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Q247

Trade secrets: Overlap with restraint of trade, aspects of enforcement

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I. Current law and practice

Aspect (i) - Overlap with restraint of trade

1)	Is trade secret protection viewed as a form of restraint of trade and, if so, under what circumstances and under which legal regimes (e.g. competition law)?
	no If not please comment.: Finnish legislation does not contain any express provisions that would categorize trade secret protection as a form of restraint of trade. Trade secrets are protected in Finland through statutory provisions of the: <ul style="list-style-type: none">• Employment Contracts Act (55/2001 as amended) http://www.finlex.fi/en/laki/kaannokset/2001/en20010055.pdf[http://www.finlex.fi/en/laki/kaannokset/2001/en20010055.pdf] ;• Criminal Code (39/1889 as amended) http://www.finlex.fi/en/laki/kaannokset/1889/en18890039.pdf[http://www.finlex.fi/en/laki/kaannokset/1889/en18890039.pdf] ; and• Unfair Business Practices Act (1061/78 as amended) http://www.finlex.fi/en/laki/kaannokset/1978/en19781061.pdf[http://www.finlex.fi/en/laki/kaannokset/1978/en19781061.pdf]).

While trade secrets differ to some extent from traditional intellectual property rights (trademarks, copyrights, patents, etc.), in Finland trade secrets are typically considered to be intellectual property rights. Due to the fact that trade secret protection is regulated in part also in the Unfair Business Practices Act, which concerns, i.a., the relationship between competing businesses, trade secrets may also be viewed to have aspects falling within the field of competition law. However, the Finnish Competition Act (948/2011, <http://www.finlex.fi/en/laki/kaannokset/2011/en20110948.pdf>[<http://www.finlex.fi/en/laki/kaannokset/2011/en20110948.pdf>]) does not contain any substantive provisions specifically referring to trade secrets, but the relevance of trade secrets has been recognized in the European Union (EU) regulation applicable in Finland. Furthermore, the Constitution of Finland includes a specific provision (Section 18) relating to the freedom to engage in commercial activity and the right to earn living through work (731/1999, as amended, <https://www.finlex.fi/fi/laki/kaannokset/1999/en19990731.pdf>[<https://www.finlex.fi/fi/laki/kaannokset/1999/en19990731.pdf>]).

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a) If so, under what circumstances and under which legal regimes (e.g. competition law)?

2) How does your law distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets? What protection is extended to each?

Finnish law does not expressly distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets. Instead, the Finnish law distinguishes - in the three applicable laws - between three concepts of trade secrets: The Unfair Business Practices Act uses the term "trade secrets" (in Finnish "*liikesalaisuudet*"), Employment Contracts Act discusses "trade and professional secrets" ("*liike- ja ammattisalaisuudet*"), and the Criminal Code uses the term "business secrets" ("*yrityssalaisuudet*"). Despite the three different terms, only the Criminal Code (Chapter 30 Section 11) contains a definition, according to which "business secret" refers to a business or professional secret and to other corresponding business information that an entrepreneur keeps secret and the revelation of which would be conducive to causing financial loss to him or her or to another entrepreneur who has entrusted him or her with the information.

While the definition of a trade secret in Finland is to some extent confused by the different terminology used in the different laws regulating trade secrets, in general, the different terms are considered to have the same or similar meaning or interpreted in a similar manner. The definition of a trade secret is often considered to contain three elements: (i) the controller of the information wishes to keep the information secret; (ii) the controller has a reason to keep the information secret; and (iii) the controller has actually kept (or attempted to keep) the information secret. All three elements must be fulfilled for the information to be considered a trade secret.

Professional skills of the employee are traditionally considered to fall outside the definition of trade secrets. However, defining the difference between professional skills of an employee and the trade secrets of the employer may in practice be extremely difficult and this question is connected to several disputes related to trade secrets, especially in situations where employee moves from one employer to another.

3) Are employees under a duty of confidence whether or not such a duty is set out in their contract of employment?

yes

If yes please answer the following sub-questions::

- a) are express confidentiality clauses to protect classes of information broader than would anyway be protected by the employee's duty of confidence permitted; and

Trade secret protection in employment relationship is regulated by the Employment Contracts Act (Chapter 3 Section 4) under which the employee may neither utilize nor divulge to third parties the employer's trade or business secrets during the term of the employment. If the employee has obtained such information unlawfully, the prohibition continues after termination of the employment relationship.

Response to a): Yes, provided that they are deemed, as set forth in employment legislation, to be reasonable.

- b) how long after the end of employment does an ex-employee's duty of confidence in relation to trade secrets last in the absence of any express confidentiality clause?

Under the Criminal Code (Chapter 30 Section 5(2)), employees are required to keep their former employer's business secrets confidential for two years after the termination of the employment. Under Employment Contracts Act (Chapter 3 Section 4), if the employee has obtained information unlawfully, the prohibition regarding trade secrets continues after the termination of the employment relationship.

- 4) If not constrained by an enforceable non-compete agreement, may workers use knowledge acquired in the course of earlier employment in their new employment?

yes

If yes, is there any distinction between the types of knowledge they can use?:

There are no express provisions in the Finnish legislation governing the use of knowledge acquired in the course of earlier employment in the new employment. However, the use of such information is constrained by the confidentiality obligations applicable to employees referred to above as well as by the general prohibition to engage in competing activities.

According to Chapter 3 Section 3 of the Employment Contracts Act, employees are not allowed to work for another party or engage in such activity that would, taking the nature of the work and the individual employee's position into account, cause manifest harm to their employer as a competing activity contrary to fair employment practices. During the term of employment, employees should not embark on any action to prepare for competing activities that cannot be deemed acceptable in the light of the above. Further an employer which recruits a person whom it knows to be impeded from work on the basis of the above may become liable for any loss caused to the previous employer jointly with the employee.

With respect to confidentiality obligations applicable to employees, see questions 2 and 3 above.

- 5) Are certain employees subject to a higher obligation of confidentiality / non-use?

yes

If so, which employees, and what is the rationale for any distinction between employees?:

There are no express provisions in the Finnish legislation imposing a higher obligation of confidentiality or non-use on certain employees.

However, in practice employees working in different positions in a company have access to different types of information that may be classified as trade secrets. Generally speaking, for example, senior management, employees with a higher education, and employees working with R&D may be subject to a higher obligation of confidentiality or non-use and may be expected to know more and understand the relevance of their employer's trade secrets in greater depth, which may be taken into account in the assessment of any breach of confidentiality on their part.

Furthermore, according to Chapter 3 Section 5 of the Employment Contracts Act it is possible to conclude an agreement restricting the freedom of an employee to compete with the employer after the termination of an employment relationship if particularly weighty reason related to the operations of the employer in the employment relationship is present. In determining the existence of such particularly weighty reason, account is taken of the nature of the employer's business, the protection he needs because of business or trade secrets or special training provided by him, as well as the position and tasks of the employee.

Recent Finnish case law gives some guidance in determining the definition of "particularly weighty reason". According to the Finnish Supreme Court (KKO 2014:50), particularly weighty reason was not at hand in a case where the employee did not have any subordinates, the employer and employee had agreed on a non-disclosure agreement which adequately protected the employer's trade secrets, the employee did not take part in the employer's sales activities during his employment relationship, and the employee's capabilities to exploit employer's business related trade secrets were deemed low due to his lack of personal experience.

Aspect (ii) - Ensuring confidentiality during Court proceedings

6) What measures or provisions are available to preserve the secrecy of trade secrets during Court proceedings?

For example, do trade secret proprietors have access to the following mechanisms to preserve the secrecy of a trade secret during proceedings (subject to the Court's discretion to allow/disallow such access):

a) restricted access to the hearing and / or evidence;

Yes, the proprietors of trade secrets may request the Court to restrict access to evidence containing trade secrets. However, it is at the discretion of the Court to make such an order. The same applies to the hearing, the parties' written pleadings, and other documents submitted to the Court, insofar as matters involving trade secrets are handled therein. Such requests and the Court order are governed by the Act on the Publicity of Court Proceedings (945/1984, as amended, <https://www.finlex.fi/fi/laki/kaannokset/1984/en19840945.pdf>[<https://www.finlex.fi/fi/laki/kaannokset/1984/en19840945.pdf>]).

b) disclosure of evidence only to the legal representatives of the opponent, but not to the opponent themselves;

The Finnish law does not explicitly provide for disclosure of evidence only to the legal representatives of the parties and not to the parties themselves. In light of the Constitution of Finland and the general procedural principles of fair trial, as well as the equality of arms recognized therein, restricting access to evidence only to the parties' legal representatives might be problematic.

However, if both parties agree to such an arrangement, we see no reason why the Court would as such reject it. Nonetheless, even if such a procedure was followed, it may be that the Court would

ultimately, having regard to the general procedural principles explained above, place only restricted, if any, value to the evidence produced through such an arrangement.

As an alternative, the parties could resort to the general procedural provisions concerning court-appointed experts who may be called upon to review technical or otherwise special evidence (Code of Judicial Procedure, 4/1734, as amended, <https://www.finlex.fi/fi/laki/kaannokset/1734/en17340004.pdf> [<https://www.finlex.fi/fi/laki/kaannokset/1734/en17340004.pdf>]). Such an expert will issue a statement on the evidence he/she has reviewed. Expert may not be placed under an obligation to disclose trade secrets, unless very important reasons otherwise require. If the parties agree on who shall act as such an expert, the Court shall appoint the expert according to the parties' agreement. Also this arrangement, however, may entail some challenges in light of the general procedural principles explained above due to which the Court may refuse to place high value on evidence examined by court-appointed experts that the parties themselves are not allowed to review or comment.

c) non-confidential versions of documents being provided to all except authorised individuals;

Yes, it is a standard procedure in Finnish Court proceedings that the Court orders documents, in whole or in part, secret. It is also common in Finland that the party claiming confidentiality also submits to the Court restricted versions of its written pleadings or evidence that do not disclose the trade secrets in question. As a result, non-confidential versions of the parties' written pleadings or of the evidence submitted are made available to the public at large whereas the authorized individuals, meaning the parties and their representatives, have access to all materials.

d) only non-confidential parts of any judgment / decision publicly available?

Yes, if a party claims that certain parts of their written pleadings, evidence, or witness hearings contain trade secrets and the Court orders such parts to be kept secret, such parts are not made publicly available. As a result, only a restricted version of the judgment/decision is made publicly available and the parties will only have access to the complete judgment/decision.

7) If such (or similar) measures are available, do they apply by default, or must the trade secret holder submit sufficient evidence to convince the Court that the information merits protection?

The measures above do not apply by default to trade secrets. Instead, a party whose trade secrets are disclosed during the Court proceedings must request the Court to render a secrecy order. As the principle of a public trial is strong in the Constitution of Finland, any claims restricting the public's access to court materials should be justified. Consequently, the broader the secrecy claim of a party is, the more extensive grounds and specifications the party should submit to justify its secrecy claim. Ultimately, the Court will decide, having also consulted the opposite party, whether the secrecy claim of the requesting party is approved or rejected.

8) Whether or not such measures are available, does the Court restrict the defendant's or claimant's use - after the proceedings have terminated - of the information they gain during the proceedings?

Any potential secrecy order rendered by the Court during Court proceedings inevitably restricts the parties' use of the information in question in the sense that the parties are not allowed to disclose information held secret to public or make use of such information for the gain of himself or herself or another. A secrecy order rendered to secure the confidential nature of a trade secret may not exceed 25 years based on the Act on the Publicity of Court Proceedings. Further, a violation of a Court's secrecy

order is punishable under the Finnish Criminal Code as a secrecy offence and may lead to a fine or imprisonment for at most one year.

Aspect (iii) - Valuation of loss

9) Are damages available as a remedy for trade secret violation?

yes

If so please answer the following sub-questions::

a) how (if at all) is that value diluted by publication?

The law does not expressly regulate the dilution of value by publication and, to the knowledge of the Working Group, the Finnish Courts have not taken a stand on the subject matter either. The provisions of the Criminal Code and Unfair Business Practices Act are intended to have preventative and deterrent effect and, therefore, it would be unlikely that dilution of value by publication would fulfill the goals of these laws.

b) how are those damages quantified? Specifically, is allowance made for loss of profits; unjust enrichment; and /or what the trade secret holder would or might have charged as a reasonable royalty fee or licence?

According to Section 7a of the Unfair Business Practices Act, compensation for damage caused by an act breaching the provisions of said law will be determined in accordance with the Tort Liability Act (412/1974, <http://www.finlex.fi/en/laki/kaannokset/1974/en19740412.pdf>[<http://www.finlex.fi/en/laki/kaannokset/1974/en19740412.pdf>]).

According to the main rule of the Tort Liability Act, damages shall constitute compensation for personal injury and damage to property. Where the injury or damage has been caused by an act punishable by law or in the exercise of public authority, or in other cases where there are especially weighty reasons for the same, damages shall also constitute compensation for economic loss that is not connected to personal injury or damage to property.

Hence, in order for a Court to be able to order damages to an injured party due to trade secret violation, the damages must either: (i) be caused by an act punishable by law; or (ii) there has to be especially weighty reasons.

The basis for quantifying the damages is returning the status as it would have been without the violation. According to the main principle of the Tort Liability Act, the damage has to be fully compensated. However, the preliminary works of the act also list provisions that depart from this principle. Another important principle is the prohibition of unjust enrichment. One has no right to gain advantage that he/she would not have gained if the violation would not have happened. Thus, even though damages are fully compensated, the damages cannot exceed the actual damage.

Calculation of damages due to trade secret violation will be, in principle, done in the same manner as calculation for compensating economic loss. The claimant is obliged to present evidence on the chain of events which, on the one hand, would have occurred without the violation and, on the other hand, are incurred due to the violation. The amount of damage occurs directly as a difference of economic situations caused by these chains of events. However, the individual elements and circumstances of each case lead to a situation according to which it is not possible to illustrate an established level of compensation on the basis of the Finnish legal praxis. Some guidance may be sought for from applied license fees or the price of the product in question, but the Courts have also

found justification to differ from these approaches due to the special characteristics and circumstances of the case.

Very often the actual damages cannot be demonstrated. If the issue relates to the quantum of damages and no evidence is available or if evidence can only be presented with difficulty, the Court shall have the power to assess the quantum, within reason (Chapter 17 Section 6 of the Code of Judicial Procedure). The said provision is applied quite often.

c) can damages be awarded for moral prejudice suffered by the trade secret holder? If so, how is moral prejudice defined, and how are such damages quantified?

no

If not please comment.:

No, the Finnish law does not contain express provisions governing damages for moral prejudice suffered by trade secret holder.

However, according to the Tort Liability Act, a person whose liberty, honor, or the domestic peace is offended, may claim damages. As this provision is primarily intended to be applied in connection with crimes, which have harmed the victim personally, we are not aware of circumstances under which a Finnish Court would have found a breach or misuse of trade secret being an offense that would fall within the scope of this provision.

d) If so, how is moral prejudice defined and how are such damages quantified?

Aspect (iv) - Proving infringement

10) What elements must be proved to establish violation of a trade secret?

The Finnish legislation does not contain one single definition for a violation of a trade secret and different acts do not even use the same terminology (see question 2 above). Therefore, the elements to be proved may be different depending on the act invoked by the claimant.

The Criminal Code stipulates that a criminal liability may follow from the violation of a trade secret and from the misuse of a trade secret. An attempt of the violation of a trade secret is also punishable.

The elements that need to be proved regarding violation of a trade secret are:

- i. a person unlawfully discloses or unlawfully utilizes the trade secret of another;
- ii. a person has gained knowledge of the secret
 - a. while in the service of another;
 - b. while acting as a member of the administrative board or the board of directors, the managing director, auditor or receiver of a corporation or a foundation or in comparable duties;
 - c. while performing a duty on behalf of another or otherwise in a fiduciary business relationship; or
 - d. in connection with company restructuring proceedings; and
- iii. person's intention is to obtain financial benefit for himself or another or to injure other party.

However, an act, which a person in the service of another has undertaken and which would otherwise fall within the above elements, is not punishable, if such act has been undertaken after two years has passed since his or her period of service has ended.

The elements that need to be proved for misuse of a trade secret are:

- i. a person unjustifiably uses in business a trade secret of another that has been obtained or disclosed

- through a punishable act; or
- ii. a person unjustifiably discloses such trade secret with an intention to gain financial benefit for himself or another.

Criminal liability may also follow from business espionage or its attempt and requires proving following elements:

- i. a person unlawfully obtains information regarding the trade secret of another
 - a. by entering an area closed to unauthorized persons or accessing an information system protected against unauthorized persons;
 - b. by gaining possession of or copying a document or other record or in another comparable manner; or
 - c. by using a special technical device
- ii. a person has an intention to unlawfully disclose the trade secret or unjustifiably utilize it.

The Unfair Business Practices Act also provides protection against violation of trade secrets. The violation of trade secret requires proving following elements in these situations:

Situation 1

- i. a person has unjustifiably obtained or sought to obtain information regarding a trade secret; and
- ii. a person has used or disclosed information obtained in such a manner.

Situation 2

- i. a person has obtained information regarding a trade secret while in the service of an entrepreneur ;
- ii. a person unjustifiably uses and discloses such information while still in service; and
- iii. a person did this to obtain benefit for himself or for another or in order to harm another.

Situation 3

- i. a person receives information regarding a trade secret while performing a function on behalf of an entrepreneur; and
- ii. a person unjustifiably uses or discloses this trade secret.

Situation 4

- i. a person has been informed by another of a trade secret;
- ii. a person knows that the said person has unjustifiably obtained or disclosed the trade secret; and
- iii. a person has used or disclosed the trade secret.

According to Employment Contracts Act violation of trade secret requires that following elements are proved:

- i. the employee utilizes or discloses to third parties the employer's trade secrets; and
- ii. the employee does this during the term of his employment.

If the employee has obtained such information unlawfully, the prohibition regarding trade secrets continues after termination of the employment relationship.

11) What additional elements must be proved (if any) for a trade secret violation in comparison to a breach of confidence, to the extent those are different types of violations?

See question 10 above.

12)	Can constructive knowledge of a trade secret by an ex-employee or a new employer be imputed, e.g. if the subject-matter of that ex-employee's work was closely linked to the trade secret?
	<p>yes</p> <p>If so, in what circumstances? :</p> <p>In the Finnish law, there is no express provision that would automatically impute constructive knowledge to the new employer. However, the new employer may become liable for losses due to trade secret violation under the Employment Contracts Act if the employer has not been in good faith when receiving the confidential information. The liability for any loss incurred is extended not only to the employee divulging confidential information but also to the recipient of this information, if the latter knew or should have known that the employee had acted unlawfully.</p> <p>If a trade secret is an invention that may be protected by a patent, it is under certain circumstances possible to presume that the ex-employee or new employer had knowledge of such a trade secret. Under the Act on the Right in Employee Inventions, if a patent has been applied within six months as of termination of the employment relationship for an invention that would have been considered to be an employee invention had it been made during the course of employment, the ex-employer is entitled to take rights to such invention (656/1976 as amended, https://www.finlex.fi/fi/laki/kaannokset/1967/en19670656.pdf[https://www.finlex.fi/fi/laki/kaannokset/1967/en19670656.pdf]).This basically means that it is presumed that the invention had been made during the employment relationship. The employee can rebut this presumption and prevent the ex-employer from using his take over rights by presenting probable reasons why the invention had been made after the employment had terminated.</p> <p>In practice, the above impose obligations on the new employer to investigate the origin of the information.</p>

13)	Does your jurisdiction provide for discovery?
	<p>yes</p> <p>If yes, does it provide for discovery at the pre-action stage; and / or against third parties?:</p> <p>The answer to the question on discovery <i>per se</i> is no. However, the group wishes to point out as follows:</p> <p>The Finnish legal system does not provide for discovery but contains provisions on the obligation to present documents (disclosure). Also inspection is available. Disclosure is of more limited nature compared to discovery. The key difference between the Finnish disclosures and discovery is that the party must be able to specify the documents that he asks to be presented at the Court.</p> <p>The Court usually rules on the disclosure request during the preparation stage, i.e., when the action is already pending. However, a precautionary measure might be available to secure evidence in advance if a party is able to sufficiently specify the documents. If the Court grants the precautionary measure, the applicant must within one month of issue of the order bring an action on the main issue before a Court.</p> <p>An order to produce a document as evidence and an order for inspection, which are precautionary measures, may be granted against a non-party who is in possession of a relevant document or the object of inspection.</p>

14)	Does the burden of proof switch to the defendant if the applicant is able to demonstrate, to a certain level of probability, that there has been a violation?
	<p>yes</p> <p>If yes, what is this threshold?:</p>

In Finland the courts apply the principle of free evaluation of evidence. Furthermore, according to Finnish practice, in a civil case the claimant shall prove the facts that support the action. If the defendant presents a fact in his or her favor, also he or she must prove it. Consequently, both the claimant and the defendant bear the risk for not meeting their burden of proof.

The burden of proof is shifted if the Court deems that the evidence presented by the party is sufficient. The threshold for the burden of proof to be shifted may vary and the Court may give significance to same aspects as when defining the party who has the burden of proof. The Court may take into account, for instance, aspects related to reasonability, the type of evidence that may be presented in the case, and parties' possibilities to gather evidence.

Where the action is pursued under criminal law the claimant shall prove the facts that support his or her claim. The claimant must be able to present a full proof. If the fact that a party has committed to a crime is as likely as the opposite scenario, the claimant has not fulfilled his burden of proof.

15) Does your law provide for any other methods for securing evidence, such as seizures or ex parte measures?

yes

If so, what requirements must be fulfilled in order for the measure to be ordered and what safeguards are in place to prevent abuse?:

The Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights provides that the Court may order a seizure for acquiring or preserving evidence (344/2000, there is unfortunately no translation available of this Act). The criteria for the grant of such an order are the following: (i) it can be established with sufficient probability that the applicant possesses an enforceable right and that the right is being infringed or that an infringement is imminent; and (ii) there is a risk that the defendant or a third party in possession of evidence, will conceal, destroy or relinquish the evidence, or will otherwise act in a manner jeopardizing the preservation of the evidence. When deciding to order a precautionary measure, the Court shall also take into consideration that the inconvenience caused by the measure to the adverse party is not excessive in view of the interest to be safeguarded. Seizure may also be granted provisionally on *ex parte* basis without hearing the counterparty, *inter alia*, in situations in which the purpose of the seizure could otherwise be compromised.

As mentioned earlier, preliminary injunctions may be used to secure evidence. Preliminary injunctions can be granted by virtue of Chapter 7 Section 3 of the Code of Judicial Procedure either before or during the main proceedings. Also in this case it is possible to grant preliminary injunctions without hearing the counterparty if the purpose of the preliminary injunction could otherwise be compromised.

The prerequisites for a preliminary injunction are:

(i) Claim requirement

The right holder shall establish that he/she has a right enforceable against the counterparty. The evaluation of the fulfillment of the claim requirement is based on probability assessment: according to recent practice, if it is deemed at least somewhat more likely that the right in question is infringed by the defendant than the opposite, the claim requirement is deemed to be fulfilled.

(ii) Danger requirement

It is required that the counterparty by deed, action, or negligence, or in some other manner, hinders or undermines the realization of the right holder's right or decreases essentially the value or significance of said right. Actual existence of the danger is generally not required to be proven, a claim thereof suffices.

(iii) Comparison of interest / undue inconvenience

The Court considers the interests of both parties and assesses whether the defendant would suffer undue inconvenience in comparison to the benefit to be secured.

There are several safeguards in place to prevent abuse. As a general rule, applicant is required to provide a security. In a case that the seizure or preliminary injunction is granted the applicant must initiate the proceeding before the Court regarding the main issue within a month from the decision to grant the precautionary measure. The applicant who has applied unnecessary preliminary injunction or seizure is liable for damage caused by the precautionary measures and their enforcement, and to cover the expenses incurred. The opposite party has also an option to prevent the enforcement of the precautionary measure by lodging a security.

16) Where seizure is available, for what purposes can it be used? To secure evidence, to prevent items entering into circulation or for other reasons?

The seizure provided by the Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights is mainly targeted at acquiring and securing evidence. The Code of Judicial Procedure provides for mechanisms that enable both securing evidence as well as seizing basically any kind of objects.

II. Policy considerations and proposals for improvements of the current law

Aspect (i) - Overlaps with restraint of trade

17) Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade?

yes

If so, what limits? :

The level of protection of trade secrets should be kept at the present level as a minimum, taking into account the position of the employees, the professional and general skills of the employees, and the constitutional rights to engage in commercial activity, and the right to work. Time limits and territorial limits of the scope of protection may be used when appropriate to avoid unlawful restraints on trade.

18) Should different obligations of confidence / non-use apply to different employees? Why/why not?

Different employees have access to different types of confidential information depending on their position in the company. The rules should be the same, but the assessment may differ depending on the actual knowledge and position of the employee.

The particularly weighty reason requirement applied in connection to non-compete agreements which are assessed on an overall basis, considering the nature of the business, the need to keep a business or trade secret confidential, special training provided to the employee by the employer as well as the employee's status, and duties, could provide some guidance in this regard.

Aspect (ii) - Ensuring confidentiality during Court proceedings

19) Should a defendant, who is sued unsuccessfully for a trade secret violation, and who learns of the trade secret during the course of the litigation, be required to not use the trade secret after the proceedings? Why/why not?

The Working Group notes that all trade secrets should enjoy the same level of protection and the trade secrets of all parties should be protected. Furthermore, Finnish law already entails a non-use obligation

concerning the trade secrets disclosed during the course of litigation (see question 8 above). The Working Group finds this provision important, as it protects interests of both parties to their respective trade secrets.

However, the Working Group notes that any non-use obligations should be carefully considered in situations in which evidence is brought up by the defendant that it has a valid reason to use the secret information in question also after the litigation. For example, the defendant may establish that it has arrived to the same information independently or employed a different method to produce a product whose manufacturing method constitutes the claimant's trade secret. Similar exceptions are commonly provided in non-disclosure agreements, which, according to the Working Group's view, should be regarded by way of analogy when non-use obligations are considered.

Finally, the Working Group refers to the rules regarding burden of proof explained in answer to question 14. In this regard, the Working Group concludes that, while the general principles of burden of proof and the free evaluation of evidence should simultaneously apply, the burden of proof to show violation of trade secret should in the first place lie with the claimant and the defendant should not be obliged, in unreasonable degrees, to disclose its own trade secrets to prove non-violation.

20) Should such obligations of confidentiality attach to information that the defendant developed independently prior to the trade secret proceedings, or develops independently after the trade secret proceedings? Why/why not?

No obligations of confidentiality or any similar restrictions should be applied to information developed independently by a party, be it before or after to the trade secret violation proceedings. Otherwise, a trade secret holder might impede fair competition merely by instigating trade secret violation proceedings against a competitor and thereby restrict the opponent's own research and development work.

Aspect (iii) - Valuation of loss

21) Should damages as a remedy be available by default, or only where injunctive relief is (a) not possible, (b) adequate, or (c) not necessary? If by default, why?

yes

If yes please answer the following sub-questions::

a) only where injunctive relief is not possible?

b) only where injunctive relief is not adequate

c) only where injunctive relief is not necessary?

d) If by default, why?

As all intellectual property laws include provisions that entitle the injured party to claim reasonable compensation and damages, damages due to trade secret violation could be available by default. Currently, it seems more challenging to claim damages on the basis of a trade secret violation than, for example, on the basis of an infringement of an industrial property right. As the trade secret may well be as valuable as any other intellectual property right the holder may have, respective means could and should be available and do not need to be connected to situation where injunctive relief is not possible, adequate, or necessary. Furthermore, it would seem reasonable to allow the holder of

a trade secret to claim reasonable compensation due to unauthorized use of a trade secret in order to put trade secrets in an equal position with other intellectual property rights.

Aspect (iv) - Proving infringement

22) Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer?

yes

If yes, in what circumstances? :

Yes and No: Operating a presumption whereby an ex-employee's trade secret is imputed to his new employer might be beneficial, for example, in preventing willful violations of trade secrets by ex-employees or new employers. However, the requirements for operating such presumption should be defined in a detailed and comprehensive manner to protect the legitimate interests of the new employer. Even if the requirements for presumption were carefully drafted, it might be difficult for the applicant to prove the existence of those requirements with sufficient probability.

23) Availability of pre-action evidence orders and seizure orders.

a) Should pre-action evidence preservation orders be available?

yes

If so, should the hearings to decide whether or not to grant them be able to take place ex parte?:

The Finnish legislation provides seizures and preliminary injunctions for the purposes of preserving evidence that may be used before the actual Court proceedings have been initiated. The more active use of these measures could in some cases prevent a party from bringing an unfounded and consequently unsuccessful claim before the Court but also enable unjustified phishing of information. The more active use of the seizures and preliminary injunctions could also render it easier for the employer to prove the violation of a trade secret. This is especially so as the employer has under current privacy laws very limited possibilities to process the data related to employees and stored in its communication and information technology systems.

b) Should pre-action evidence seizure orders be available?

yes

If so, should the hearings to decide whether or not to grant them be able to take place ex parte?:

The Finnish legislation enables the Court to make the decision regarding seizure and preliminary injunction without hearing the opposite party. This requires that the purpose of the seizure or preliminary injunction could otherwise be compromised. We would not see any major issues if the Court made the decision on ex parte basis. As described above, there are several safeguards in place to protect the opposite party against misuse of the precautionary measures, such as a possibility to prevent enforcement by depositing a security.

24) What if the claimant learns of new trade secrets (of the defendant) during the course of a seizure?

There are provisions addressing this problem as the Act on the Openness of Government Activities prohibits a party from disclosing to third parties secret information obtained as a consequence of party status during the seizure (621/1999 as amended,

<http://www.finlex.fi/fi/laki/kaannokset/1999/en19990621.pdf>[<http://www.finlex.fi/fi/laki/kaannokset/1999/en19990621.pdf>]). The Act on Preserving Evidence in Civil Actions Concerning Intellectual Property Rights also contains some safeguards for the protection of the defendant's trade secrets. According to the Act, the bailiff may use the assistance of an impartial expert in the enforcement of the seizure if needed. The applicant or his representative may act as an expert if it is likely that this will not lead to a disclosure of a trade secret not related to the matter.

Furthermore, it is more significant how the claimant uses information obtained during the seizure than the fact that the claimant learns a new trade secret of the defendant. However, it is important that the seizures are not too broad so that it is possible to keep the exposure of the defendant's trade secrets to a minimum. The claimant is allowed to use the trade secret obtained during the seizure only for the purposes of legal proceedings, not in its own business. To the extent possible and taking into consideration the purpose of seizures, trade secrets learned during the course of a seizure should receive the same protection than other trade secrets.

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Yes

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

Aspect (i) - Overlaps with restraint of trade

26) Please propose principles for the circumstances in which trade secret enforcement actions should fail, because such actions would be de facto restraints of trade.

Duties that do not need to be subject to competitive restrictions from the employer's point of view or when the only purpose is to restrict normal, healthy competition or to prevent the employee from exploiting his professional and general skills, could affect the enforcement of trade secrets when unduly restricting the freedom of trade, and the constitutional right to engage in commercial activity.

27) What relief should courts give when a trade secret violation has occurred or is about to occur, but an enforcement action is barred as a restraint of trade?

At least reasonable royalty or compulsory licensing type of compensation when appropriate.

28) Should employees subject to a stricter obligation of confidentiality be released from that duty in certain circumstances? If so, in what circumstances?

The rules should be the same, taking into account the position and knowledge of the employees, the professional and general skills of the employees, the constitutional rights to engage in commercial activity, and the right to work. The burden of proof should lie with the party wishing to be released from the duty of confidentiality.

Aspect (ii) - Ensuring confidentiality during Court proceedings

29) What protection for trade secrets should be available during Court proceedings, and what conditions should be satisfied for that protection to be given?

Protection of trade secrets from the public at large should be available to all parties who disclose their trade secrets during Court proceedings. However, in light of the principle of a public trial, the parties should justify their secrecy claims and point out their trade secrets from the court materials. After having consulted both parties, the Court should decide the necessary scope of any secrecy order so that the public's access is not unnecessarily restricted.

30) If an enforcement action fails (e.g. because the defendant had independently developed the secret information and did not misappropriate it), what type(s) of confidentiality or non-use obligation, if any, should continue or cease to apply?

All trade secrets should be treated in the same manner when disclosed during the course of litigation. If a party learns of a trade secret during the course of Court proceedings, said trade secrets should be subject to sufficient non-disclosure and non-use obligations provided, however, that the party against whom such obligations are imposed do not have a valid excuse to use the information in question (e.g. independent development of the secret information). When considering such valid excuse, exceptions commonly used in non-disclosure agreements should be regarded by way of analogy.

Aspect (iii) - Valuation of loss

31) Please propose the principles for quantifying damages for trade secret violations.

Damages could be quantified on the basis of license fees used and applied by the injured party and as a minimum at least the level of license fees used within the industry concerned. Respectively, if the trade secret relates to a service, applicable service fees could be used as basis for calculation. Also applied royalties could be used as basis for calculation. If the violation relates to a product that is sold without any license fee, the price of the product could be used as basis of calculation.

Furthermore, if the damages concern loss of profits or business, a calculation or comparison executed by an external expert could be used as additional evidence to support the principles for quantifying damages. In addition to damages, it would seem justified to have a reasonable compensation available for the holder of a trade secret by virtue of the law.

32) Should courts award moral damages?

no

Aspect (iv) - Proving infringement

33) What measures to secure or preserve evidence should be available?

At least disclosure, seizure, and preliminary injunctions for purposes of preserving evidence should be available.

34) What restrictions should apply to the use of seized evidence by the claimant?

As it is difficult to prove the violation of a trade secret, there should not be any limitations for the

claimant to use seized evidence in the course of legal proceedings relating to said trade secret violation. Should the seized evidence contain also trade secrets of the defendant, the defendant's interests could be protected, e.g., by declaring material confidential and limiting the publicity of the main hearing.

The claimant's right to use the seized evidence and disclosed trade secrets should be limited to use for the purposes of the legal proceedings at hand. Especially if the parties have independently developed secret information equivalent to a trade secret and they need to disclose this information during the proceeding, the secret information should be protected against use outside the legal proceedings.

Summary

The Working Group notes that at least the current level of protection employed in Finland should be maintained for trade secret protection. All trade secrets should receive the same protection. The use of trade secrets disclosed during Court proceedings should be limited for the purposes of the legal proceeding irrespective of whether they are claimant's or defendant's trade secrets.

The confidentiality obligations relating to trade secrets should apply to all employees. However, attention should be paid to the knowledge and position of the employee in assessing potential trade secret violations. It would be also beneficial to introduce definition for competing activity and employee's general skills and knowledge at international level.

Sufficient measures for obtaining evidence should be secured while ensuring appropriate trade secret protection. Disclosures, seizures, and preliminary injunctions should be available for preserving evidence.

Reasonable compensation should be available for all trade secret violations.

Please comment on any additional issues concerning trade secrets you consider relevant to this Working Question.