know-how lawfully, but who subsequently “save” these secrets unlawfully, e.g. shortly before leaving the company. The only connecting factor for criminal prosecution and the enforcement of civil claims in such cases is the act of “saving” by the offender.

The characteristic element for industrial espionage is the use of the special means for acquiring the know-how enlisted in letters a) to c):

- The means according to a) is the use of technical means, such as photocopying, copying of data files, the use of recording or listening devices in cases of oral reproduction of the secrets, etc.
- Letter b) covers the manufacture of a reproduction of the trade secret, such as the manufacture of a certain recipe or a machine which embodies the secret.
- Letter c) concerns the removal of a thing which embodies the secret. This may be the removal of data carriers, machines or machine elements. The substance or carrier of the embodiment are irrelevant.\(^{55}\)

Again the offender of “industrial espionage” pursuant to Sec. 17 para. 2 No. 1 UWG must have acted either for the purpose of competition, or in self-interest, in the interest of a third party or with the intent to afflict damage on the owner of the business.

(c) Handling of unlawfully acquired secrets (Sec. 17 para. 2 No. 2 UWG)

It is a general characteristic of the act of “handling” that secrets that had been acquired through one of the above discussed acts or were otherwise “unauthorised” are either communicated to third parties or are used.

Again the offence can be committed by anybody. He (or she) must either have

- acquired the secrets through communication by an employee at the time this employee was employed with the company in questions (para. 1), or
- acquired the secrets through his or her own action or the action by a third party according to para. 2, which means the know how must have been acquired through the use of one of the means mentioned in this provision, or
- must have procured or saved the secrets in an unauthorised manner.

The prohibited act is the unauthorised use of a third party’s know-how. “Use” means every exploit of the secret knowledge or information through “its application or implementation conforming to the purpose” of the secret in practice. The scope of potential uses is broad. Depending on the specific trade secret, examples may be the soliciting of new customers by sending them letters (use of secret customer and address data), the reconstruction of a machine and its offer and distribution (use of secret technical drawings) or undercutting the prices of offers made by the former employer’s company (use of secret calculation data) etc.

(d) Piracy of samples (Sec. 18 UWG)

“Piracy of samples” concerns the unauthorised communication or use of entrusted samples or guidelines of a technical nature. The basic case covered by this provision is that a businessman surrenders technical drawings to another business for the purpose of having this other business manufacture products as a subcontractor. If the subcontractor then uses the drawings in order to manufacture products not only for his business partner, but also for a third party or for his own use, he commits the criminal offence of piracy of samples.

(e) Other cases of unfair use of a third party’s trade secrets

German courts have broadened law beyond the above mentioned provisions in Secs. 17-19 UWG.

\(^{55}\) See Brammsen, (above Fn. 52), at No. 78
The use of a third party’s know how may, “under particular circumstances”, be the basis for civil (tort) claims according to Secs. 3 UWG, 826 BGB or Secs. 823 para. 1, 1004 BGB. The pre-condition for these claims is a balancing of the interests with regard to all circumstances of the case in question. Relevant factors are in this context the significance of the secret for the business of its owner and for the further development of the “user” of the secret, which in almost all cases is a former employee of the owner of the secret. The court will *inter alia* take into consideration whether the former employer has been affiliated only a short time with the business of the owner of the secret, and if he has made a significant contribution for the development of the secret.

5.1.2. Available remedies

The claims resulting from these acts, and the procedural means to enforce them, are the following:

(a) Cease and desist claim

In all cases mentioned above, the owner of the secret may assert *claims for a cease and desist order*. These are directed against prohibited acts that have either been already committed (danger of repetition) or that are imminent (danger of first infringement). Typically, the owner of the secret directs his claims against the *use* of the acquired secrets by the opponent, which is in many cases the new employer of the former employee. Because every use/exploit through “application or implementation conforming to the purpose” of the secret is an unlawful use of the know-how, not only the distribution, but also the manufacture of objects embodying the know-how is unlawful. This is a remarkable exception to the general rule in German unfair competition law, which generally only regulates activities with a concrete connection to the *market* and therefore only covers acts that are performed *after* manufacture. As a consequence, a motion for a cease and desist order in a writ of complaint may be directed against the *manufacture* of the “forbidden fruits”, and not only against their offer or distribution. It must be emphasised that knowledge acquired in breach of Sec. 17 UWG will, in principle, remain stained with the verdict of unlawfulness. A prohibition granted by the court, which only temporarily prohibits certain uses, will be suitable only in exceptional cases, such as where the use of customer names and addresses are concerned which merely lead to a temporary and not to a technological advantage.

Cease and desist claims may be enforced in a main action or in preliminary injunction proceedings. The assertion in injunction proceedings will only be successful if both the prohibited act and the result of the use (i.e. the machine embodying the use of the secret) may be established in all details and in a clear and understandable manner. Preliminary injunctions for unlawful use of trade secrets fail in most cases because the subject matter of the attack, i.e. the result of the unlawful use of the secret, cannot be described in detail. In follows that in these cases it cannot be established how and to which extent the unlawful information has been used for the manufacture and construction of the object in question.

(b) Claims for damages

The owner of the secrets may assert damages claims for unlawful use of the secrets, since all criminal offences are regarded as „protective laws“ within the meaning of Sec. 823 para. 2 BGB.

(c) Disclosure of information, account of profits and inspection

As it is generally the case in unfair competition and intellectual property law, there are claims for disclosure of information and account of profits concerning the scope of the unlawful acts. They are important in order to prepare the claims for damages.

The claim for inspection pursuant to Sec. 809 BGB also has a preparatory function. This claim is typically discussed by courts and academics in the context of infringements of intellectual property rights. However, it is not limited to these cases and may also be considered in cases where a third party’s secret know-how is unlawfully used.

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56 BGH, GRUR 2002, 91, 94 et seq. – Spritzgießwerkzeuge.
57 BGH, WRP 2008, 938 et seq. – Entwendete Datensätze mit Konstruktionszeichnungen.
58 See below Question 10.
59 For instance, BGH, WRP 2002, 1173 – Faxkarte (copyright with regard to a computer programme); BGH 16.11.2009, X ZB 37/08 – Lichtbogenschnürung (inspection order for patent infringement), to be published in BGHZ.
When a claim for inspection is enforced prior to an infringement lawsuit, there is the risk that the defendant will be warned and further enforcement of infringement claims is obstructed. In order to surprise the potential defendant, the applicant may combine an independent procedure for the preservation of evidence with a preliminary injunction that orders the potential defendant to tolerate that a court-appointed expert enters the business premises and inspects and examines the object which was possibly manufactured using the information unlawfully acquired. The action requires a “certain likelihood” that unlawfully acquired trade secrets have been used in the manufacture of the object in question.  

If a prohibited act according to Sec. 17 para. 1 or para. 2 UWG can be established with regard to the secret in question (e.g. in cases where a public prosecutor has previously performed a search on the premises and found evidence in that regard), this can be used in order to establish a “certain likelihood” that a device of the same type and the same purpose has been manufactured using the secrets in questions again.

5.2. Please comment on the list of acts violating trade secret protection provided in the Q115 Copenhagen Resolution.

From a German perspective, the cases listed in 11.10 and 11.11 of Q115 of the Copenhagen Resolution are covered by Secs. 17, 18 UWG:

- "Industrial or commercial espionage" is covered by Sec. 17 para. 2 No. 1 UWG.
- “Use or disclosure of a trade secret improperly obtained from the proprietor” are covered by Sec. 17 para. 2 No. 2 UWG.
- “Unauthorized use or disclosure of a trade secret by a person to whom the proprietor entrusted it” are covered both by Sec. 17 para. 1 (an employee to whom his employer has entrusted the secret in the courts of the employment) and by Sec. 18 UWG.
- The case “use or disclosure of a trade secret without consent of its proprietor, which was received from a person to whom it was entrusted or who obtained it improperly, if the user knew or should have been aware of this fact” is covered by Sec. 17 para. 2 No. 2 UWG (through the alternatives “acquired through an act according to para. 1” and, respectively, “acquired through a third party’s act according to para. 2 No. 1”).

The question whether the use of secrets obtained in good faith shall be covered by a prohibition, and which has been left open in 11.11 (last bullet point), must be answered in the negative, at least on the basis of current German law. The use of such knowledge through experience can only be excluded by virtue of a contractual non-disclosure agreement.

5.3. Pros and cons of criminal or administrative remedies should be discussed. Are these remedies also available against someone who obtains trade secrets in good faith?

The question against whom the prohibition of use may be invoked depends on the particular case. It may be summarised that German law is based on the differentiation whether the know-how has been obtained during the employment or by means of industrial espionage. If a certain act is covered, there however is no difference in the enforcement of claims.

Criminal measures have advantages, both from a political point of view and because of their (sometimes more effective) means to secure evidence prior to a civil lawsuit. At the time the owner of a secret only “suspects” that his secret has been unlawfully obtained, he will regularly not have the information necessary to justify an application for an inspection order for a potential offence pursuant to Sec. 17 UWG. In particular, it is problematic that an inspection request must specify the object of inspection as detailed as possible, which the owner of the secret in most cases is not able to do. In most cases, the owner of the secret only suspects that certain information has been “copied”, sent “outside” via E-mail or otherwise “seized”. In default of further knowledge what exactly has happened this information, whether e.g. on the basis of this information a concrete object has been “reconstructed”, the owner of the secret is not in a position to enforce an inspection claim.

Criminal investigations, however, are directed at uncovering hidden facts and provide further

60 See BGH, WRP 2002, 1173 – Faxkarte.
61 See below under Question 8.
information also with regard to other actions that may have been committed in this context. If the public prosecutor applies for a search order at the competent Regional Court, the exact scope and nature of the potential activities and of the use of the secrets may be uncovered. Therefore criminal investigations remain, in most of the cases, inevitable for the owner of the secret, despite improved possibilities to obtain further information through a preparatory inspection order by virtue of a civil claim.

It must be emphasised that criminal sanctions may only be imposed on persons acting with intent. It at least requires that the acting person is aware that the information may be derived from an unlawful communication of the secret or from other prohibited acts within the meaning of Sec. 17 UWG.

5.4. Does your legislation distinguish trade secret violations committed when the undisclosed information was accessed by means of an employment or other contractual relationship from those practiced by means of fraud, “espionage” or other improper means? Are the same remedies available for the two cases?

German law does indeed distinguish between the situation where the secret has been obtained during the employment and the situation whether it has been acquired through industrial espionage. The legal consequences of both situations, however, are not different.62

5.5. How does your jurisdiction apply the concept of “grossly negligent” third parties referred to in footnote 10 of Article 39,2 of TRIPS?

The criminal offences of Secs. 17, 18 UWG require intent. This does not necessarily mean positive knowledge that the information in questions has been acquired through a third party’s action pursuant to Sec. 17 para. 1 or para. 2 No. 1 UWG. A conditional intent is sufficient. Conditional intent is established if the offender is aware that the information may derive from an act according to Sec. 17 para. 1 or para. 2 No. 1 UWG. Therefore, conditional intent may be established in the case described here in which the offender acts „grossly negligently“ by willingly „closing his eyes“ and not wanting to see that the information in questions has in fact been obtained through such actions.

5.6. Which options are available for damages? How are damages calculated?

The infringed owner of the secret may, as is common in the law of intellectual property rights, calculate his damage according to three alternative methods. He may (1) calculate his damage on the basis of a “licence analogy”. Furthermore, he may (2) calculate his damage on the basis of the profits which the infringer made with products that have been manufactured using the respective trade secrets. And, finally, he may (3) calculate his damage on the basis of his own lost profits. Since in practice it is difficult to establish that the owner of the trade secrets has lost actual profits as a result of the attacked use of the secrets, mostly the “licence analogy” is used.64

5.7. Is the violation of trade secrets at all subject to punitive damages? If so, under what conditions?

Current German law does not provide for “punitive damages” common in the countries of Anglo-American law.65 That is also true for the unlawful use of trade secrets. If in the course of calculating damages for infringement the reasonable license rate is enhanced, this is due to objective factors, e.g. in order to accommodate for the fact that the proprietor of an intellectual property right does not, as a normal licensor would, have certain contractual rights like a right for inspection of accounts, but this cannot be justified by saying that the infringer of an intellectual property right, or the unlawful user of trade secrets, may have to pay additional damages as „punishment“.66

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62 See above 5.1.1.
63 Footnote 10 states that: “For the purpose of this provision, ‘a manner contrary to honest commercial practices’ shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.”
64 See McGuire/Donle et al., GRUR Int 2008, 923, 924, 934 (AIPPI report Q 203).
65 See McGuire/Donle et al., GRUR Int 2008, 923, 924, 934 (AIPPI report Q 203).
66 See McGuire/Donle et al., GRUR Int 2008, 923, 924, 934 (AIPPI report Q 203).
6. Protection of trade secrets before and during litigation

This question has two aspects: one is the protection of trade secrets during, say, patent infringement litigation, and the other the maintenance of secrecy of trade secrets so that the person lawfully in control can safely seek remedies before the court. How does your statutory law incorporate the rule contained in the last sentence of Article 42, TRIPS? What specific measures or means are available for the effective protection of trade secrets before (in discovery and seizure proceedings) and during litigation?

At present German law does not contain any specific provisions on the protection of business and trade secrets during litigation. As far as the parties are obliged to expose confidential information during the proceedings the court may – on application – preclude the public from the oral hearings and by this means secure the information against unwarranted third parties. However, the exclusion according to Sec. 172 No. 2 GVG (Act on the Constitution of Courts) only concerns third parties not participating in litigation. Although it is possible to supplement this measure by an confidentiality order, which prevents the opposing party to pass on the knowledge obtained to third parties (Sec. 174 para. 3 GVG), the opposing party cannot be excluded from the oral hearing or any part of it, as such exclusion would violate the principle of party publicity, i.e. the right to attend all oral hearings. It further seems problematic that even an order not to pass on information obtained during litigation to unwarranted third parties can at the earliest be issued in the oral hearing, whereas the necessity to disclose the respective confidential information will as a general rule already occur in the course of instituting proceedings. Legal writing accordingly has advocated that the claimant should be entitled to apply for a confidentiality order already with the statement of claim and that such order can be issued before the statement of claim is served on the defendant.67

Although the proposition to establish in camera proceedings, which allows a party to disclose the confidential information only vis-à-vis an authorised expert under an obligation of confidentiality, has been brought forward repeatedly, the German legislator has so far not given heed to this recommendation.68 In fact the legislator has in the course of implementing the European Enforcement Directive recently introduced new provisions into the respective acts protecting intellectual property. These allow the judge in the particular case to provide for measures necessary in order to protect confidential information, if the purported infringer asserts that he would have to disclose confidential information in the course of his response to the claim.69 According to the so-called Düsseldorfer procedure it is then admissible to present isolated exhibits to an authorised expert under an obligation of confidentiality, instead of presenting them before the court (and the opposing party).70 According to the judicature of the BGH (Federal Supreme Court) it is further admissible to protect confidential information by means of blacking the respective sections in the documents disclosed.71

With regard to the protection of trade secrets it however must be emphasised that the provisions recently introduced in the course of implementing the Enforcement Directive only apply to intellectual property rights, as the scope of application of the directive explicitly is restricted to absolute property rights.72 As the directive has been implemented by introducing specific provisions into the acts protecting the individual intellectual property rights, i.e. patents, trade marks, design, copyright etc. this technique hardly allows an extension to know-how by means of an analogous interpretation of the respective rules. Even if such analogous interpretation would be permissible the lack of protection of know-how could however not be cured. For the acts protecting intellectual property rights have the situation in mind, that the claimant is the holder of an intellectual property right who sues a competitor for a purported infringement. In this case the holder can rely on an absolute intellectual property right and thus can describe his property right in his statement of claim without any risk of disclosing confidential information. Accordingly the provisions only cover the situation that the purported infringer seeks protection against the duty to disclose confidential information. By contrast the assertion of a

71 BGH GRUR 2006, 962 – Restschadstoffverwertung (with regard to a duty to disclose of third parties).
72 Cf. the statement of the European Commission 2005/295/EC, OJ 2005, L 94,
claim resulting from an infringement of trade secrets presupposes that the holder of the trade secret as the claimant presents his trade secret and makes a substantiated demonstration in how far the acts of the defendant constitute an infringement of his rights. In this situation it is not the purported infringer, but the claimant who is in the need for protection. In fact it is possible to pay heed to this need for protection by reducing the requirements for a substantiated claim, e.g. to dispense from the requirement to give a detailed statement on the question where the achievement of the imitated element of the infringed trade secret lies. However this means of protection is highly unsatisfactory as it is of course indispensable to present the facts of the case and to deduce the claims asserted from the statement of case, unless the claimants wants to risk a failure of the proceedings due to an undetermined claim. From this duties of the party under procedural law it must be deduced that it is at present impossible to secure a trade secret against disclosure during proceedings, unless the holder of the trade secret is willing to accept corresponding procedural disadvantages. In case the opponent is a competitor the holder of the trade secret thus will most likely refrain from litigation, because protection to his confidential information is not afforded.

In order to provide relief for this lack of protection an in camera-procedure would have to be established, which allows to exclude the opponent party from the presentation of facts before the court. The introduction of such a confidential procedure however is a matter of controversy as it necessarily impairs the other parties right to be heard. The judicature has upheld its reservation against a respective development. Only by exception it has been held permissible to restrict the opponents right to participate in the taking of evidence. By contrast academics have repeatedly advocated the introduction of such an in camera-procedure and have argued that the right to effective legal protection must allow for the interests of both parties and thus also must accommodate for the interest of the party in need for protection of confidential information. With regard to intellectual property such duty to respect the legitimate interest of both parties is further emphasised by Art. 42 TRIPS. On the other hand it must be acknowledged that the reservation with regard to unilateral protective measures is explicitly justified by the constitutional right to be heard and it may well be argued that the restrictive implementation of Art. 42 TRIPS into German law is in line with Art. 42 sentence 5 TRIPS.

7. Licensing trade secrets

7.1. What are issues relevant or important for contractual aspects regarding trade secrets?

Trade secrets are factual not legal monopolies. As compared to the traditional intellectual property rights (i.e. patents, trade marks and design) the protection rendered is distinctly decreased. This above all can be derived from the fact that according to mandatory provisions it cannot be proscribed to use and disclose trade secrets as long as they have been obtained in good faith, as for example may be the case with a former employee.

Despite the fact that trade secrets are not acknowledged as a property right they are in practice exploited by transfer and licence contracts. According to the prevailing opinion in academic writing and judicature know-how can be the object of contractual exploitation at least if it is separable from its holder, i.e. “objectified”. If know-how is “assigned” the parties in general intend to allow the

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76 Rojahn, in: FS Loewenheim (2009), 251, 263 ff.; with further details Ahrens, in Wieczorek/Schütze, ZPO (2008), Vor § 284 note. 44 et sequ.
78 Cf. OLG Nürnberg, CR 1986, 197; but also compare BGH, GRUR 2002, 1046 – Faxkarte, where the Federal Supreme Court has considered to involve an expert under a confidentiality order.
assignee to use the know-how without time limitation for a lump sum remuneration. In case know-how is “licensed” the parties intend that the licensee is entitled to use the licensors know-how for a restricted time period and will usually pay a continuous fee, which may depend on the extent of use by the licensee.\(^{83}\)

However the question on which legal basis such contractual transactions are effected remains a matter of dispute. As trade secrets are so-called intellectual rights, but not intellectual property rights, they lack the requirement of an absolute attribution to a person by law.\(^{84}\) Thus there is no right which can be transferred. As far as the parties agree to „transfer” know-how it appears that they agree on the factual transfer of the knowledge, but not on a transfer of the legal attribution of the holder. Accordingly a transfer of know-how is merely a factual extension of the scope of persons who have knowledge. As this knowledge due to the contractual basis has been obtained in good faith the rules which prohibit to use another’s trade or business secret (Sec. 17 UWG) of course do not apply and the “assignee” may legally use the know how obtained. The main difference between this contract and a real transfer is, that the „assignor“ from both a factual and a legal perspective remains in the position to use the know-how. Accordingly the transfer does not lead to a change, but to an extension of the persons entitled. However, if the parties intend a change of attribution they can achieve a – from an economic perspective more or less – similar result by an additional agreement, which prohibits the further use by the original holder of the trade secret.

The fact that trade and business secrets do not qualify as property rights is also of relevance in the context of licence agreements. For instance a know-how-licence differs from a licence on intellectual property rights with regard to the restricted legal position obtained by the licensee. On the basis of the contractual agreement he is of course entitled to use the licensed know-how, but he neither obtains a secured position vis-à-vis third parties,\(^{85}\) nor is he entitled to institute proceedings for infringement of the trade secret by a third party.

7.2. How important are anti-trust considerations in your jurisdiction?

Contracts on know-how are subject to the rules of national (Sec. 1 GWB) and Community cartel law (Art. 101 TFEU). Both sets of rules are synchronised as the national rules refer by virtue of Sec. 22 GWB refers to European Community law. Detailed rules may in particular be found in the Regulation No. 772/2004 on Transfer of Technology, which – dependant on the market share and the relation between the contracting partners – contain detailed provisions on admissible contract clauses. As far as the Technology Transfer Regulation is not applicable agreements directly underlie the standards of Art. 101 sec. 3 TFEU.\(^{86}\)

As a general rule it may be stated that an agreement on confidentiality requires that there is an objective legitimate interest for such an agreement and that the concrete provisions on confidentiality with regard to time and scope do not exceed the necessary restrictions. Particularly strict requirements further are established for post-contractual non-disclosure agreements.\(^{87}\)

8. Effectiveness of non-disclosure and non-use agreements

8.1. What is the practical effectiveness of non-disclosure and non-use agreements in your jurisdiction?

Are any important court precedents available?

Contractual rights to non-disclosure may arise from explicit contractual agreements or alternatively from the duty of mutual considerateness under Sec. § 242 para. 2 BGB (German Civil Code) in connection with the principle of good faith.\(^{88}\) In the course of interpretation and appraisal of the

\(^{83}\) Cf. for example Oehlrich, GRUR 2010, 33 sequ, who qualifies know-how as assignable in case it can be transferred by oral or written information and thus does not discuss the legal, but the factual transferability.\(^{84}\)


\(^{85}\) Piper/Ohly, UWG (2010)\(^5\), Before §§ 17-19 note 5 with further references.

\(^{86}\) For details see Zöttl, WRP 2005, 33 et sequ.

\(^{87}\) See above question 6.2.

\(^{88}\) Salger/Breitfeld, BB 2005, 154; Lehmler, UWG (2007), § 17 UWG note 58.
admissibility and scope of such agreements on the protection of business and trade secrets against disclosure it must be distinguished whether the agreement was concluded between employer and employee or between equal contracting parties, such as parties to a licence contract. Whereas with regard to former the judicature seeks to protect employees against undue restraints of competition and accordingly has a very restrictive approach, the leeway for agreements between equal contracting parties is considerably wider. Notwithstanding this possibility for contractual agreements the necessary expenditure and efforts to protect business and trade secrets is regarded as the central disadvantage in comparison to an absolute intellectual property right. The duty of an employee not to secure trade secrets of the employer of which he has obtained knowledge in the course of his employment is derived from the general fiduciary duty arising from the employment contract and is regarded as a particular manifestation of the obligation of secrecy on the one hand, as a specific consequence of Sec. 17 para. 1 UWG on the other. Whereas claims on the basis of violation of a contractual duty may already arise in case of slight negligence, a punishable violation of Sec. 17 para. 1 UWG (besides a current employer-employee-relationship) requires intentional disclosure as a result of self-interest or actual malice. Accordingly, the protection provided is fragmentary, because not every disclosure by an employee necessarily fulfils the strict requirements of Sec. 17 para. 1 UWG. This is even more so after termination of the contract as there is no general prohibition to use or disclose trade secrets of a former employer. Such prohibition can – if at all – arise from Sec. 17 para. 2 UWG, but is subject to the further requirement that the information has been unduly obtained or secured and that this has taken place with the intention to impair the former employer or to benefit a third party. By means of an argumentum e contrario it accordingly may be derived that the typical situation of a former employee, who has obtained the information in good faith and afterwards uses it in the course of a later occupation, does not come under the restrictions provided for by the UWG:

Whether a continuation of the obligation of secrecy can at least be construed under private law rules is a matter of controversy. According to the judicature of the BAG (Federal Supreme Labour Law Court) every employee remains under an obligation of secrecy and accordingly is obliged to secure business and trade secrets. By contrast the BGH (Federal Supreme Court) has repeatedly held, that after termination of contract the use and disclosure of business secrets obtained in good faith is permissible, because the termination at the same time brings the fiduciary duty to an end. In practice the difference between the divergent judicature however is less than may be expected at first sight, because the BAG does in general support an ongoing duty, but in order not to unduly burden the employee in his further occupational career takes a restrictive approach with regard to scope and time-limits. In addition the court emphasises that the duty of non-disclosure may not a similar effect as a restraint of competition. Further BGH and BAG unanimously hold that the employee may make use of his professional expert knowledge and for example may even entice customers of his former employer. Thus the former employee is as a rule entitled to use his knowledge and experience obtained for his own and the benefit of third parties, unless there are “particular circumstances”, which lead to an overall appraisal of his conduct as unfair. This may for example apply in case the employee in bad faith effects a premature termination of the employment contract with the sole purpose to be entitled to use the obtained knowledge ahead of time. Further it is prohibited to

89 Ann, GRUR 2007, 39, 40.
90 On the definition of the term of “employee” see above question 5.1.1. a).
91 Harte-Bavendamm, (footnote 15), § 77 note 30.
92 Cf. Salger/Breitfeld, BB 2005, 154, 156 with further references.
93 BAG, EzA Nr. 1 on § 242 BGB – Nachvertragliche Treuepflicht; BAG, EzA Nr. 1 on § 611 BGB – Betriebsgeheimnis.
95 Többens, WRP 2005, 552, 557.
96 BAG, BB 1988, 980; BAG, BB 1994, 1094.
97 On the requirements of a lawfull disclosure by a former employee see Bartenbach, Patentlizenz- und Know-how-Vertrag (2007)\(^6\), note. 2581.
99 Salger/Breitfeld, BB 2005, 154, 156.
remove records or work pieces in order to secure knowledge obtained.\textsuperscript{100} If, for instance, the employee without authority removes records, which contain trade secrets, to secure the knowledge and afterwards uses them himself or discloses them to third parties, e.g. a new employer, he will be punishable under the Act against Unfair Competition.\textsuperscript{101}

Academic scholars have rightly recommended that there should be a stricter distinction between private law and criminal law remedies and to grant former more generously at least in case where there is no direct link between the disclosure and the advancement of the former employee’s own career, e.g. if the employee discloses the trade secret to a third party for remuneration.\textsuperscript{102}

An employer who wants to secure his business against disclosure of trade secrets after termination of an employment contract has to conclude a respective agreement with the employee, at least in order to avoid the mentioned legal insecurities.\textsuperscript{103} An agreement restricting the former employee both to use and disclose the employer’s trade secrets in the course of his own occupation and to disclose the information to third parties is valid. Such an agreement will neither be restrained by the requirement of remuneration nor of a time-limit.\textsuperscript{104} In comparison to the (merely reflexive) protection granted by criminal law such a non-disclosure agreement in particular has the advantage, that adherence can be secured by means of a contractual penalty clause.\textsuperscript{105}

However, on the occasion of the appraisal of the scope of such non-disclosure-agreements the judicature takes into account the above mentioned conflict between the employer’s legitimate interest in the protection of the trade secrets and the employee’s legitimate interest with regard to his free decision on his further occupational career and the necessity to use his knowledge and experience.\textsuperscript{106} Therefore the effectivity of a non-disclosure agreement depends on the adequate restriction of its scope and its precise determination. Otherwise it may well be that the agreement is rendered void as contra bons mores\textsuperscript{107} or does at least risk that it is appraised as a post-contractual non competition agreement.\textsuperscript{108} The stipulation of a post-contractual non competition agreement is in general permissible, but is subject to the remuneration requirement provided for in §§ 74 et seq. HGB (Commercial Code). An employee, who is subjected to a post-contractual non competition agreement, may claim a compensation which amounts to at least half of his latest contractual remuneration. Due to these high costs this possibility to secure trade secrets is rarely made use of.

As far as the situation of coordinated contracting partners is concerned the situation must be appraised completely differently. In the context of contractual exploitation of know-how it is not only permissible to agree on a non-disclosure duty, in fact such clauses belong to the regular content of such agreements. As the holder of know-how is not protected by an absolute right the contractual stipulation of a non-disclosure duty in the context of know-how transfer and licence agreements is in fact the only possibility to secure trade secrets. As the latter has obtained the knowledge in a fair and legal manner, the know-how holder has no other legal remedy to prevent the further exploitation by a contracting party. The law against unfair competition does not offer any protection as the remedies provided would require that the trade secrets have been obtained in an unfair manner.

As mentioned with regard to the employer-employee relationship also in the context of equal contracting partners it must be observed, that the non-disclosure agreement does not exceed the necessary scope. Otherwise the contracting partners run the risk that the agreement will be appraised as a non-competition clause, which as such is subject to the rules of competition and cartel law.

8.2. Which of contract law or unfair competition law prevail in this regard?

\textsuperscript{100} Lehmler, UWG (2007), § 17 UWG note 58 with further references.
\textsuperscript{101} BGH, GRUR 2006, 1044, 1045 – Kundendatenprogramm.
\textsuperscript{102} Harte-Bavendamm, (above footnote 15), § 77 note 35 with reference to BGH GRUR 2002, 91 – Spritzgießwerkzeug.
\textsuperscript{103} Salger/Breitfeld, BB 2005, 154, 155; Westermann, GRUR 2007, 116, 117; Harte-Bavendamm, (above footnote 15), § 77 note 37.
\textsuperscript{104} BAG, BB 1982, 1792, BAG, BB 1999, 212.
\textsuperscript{105} Westermann, Handbuch Know-how-Schutz (2007), Chapter 5 note 33 f.
\textsuperscript{106} Piper/Ohly, UWG (2010)\textsuperscript{3}, Introduction to §§ 17-19 note 2.
\textsuperscript{107} Westermann, Handbuch Know-how Schutz (2007), Chapter 3 note 51.
In respect of the actual defence against the use of business and trade secrets by third parties the holders of know how in practice widely rely on the remedies provided by unfair competition law. In the context of (transgression of) contractual agreements contract law and tort law may be applied in parallel. However, the claimant will regularly rely on contract law as this provides for the more far-reaching and favourable remedies. The construction of the latter, however, will take into account the objectives of the law against unfair competition.

8.3. *Is unilateral imposition of non-disclosure after leaving the company or retirement possible in your jurisdiction?*

Leaving aside a general fiduciary duty any duty of non-disclosure requires a contractual agreement. Exceptions from this general rule only may be found in areas where the appraisal of the legitimate interests of the contracting partners requires a nondisclosure duty that outstretches the term of contract. The board officer or corporate member of a limited company or corporation may serve as an example.

8.4. *Does the US doctrine of inevitable disclosure exist under your laws?*

German law does not provide for any specific doctrine of inevitable disclosure. A functional comparative law assessment however may lead to the result, that the legitimate interests behind the US-doctrine are quite similar to the above mentioned appraisal conducted by the judicature, which leads to a balance between the legitimate interest of the employer to secure his business and trade secrets on the one hand and the legitimate interest of the (former) employee to use his knowledge and experience in his further occupational career.\(^{109}\)

**Harmonization**

9. **Common and practical definition of trade secret**

*Is a definition of trade secret viable and desired? Are there any proposals for such a definition, or is the definition provided in the TRIPS Agreement sufficient for such purposes? Should there be a minimum standard for information to qualify as a trade secret? If so, what should the standard be?*

A common and practicable definition of trade secret is desirable on an international basis. Within the scope of an increasingly globalised economy based on the division of labour, it is important that acquired trade secrets enjoy the same minimum protection wherever they are used in Germany or abroad, so that they can be used jointly with business partners on a globally secure basis.

This is the only way in which research projects which cannot be completed within a single country by a single company can be implemented and in which the results can be exploited in a legally secure way over and beyond patents and other rights resulting from registration.

Technologies which can be protected by patents, utility models or by the law of unfair competition should fall in the concept of trade secrets. Inventors and entrepreneurs should have the choice whether they want their trade secrets to become common property within the scope of patent specifications and other publications, or whether they want to treat them as secret and manage them autonomously, independent from the period of protection of the usual rights. Apart from the fact that this is an imperative of the freedom of science, this choice will provide another incentive for research. However, it would also be fatal to make the protection as a trade secret dependent on the patentability, which is often hard to answer and involves many efforts. This would rule out the big advantage of flexibility of the protection of secrets. However, vice versa, care must be taken that a common definition of the protection of know-how does not reduce the attractiveness of patent protection. Thus, a specification and practicable definition of the existing scope of protection is required, and not an extension of the protection of know-how by means of to an absolute property right. The latter would undermine the legislator's assessment that

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\(^{109}\) Cf. above question 8.1.
absolute protection can only be obtained in return for disclosure, i.e. the improvement of the state of the art.

The definition of trade secrets provided in Art. 39.1 and Art. 39.2 TRIPS is a good basis for a common definition. The three requirements which a trade secret has to meet, i.e. that it is not generally known, has some sort of economic benefit for the holder and is treated by its holder as subject to secrecy, have to be further differentiated in terms of the individual definitional elements which should be agreed upon on an international scale.

The above mentioned element of a minimum economic benefit of the trade secret already indicates that a specific minimum standard for the type of information is required and that not any data treated as confidential within a company should be qualified as a trade secret. However, it has to be stated that insignificant information will hardly fail due to that element in practice, but that the entrepreneur will not have the required precautions put into place to ensure its confidential treatment or that this information is even generally known. The required standard should not be too high. Any information should be suitable that provides a direct or indirect advantage in its daily use to the entrepreneur over his competitors who do not have this information at their disposal. This should certainly cover customer addresses, processes, recipes, technologies, price lists, collections and contract data.

10. Proposals for reform

Which aspects of trade secret protection are considered as problematic? What is desired or needed for effective protection of trade secrets? What kind of improvements in trade secret protection under national law is sought? Are there any legal provisions or practices that you may consider to be advantageous in comparison to other jurisdictions?

German law provides a good basis for trade secret protection in Sections 17 to 19 UWG in conjunction with the strict rulings issued in that respect. However, the provision should be improved to the effect that the disclosure of trade secrets by employees of a company is only relevant if they divulge the trade secrets during their employment with the company. For in fact such information is often disclosed, and proof to be found, only after the termination of the employment. Hence, it would be desirable that protection be extended beyond the termination of the employment – for a limited period of time. Such an extension of protection is required at least for the case where the future career of the employee is not affected.

If a trade secret has been stolen by an unlawful or even criminal violation of secrecy or by industrial espionage by employees or third parties and becomes generally known for that reason, the holder suffers not only damage by the fact that a competitor is now aware of his trade secret. He loses his trade secret as a whole, because it has become common knowledge and is left unprotected against other competitors by this violation. It thus would be desirable if the aggrieved holder, who lost his trade secret without fault, is afforded protection against unfair exploitation at least for a particular transitional period despite the fact that his trade secret has become common knowledge. In another context, both German and European law contain a comparable regulation. Sect. 6 sentence 3 GeschmMG (German Design Act) provides that the disclosure of a design is not detrimental to novelty if such design was disclosed as a consequence of an abusive act against the designer. This legal concept should also be applied to know-how, to ensure that the holder is not affected twice by a punishable act against his trade secret.

Within the scope of the implementation of the Enforcement Directive, comprehensive claims to disclosure of information were introduced into the laws of special protection to the benefit of the right-holder which supplement the general claim to inspection arising from Sections 809, 811 BGB. It would be desirable to establish a corresponding provision also in relation to know-how.

There is also a need for amendment in respect of the provisions relating to the use, evaluation and preservation of trade secrets which are indispensable for a secure exploitation in legal transactions.

In German law, it is also problematic that in cases where claims are asserted on the basis of a trade secret the secret information must be identified and its content must be described. This involves the risk that the trade secret finally becomes common property or becomes known to
the opposing party in more detail. Hence, protection of know-how in (infringement) proceedings has to be assessed as insufficient.

11. What is required for an improved global standard for trade secret protection?

How could the international standards on remedies against trade secret violations be enhanced? What is necessary in practice for the protection of trade secrets and how could the protection during litigation be improved?

The unlawful violation of trade secrets should be sanctioned by severe punishments. It seems to be useful to separate the punishability from the place where the trade secret was violated in order to do justice to the international importance and use of trade secrets.

The aggrieved party must be able to effectively defend itself against the violation of its trade secrets by bringing actions for damages or by seeking injunctive relief. In the case of action for damages, the burden of proof should be reduced to a “high degree” due to the difficulties in calculating the specific damages. Accordingly, the court could then estimate the damage. Within such proceedings, the holders of trade secrets must previously be released from the obligation to disclose their secret to the opposing party or to third persons not involved in the proceedings. It should be possible that only the court or, if required, an expert under an order of confidentiality may inspect the trade secrets and assess their protectability and violation. These persons must be independent persons appointed by the court who are also subject to severe punishments if they violate their obligation of confidentiality.

12. What would be a desirable and realistic way to proceed?

Should a reform be brought about by a multilateral convention, by a bilateral agreement or by agreements between certain countries or between countries which are regionally close to each other or are at similar stages of industrial development?

The provisions included in Art. 39 TRIPS relating to the secrecy and protection of trade secrets are a good basis for the extension of protection. From the German viewpoint, it is most promising to further differentiate these provisions within the scope of the WTO negotiations and to establish further protocols for refining the individual definitional elements to achieve optimum international protection. The WTO member states are then required to mutually control the observance of the agreed provisions and to acknowledge protection of trade secrets existing abroad also for their country by treating non-nationals equally.

It will be hardly viable to establish an international law of contract relating to trade secrets and their joint use as well as transfer within the scope of the WTO provisions. However, it would be desirable that it be pointed out at least that an exploitation in legal transactions, a joint use and sufficient degree of secrecy (e.g. by a non-disclosure agreements) and negative covenants can be agreed upon validly without contravening the existing anti-trust law.

The required provisions should not only be codified but also be strictly enforced with the assistance of the public authorities. Particular attention should be given to the fact that unlawfully obtaining know-how is neither promoted nor tolerated in Germany or in other countries by the state.
Sommaire
Dans le droit allemand les secrets d’affaires (Know-how) sont protégés par les normes pénales dans les §§ 17-19 de la loi contre la concurrence déloyale (UWG), qui – en lien avec les §§ 3 et suivant de l’UWG – constituent également la base des droits subjectifs. Tandis que la protection par rapport aux actes des concurrents est en général satisfaite, il existe la possibilité d’une lacune dans la protection contre une transmission par des (anciens) salariés. L’approche allemand, qui consiste à régler la protection des secrets d’affaires dans un contexte normatif relevant du droit pénal, a pour conséquence que l’exploitation contractuel est négligée par la loi. Aussi la protection des secrets d’affaires dans la procédure civile reste insuffisante. A cet égard, une harmonisation dans le cadre de l’OMC est souhaitable. Outre une définition pratique, une harmonisation devrait concerner notamment la clarification du cadre des accords de confidentialité ainsi que l’amélioration de la protection pendant la procédure civile, telle qu’elle est conçu dans l’article 42 de l’ADPIC.

Zusammenfassung

Summary
The protection of business and trade secrets (know-how) at present is governed by §§ 17-19 of the code against unfair competition (UWG). They punish violation of anothers know-how as an offence and in conjunction with further provisions of the same code also provide the basis for private law remedies. Whereas the level of protection vis-a-vis other competitors in general seems satisfactory, there is a considerable shortfall of protection with regard to possible disclosure of trade secrets by (former) employees. The German approach to address the protection of know-how in the context of criminal law provisions further has the detrimental side-effect, that the aspects of contractual exploitation of know-how has been neglected. A similar shortfalls must be observed with regard to protection of know-how in civil procedures. Against this background a further harmonization within the frame work of WTO appears desirable. In addition to a practical definition this in particular applies both to a clarification of the framework for non-disclosure and non-use agreements and to a further ascertainment of Art. 42 TRIPS concerning the necessary protection during litigation.