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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)?
	<p>no If not please comment.:</p> <p>German national antitrust (or competition) laws do not contain provisions specifically addressing trade secrets as a form of restraint of trade or restriction of competition. In theory, the use of, or failure to disclose, trade secrets may be regarded as a restraint of trade if, for example, a company misuses a dominant position through such behaviour. That may be the case if, for example, a company with a large share of the market for a particular software application refuses to disclose relevant parts of the source code in order to prevent competitors from accessing that market with compatible software products. The source code will certainly be regarded as a trade secret under German national laws, and a failure to disclose it on the part of the dominant company in this kind of situation would trigger an examination under German and EU rules of competition whether that constitutes a restraint of trade.</p> <p>A different way of protecting trade secrets is a contractual promise not to engage in any competition with the former employer for a certain period of time. Contractual clauses to that effect are possible in Germany; they would constitute a form of "restraint of trade". Therefore, they are subject to strict statutory pre-conditions. An anti-competition clause is, for instance, only effective if the former employer promises to pay a reasonable compensation in consideration of the employee's abstaining</p>

from competition. Also, there is a statutory maximum of two years' duration.

However, the lack of judicial decisions in this field^[1] and further reasons suggest that trade secret protection arguably is not primarily viewed as a form of restraint of trade, quite on the contrary: Trade secret protection may even be viewed as one of the requirements of and pre-conditions for an effective trade and competition^[2]. That view would be in line with the justifying reasons given for legal trade secret protection in the first place. Among these reasons is, first, that legislative protection of trade secrets reduces the actual business costs of keeping secrets secret and therefore enhances economic efficiency. Another justifying reason for the protection of trade secrets is that the transfer of know how is immensely facilitated if the know-how is protected by the laws of the country^[3]. It should be noted that the EU Transfer of Technology Block Exemption Regulation of 2004 generally considers licensing of know-how as pro-competitive. The protection of trade secrets, viewed this way, is a pre-condition for the licensing of trade secrets that in itself is generally regarded as enhancing trade and competition.

^[1] Cf. EU Commission Study on Trade Secrets and Confidential Business Information in the Internal Market, April 2013, Section 3. Competition Law, p. 48, published under http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf

^[2] *Ohly*, GRUR 2014, 1 *et seq.*

^[3] *Ohly*, GRUR 2014, 2

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?

First of all, German national laws formally differentiate between confidential information and trade secrets. The German term "Geschäfts- und Betriebsgeheimnisse" used in the relevant provisions of the Unfair Competition Act (UWG)^[1] may almost literally be translated as "trade secrets". Germany's Federal Court of Justice regularly defines a trade secret as every fact that has a connection with the business, which fact is not obvious, but is known only to a restricted group of persons, and which fact shall be kept secret according to the express intention of the business owner that is based on his economic interest.

Confidential information that is kept secret within a company, which has not otherwise become public and whose secrecy is within the legitimate interests of the company would qualify as a trade secret under German law. However, in certain provisions constituting special confidentiality duties for board members of corporations and public limited companies^[2], the term "confidential information" is used beside the term "trade secrets". Arguably, confidential information may mean information that may technically not be a trade secret of the corporation, because the corporation may not be able to establish a legitimate interest to keep that information secret, but that is nonetheless sensitive information (such as private information about another board member or employee).

Trade secrets are protected in the Unfair Competition Act against certain specified acts of misappropriation^[3]:

- betrayal of secrets, i.e. the disclosure of trade secrets to third parties by an employee during his employment;
- industrial espionage, i.e. the misappropriation of trade secrets through application of technical measures, whether by an employee or third person;

- handling of misappropriated trade secrets and
- piracy of samples handed over in the course of work to be performed by a supplier.

The circumstances in which trade secrets enjoy statutory protection in Germany are generally regarded as quite narrow. Although the above cases are contained in provisions that formally constitute criminal offences, the owner of a trade secret may assert claims for a cease and desist order, for damages and for an account of profits made, for example, with products in which the secrets are embodied.

General skills, or knowledge acquired in the course of employment, may fall in the category of trade secrets which the Unfair Competition Act affords protection in the above mentioned circumstances. "Knowledge acquired in the course of employment" is arguably the broader term and may encompass the category of trade secrets. However, the exact distinction is difficult in practice. The following situations have to be differentiated:

- It is generally accepted that **during the employment** an employee is not allowed to use for his own purposes or disclose secret knowledge acquired in the course of employment. That follows from both unfair competition law (Sec. 17 para. (1) Unfair Competition Act) and from labour law, where the courts have held that the employee is under a fiduciary duty to keep all secret knowledge acquired in the course of his employment confidential or secret^[4].
- When the employment has **ended**, there is an important distinction to be made between unfair competition rules and rules of labour law:

Under unfair competition rules, knowledge acquired by an employee in the course of employment – even trade secrets – may be used by the employee in his new job or for his new employer if he has acquired or obtained that knowledge "honestly" and lawfully^[5], e.g. the employee must not have obtained or secured such knowledge through one of the technical measures forbidden pursuant to Sec. 17 para. (2) Unfair Competition Act (like copying or otherwise securing secret data or other technical information). For instance, it has been held by the Federal Court of Justice that a former employee unlawfully obtains a trade secret if the secret (customer lists) was contained in written materials which he was entitled to compile and keep on his private personal computer while he was employed, and the employee later uses these written materials after the employment has ended^[6]. However, the same secret information that the employee keeps in his memory would be free to use at least under unfair competition rules^[7].

Labour law rules are somewhat different; on paper, they appear stricter than unfair competition rules: The Federal Labour Court has repeatedly held^[8] that even after an employment contract has ended a former employee is under a fiduciary duty to keep trade secrets secret (whether honestly or lawfully obtained or not), and that the former employee is only free to use his "Erfahrungswissen" [know-how from experience acquired during the employment]. That case law implies that it is possible to draw a distinction between trade secrets and know-how, or knowledge, from experience acquired during the employment. Other courts, like Germany's Federal Court of Justice^[9], or scholars^[10] have doubted whether such a distinction is possible, since knowledge from experience may include trade secrets of the former employee.

[1]^[#_ftnref1] Secs. 17, 18, 19 Unfair Competition Act (UWG).

[2]^[#_ftnref2] See, e.g., Sec. 93 para. (1) sentence 3, 116 Corporations Act (Aktiengesetz).

[3]^[#_ftnref3] For a more detailed summary of the requirements of each act, see *McGuire/Joachim/Künzel/Weber*, Report of the German Group of AIPPI on question Q215.

[4]^[#_ftnref4] *Schaub/Linck*, *Arbeitsrechtshandbuch* [Labour Law Manual], 15th ed. 2013, § 53 margin Nos. 51, 52.

[5][#_ftnref5] See, e.g., German Federal Court of Justice (BGH), GRUR 2002, 91 - Spritzgießwerkzeuge, under II. 1. a).

[6][#_ftnref6] German Federal Court of Justice (BGH), GRUR 2003, 453, 454 - Verwertung von Kundenlisten; GRUR 2006, 1044 - Kundendatenprogramm.

[7][#_ftnref7] German Federal Court of Justice (BGH), GRUR 1999, 934, 935 - Weinberater.

[8][#_ftnref8] Federal Labour Court (BAG), NJW 1983, 134, 135; NJW 1988, 1686. 1687.

[9][#_ftnref9] German Federal Court of Justice (BGH), GRUR 2002, 91 - Spritzgießwerkzeuge, under II. 1. a).

[10][#_ftnref10] *Kraßer* GRUR 1977, pp. 177, 186

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

Under German Labour Law, the employee is under a fiduciary duty resulting from his employment contract to keep all secret knowledge acquired in the course of his employment confidential or secret[1][#_ftn1] . That duty exists regardless of whether there is an express duty of confidentiality in the contract or not. It extends to trade secrets[2][#_ftn2] .

Express confidentiality clauses in employment contracts may be broader than the implied fiduciary duties[3][#_ftn3] . Such clauses often extend the confidentiality duty to all facts in connection with the employment relationship. However, such a broad duty in a pre-formulated employment contract is often not effective. Pre-formulated contracts are subject to judicial review on the basis of a statutory standard in the German Civil Code[4][#_ftn4] . Broad confidentiality clauses must regularly conform to the transparency rule, i.e. the particular facts that are supposed to be kept confidential have to be identified, and the company must be able to establish a legitimate interest that the identified facts be kept secret[5][#_ftn5] .

[1][#_ftnref1] Federal Labour Court (BAG), NJW 1983, 134, 135; NJW 1988, 1686. 1687.

[2][#_ftnref2] *Schaub/Linck*, Arbeitsrechtshandbuch [Labour Law Manual], 15th ed. 2013, § 53 margin No. 52.

[3][#_ftnref3] *Schaub/Linck*, Arbeitsrechtshandbuch [Labour Law Manual], 15th ed. 2013, § 53 margin No. 54.

[4][#_ftnref4] Sec. 307 para. (1) BGB [German Civil Code].

[5][#_ftnref5] *Schaub/Linck*, Arbeitsrechtshandbuch [Labour Law Manual], 15th ed. 2013, § 53

margin No. 54.

- 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?

In principle, a fiduciary duty of confidentiality resulting from an employment contract will last indefinitely. Since the duty extends to trade secrets (as opposed to "know-how from experience acquired during the employment", which the former employee is free to use), enforcing such duty years after the employment ended would be difficult, under the principles of good faith, if the specific trade secret in question has entered the public domain in the meantime.

- 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?:

Under unfair competition rules, former employees may use secret information in the course of a new employment if that secret information was honestly and lawfully obtained (see the answer as to question No. 2). Under labour law rules, the former employee is under an implied fiduciary duty resulting from his employment contract to keep secret information secret, with the exception of "knowledge from experience acquired in the course of employment which he is free to use in the course of his new employment (see the answer as to question No. 2).

- 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?:

Organs of a company, which are regularly employees of the company, and members of supervisory boards operate under statutory confidentiality duties that conform to a higher standard than the fiduciary duty implied in regular employment contracts. Board members of corporations or public limited companies are prohibited from disclosing "confidential information and secrets of the corporation"[1][#_ftn1]. Supervisory board members of corporations or public limited companies have a particular duty to keep "confidential reports and confidential consultations" confidential.[2][#_ftn2]

Other statutory organs of employee's participation (like workers' council members, representative of employees' or employers' organisations) have to observe special confidentiality duties.[3][#_ftn3]

The rationale behind these special confidentiality duties is that the employees bound by such duties have a special responsibility towards the company or corporation or towards co-employees. It is self-evident that workers' council members, who learn sensitive private information about a co-employee in the course of their service, may not disclose such information, even if the information technically does not reach the higher standard of a trade secret for the corporation.

[1][#_ftnref1] Secs. 93 para. (1) sentence 3, 116 Corporations Act (Aktiengesetz).

[2][#_ftnref2] Sec. 116 sentence 2 Corporations Act (Aktiengesetz).

[3][#_ftnref3] Secs. 79 et seq., 107 Labour Management Regulation Act (Betriebsverfassungsgesetz). Secs. 82 para (2) sentence 3, 83 para. (1) sentence 3, 99 para. (1) sentence 3 contain specific confidentiality duties for these organs concerning private information regarding co-employees.

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;

The relevant rules of procedure may on the one hand be found in the Act on the Constitution of Courts (Gerichtsverfassungsgesetz, GVG), which governs organizational issues for all courts in Germany, and in the Code of Civil Procedure (Zivilprozessordnung, ZPO), which contains the procedural rules particularly for civil proceedings including private law enforcement.

Regarding the means of protection available we have to distinguish different phases of the proceedings, namely first, institution of proceedings/filing of the statement of claim, second the oral hearing, third the production of evidence and fourth the rendering of judgment and possible subsequent restrictions of disclosure and use.

At present German procedure law does not provide any specific regulation concerning the **initial phase of instituting proceedings**. The claimant is under a duty to specify both the facts of the case and the relief sought in his brief, which will be part of the court files and a copy of which will be served on the defendant. In this phase he has no means to protect his trade secret during the course of instituting proceedings, except keeping it actually secret.^[1] In practice it is therefore recommended to make the statement lean and sketchy and to only file the relevant detailed information during the oral hearings, either on request by the court or the opponent party.

Concerning the oral hearing the rules to be found in §§ 169 et sequ. GVG are of relevance. They provide for the protection against disclosure of trade secrets during a hearing, as they allow the parties to apply for an **exclusion of the public** from a hearing or a part thereof.^[2] In addition, the persons present during the hearing can be obliged to confidentiality in order to prevent passing the obtained information to third parties.^[3] The violation of such obligation is liable to prosecution with imprisonment not exceeding one year or a fine.^[4] However, attention should be drawn that the protection available remains incomplete, because on the one hand the opposing party cannot be excluded from the hearing, on the other hand the court order only prohibits to pass on the information. As a result the trade secret can neither be withheld from the opponent, nor can the latter be prohibited to make use of the knowledge gained.

Contrary to an exclusion of the public (third parties) the **opposing party cannot be excluded** from a hearing. In particular, the principle of party publicity guarantees the right to attend all hearings and to be informed about all facts and evidences. The constitutional court has repeatedly ruled, that an exception from this constitutional right to be heard requires an explicit legal basis.^[5] As no such rules have been enacted so far a restriction of the opposing parties' access is not held permissible. In particular the disclosure of evidence only to the legal representatives of the opponent (so called in camera proceedings) is held to be a violation of the constitutional right to a fair hearing.^[6]

^[1] *Rojahn*, FS Loewenheim (2009), 251, 255; *Stuerner*, JZ 1985, 453, 457; *Stadler* NJW 1989, 1202.

[2][#_ftnref2] Sec. 172 No. 2 GVG, Act on the Constitution of Courts.

[3][#_ftnref3] Sec. 174 para. 3 GVG.

[4][#_ftnref4] Sec. 353d Nr. 2 STGB, Criminal Code.

[5][#_ftnref5] Art. 103 para. 1 GG (Basic Law), BVerfGE 115, 205 ff.

[6][#_ftnref6] German Federal Constitutional Court (BVerfG), BVerfGE 115, 205; German Federal Court of Justice (BGH) JZ 1996, 736.

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

So far only two exceptions to this rather strict approach have been allowed. The first concerns the so called *Düsseldorf Procedure*, the second the auditor's qualified opinion.

The *Düsseldorf proceedings* are applicable in the course of a claim for inspection prior to the main proceedings and by exception allow that confidential information is disclosed only to the legal representatives of the opponent: As the Enforcement Directive does not cover the protection of know how the specific claims for inspection and production of evidence implemented in the course of the transformation of the Directive into national law are not applicable to trade secrets. However, a rather similar result can be obtained by application of the general civil law provisions Sec. 809, 810 BGB (Civil Code). Usually, a claim for inspection entitles the claimant to find and seize evidence in the premises of the alleged infringer, which enables him to prove a committed infringement before instituting a proceeding. In order to protect the confidential information of the opponent, the judge has discretion to provide the necessary measures.[1][#_ftn1] This conflicting interests of claimant and alleged infringer are balanced by a combination of a preliminary injunction and independent proceedings for the taking of evidence. The act of inspection in the premises of the alleged infringer is conducted by an authorized expert under attendance of the claimant's representatives, which are under a strict obligation of confidentiality. The claimant himself is excluded from the taking of evidence. Subsequently the expert's opinion is disclosed to the judge and is made accessible to all participants of the process, except the excluded party. If according to the evidence obtained the judges hold that an infringement is likely, the information will be disclosed to all participants, i.e. will be made available even against the will of the infringer to the initially excluded party; in case an infringement is unlikely the order for confidentiality remains in place. In essence the *Düsseldorfer procedure* creates a temporarily restriction of access to evidence or a hearing in favor of trade secrets of the opponent. However, the court's decision whether or not to disclose the expert's opinion only concerns the question whether the opponent is justified to refuse access to a purported trade secret. Undoubtedly an important building brick for protection of trade secrets its scope of application therefore is restricted. First, it cannot solve the problem of preserving the secrecy of a trade secret during the (subsequent) main proceedings. Second the procedure for factual reasons can only protect a defendant, but is not applicable in case a claim is brought by the trade secret holder on the basis of a trade secret for which protection is sought.

The second relevant exception concerns the verification of facts by an auditor. In case one of the parties in the course of the proceedings brings forward an assertion, but is unwilling to disclose the underlying facts in support because this would put a trade secret at risk, it is established practice that the verification of the facts can be devolved to an expert. If for instance a party claims that it has sold a specific number of units of a good, to a specific group of customers or has generated a specified sum, it is possible to call on a public accountant to confirm the correctness of data provided. In this case the party will disclose the underlying information (e.g. names of customers, sales revenue etc.) to the expert, which will examine whether the data provided backs up the assertion. Insofar as the question put to the expert can be answered by yes or no German courts

have held that the judges may consider the facts although the secret information has not without been disclosed to the judge.^[2] However, it is important to emphasize the restricted scope of this exception to concise questions which can be clearly answered answerable by yes or no.

As a consequence of lacking the possibility to restrict access to confidential information for the opposing party, the implementation of an *in camera* procedure has been broadly discussed.^[3] The general idea of such *in camera* procedures is that the confidential information is presented only to the judge (and an independent legal representative). However, by withholding the trade secret from the opposing party, the latter will be unable to assess the judge's conclusions. According to civil procedure law the opponent must know the relevant facts in order to review them.^[4] The predominant opinion accordingly holds that this procedure would compromise the parties' right to a fair hearing and is not admissible unless the party concerned waives its right of access. The minority opinion holds that this procedure can be applied as an exception, if the protection of the trade secret cannot be achieved otherwise. So far the federal court of justice (BGH) has denied the admissibility of an *in camera* proceedings because of the fundamental constitutional principles of the rule-of law and the right to be heard.

On the other hand, due to a later decision of the Federal Constitutional Court regarding administrative procedure law, the restriction of the constitutional right to be heard can be justified if this measure results in an improvement of effective legal protection.^[5] In another decision, the Federal Constitutional Court stated that in case of a conflict, the right to attain effective legal protection has to be brought into a fair balance with the protection of trade secrets.^[6] Thus the court's access to confidential information in an *in camera* procedure will suffice to allow its utilization in the proceedings and is independent of which party is concerned, i.e. the burden of proof. The exception from the right to a fair hearing is wisely justified by the consideration, that the disclosure of trade secrets in court proceedings endangers the constitutional guarantee of property rights^[7], the disclosure in front of the opponent, most likely a competitor, even jeopardizes the participation in the competition on the merits.^[8]

It may be predicted that in case the know-how Directive will be enacted the German legislator will take these decisions as guidance for the implementation of an *in camera* proceeding into German procedure law. It would be a welcome stimulus to create more flexible instruments to preserve the secrecy of trade secrets during court proceedings.

^[1] For patent rights compare sec. 140c par. 1, 3 par. 3 PatG (Patent Act).

^[2] So called „Wirtschaftspruefervorbehalt“, German Federal Court of Justice (BGH) GRUR 1981, 535 - *Wirtschaftspruefervorbehalt*

^[3] *Stuerner*, JZ 1985, 453ff, *Stadler* NJW 1989, 1202, 1203.

^[4] German Federal Court of Justice (BGH), JZ 1996, 736 - *Anonymisierte Mitgliederliste*.

^[5] German Federal Constitutional Court (BVerfG), NJW 2000, 1175.

^[6] German Federal Constitutional Court (BVerfG), MMR 2006, 375, 376.

^[7] Art. 14 GG (Basic Law).

^[8] Art. 12 GG (Basic Law).

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

As all documents which will be inspected by the judge in the course of the proceedings have to be available for all parties to the proceedings there are no specific rules on restricting access or drawing up non-confidential versions of documents. However, it is possible to restrict access of third parties to the inspection of files.[1][#_ftn1]

[1][#_ftnref1] Sec. 299 para. 2 ZPO (Code of Civil Procedure).

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

The oral promulgation of the judgment is the rule,[1][#_ftn1] the exclusion of the public the rare exception. The same applies to blackening relevant information and restricting the provision to non-confidential parts of judgments. In addition attention must be paid to the fact, that it - for logical reasons - is impossible to omit the relevant information on existence and scope of trade secret from a judgment, as otherwise the party obliged by the judgment would not know what use exactly is prohibited.

[1][#_ftnref1] Sec. 173 para. 2 GVG (Constitution of Courts Act).

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 trade secret holder has to prove to the court the entitlement in the trade secrets, their confidentiality and that a disclosure to the opponent would endanger the loss of the secret as well as its economic value. After provides the necessary evidences it is to the court's discretion whether they order procedural protection of the trade secrets.

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?

Although the information gained during the proceedings is to be kept secret due to sec. 174 para. 3 GVG, the use of it is not expressly prohibited. The fact, that the court can only prohibit further disclosure, but not restrict the use of the knowledge gained by the opposing party constitutes an acknowledged gap in the procedural protection of trade secrets. As the knowledge has been gained in the course of due process and not by an unlawful act it neither constitutes an unfair practice under the Act Against Unfair Competition (UWG).

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?

Yes, damages are available as remedy for trade secret violation. According to German civil law, damages shall put the party suffering in the same position as it would have been in case the damaging act wouldn't have occurred. Thereby it makes no difference whether the damaging act is committed intentionally or by negligence. This means especially that there is nothing such as double or triple damages or other kinds of punitive damages, because the idea behind this is that no one shall profit from a damaging act, he shall not be in a better position than he was without the damaging act.

The publication as such does not trigger a special damage claim. Here the general principle applies that the trade secret owner has to demonstrate what precise damage he suffered from the publication of his trade secret. If he can show that the publication lowered his own profit margin, e.g. because he now can only get a lower price for his product, or he missed some licensing opportunities, then he can claim these damages. However, if he cannot proof specific harm to his business caused by the publication, he will not be able to claim damages.

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?

As stated above, the person suffering from the trade secret violation shall be put in the same situation as if the violation did not occur. This main rule can be found in Sec. 249 Para. 1 BGB (German Civil Code) which states: *"A person who is liable in damages must restore the position that would exist if the circumstance obliging him to pay damages had not occurred."* This includes loss of profit, as he would have made profit without the violation. This is expressly clarified in Sec. 252 BGB: *"The damage to be compensated for also comprises the lost profits. Those profits are considered lost that in the normal course of events or in the special circumstances, particularly due to the measures and precautions taken, could probably be expected."* However, it was discussed in Germany whether one could also claim as damages the infringer's profit or a hypothetical license fee, taking reference to either the TRIPS agreement or the EU Enforcement Directive (2004/48/EC). The German Federal Court of Justice decided in its decision of 19 March 2008 (docket number I ZR 225/06) that the trade secret owner can also claim the infringer's profit. Further, he can also claim what he would or might have charged as a reasonable royalty fee or licence as this is what he would have received if the violation wouldn't have occurred.

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. According to Sec. 253 BGB, damages for moral prejudice is only available for an injury to body, health, freedom or sexual self-determination, or otherwise where explicitly stipulated by law. Such a stipulation does not exist for the violation of trade secrets.

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?

Following the general principle of civil procedure, the plaintiff has the burden of allegation and proof of all facts required to make a claim, i.e. the objective and subjective elements of the claim have to be

fulfilled. For law suits alleging a violation of trade or company secrets, the plaintiff thus has to submit all the facts required to demonstrate all elements for the violation of the principal provision, section 17 of the Act against Unfair Competition (*Gesetz gegen unlauteren Wettbewerb*, "**UWG**"), and to furnish evidence thereof if the opposing party denies the allegations.

All alternatives of Sec. 17 UWG require that the existence of a trade or company secret is asserted conclusively and that – in case of a challenge of the facts – the existence of the secret is proven. The same applies to the individual acts prohibited under Sec. 17 UWG, e.g. the betrayal of a secret (para. 1), industrial espionage (para. 2 No. 1) and/or the handling of unlawfully acquired secrets (para. 2 No. 2). Do avoid repetition, we refer in this regard to the explanation under lit. 2 of the Q215 Group Report Germany, March 2010 (see pp. 1-4).

Sec. 18 UWG penalizes a different kind of breach of confidential information. Due to differing requirements, the alternatives of Secs. 17 and 18 UWG are mutually exclusive in respect of the *same* object, even though some of the prerequisite are identical. For example, the betrayal of secrets (Sec. 17 para. 1) and the piracy of samples ("*Vorlagenfreibeuterei*", Sec. 18) both require that the breach of trust is related to "entrusted" information. This means that it is necessary that it concerns already existing and not merely newly created information which had been previously undisclosed and was obtained under either an explicit or implied obligation to keep it secret.

However, in contrast to the disclosure of secrets according to Sec.17 para. 1 UWG, which can only be committed by an *employee of the company*, piracy of samples according to Sec. 18 UWG can only be committed by *someone not associated with the company*. Furthermore, a requirement of Sec.17 is the existence of a trade or company secret as an object of the violation. In contrast, the notion of an "entrusted" secret pursuant to Sec. 18 UWG is broader and only requires that the secret is externally intact, i.e. not in the public domain, and has potential economic yield, and the will to keep it confidential.[1][#_ftn1]

The further elements of the tort – apart from the existence of a trade or company secret – that the plaintiff has to assert and, in case of a challenge, has to prove are the following:

- Betrayal of secrets pursuant to Sec.17 para. 1 UWG:
 - offender: an employee of the business;
 - a trade or company secret with which he/she was entrusted or to which he/she had access in the course of the employment relationship;
 - communication to another person during the course of the employment relationship;
 - with intent;
 - for the purposes of competition, for personal gain, for the benefit of a third party, or with the intent of causing damage to the owner of the business.
- Industrial espionage pursuant to Sec.17 para. 2 No. 1 UWG:
 - offender: anyone;
 - (so. else's) trade or company secret;
 - acquiring or saving the secret without authorization;
 - by one of the following means: use of technical means, creation a reproduction of the secret and removal of an item embodying the secret;
 - with intent;
 - for the purposes of competition, for personal gain, for the benefit of a third party, or with the intent of causing damage to the owner of the business.
- Handling of unlawfully acquired secrets pursuant to Sec.17 para. 2 No. 2 UWG:
 - offender: anyone;
 - the secret was obtained by means of one of three alternatives:
 - by a communication as referred to in Sec. 17 para. 1 UWG;
 - by an act of his own or of a third party pursuant to Sec. 17 para. 2 No. 1;
 - by otherwise acquiring or securing the secret without authorization;
 - using or communicating the secret without authorization;

- with intent;
- for the purposes of competition, for personal gain, for the benefit of a third party, or with the intent of causing damage to the owner of the business.
- Piracy of Samples pursuant to Sec. 18 para. 1 UWG:
 - offender: any person *not* associated with the business;
 - models or instructions of a technical nature;
 - entrusted to him in the course of business;
 - use or communication without authorization;
 - at least with conditional intent;

for the purposes of competition or for personal gain.

[1][#_ftnref1] Federal Court of Justice (BGH), Decision of 7. 1. 1958 - I ZR 73/57, GRUR 1958, 297, 298 - *Petromax*; Decision of 17.12.1981 - X ZR 71/80, NJW 1982, 937 - *Strassendecke II*.

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?

The breach of confidence is penalized in Secs. 203 et seq. German Criminal Code (*Strafgesetzbuch, StGB*). Sec. 203 StGB aims at preventing the disclosure of secrets that have been entrusted to someone or have become known in some other way. Sec. 204 StGB aims at protecting against the commercial exploitation of such secrets. Both offences can only be committed by a member of one of the professions listed in Sec. 203 StGB (e.g. physicians, psychologists, lawyers, office bearers etc.) that typically have a particular relationship of trust with the owner of the secret.

For a civil action, a violation of these provisions amounts to the breach of a “protective” law in the meaning of Sec. 823 (2) of the German Civil Code (*Bürgerliches Gesetzbuch, BGB*).

Secs. 17, 18 UWG have, objectively, a more limited scope than Secs. 203, 204 StGB as they only protect trade and company secrets, but not other secrets relating to the personal life. They are therefore *lex specialis*. However, if the secret is a trade or company secret and it is, at the same time, related to the personal life, a violation of both the provisions of the Act Against Unfair Competition and of the Criminal Code can be fulfilled concurrently.

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?

yes

If so, in what circumstances? :

As is the general rule in civil procedure, the plaintiff has the burden of allegation and proof that the trade or company secret has been entrusted or made accessible to the specific employee during the course of the employment relationship. There is no reversal of the burden of proof, and the German legislator also has not made use of the opportunity under Art. 43 para. 2 TRIPS.

However, the Federal Court of Justice has repeatedly decided that the threshold to prove the unauthorized obtaining of trade or company secrets should not be set too high in situations where the former employee has extensive knowledge that, realistically, could only have been gathered during the course of the previous employment relationship.[1][#_ftn1] Assuming, for instance, that a former employee rebuilds several years after leaving the company and using secret information a complex

technical construction that had been developed by his previous employer. Where the resemblance of the construction is striking due to its richness of detail, it would, based on experience of life, give rise to the *assumption* that the concept for the construction had been immorally and methodically retained in drawings or by secretly building a model for the purpose of the subsequent exploitation.[2][#_ftn2] The same would seem to apply, e.g., where an internal complex computer program has been taken over in almost all program steps (including small mistakes), or where almost all of thousands of clients of a business are contacted by a former employee even though a compilation of their names and addresses are not publically accessible.[3][#_ftn3]

Nevertheless, there is no imputation that the secret was dishonestly obtained but the courts rather examine the circumstances of each individual case.

[1][#_ftnref1] German Federal Court of Justice (BGH) GRUR 1963, 367, 369 - *Industrieboeden*; German Federal Court of Justice (BGH) GRUR 1983, 179, 181 - *Stapel-Automat*; German Federal Court of Justice (BGH) 27.04.2006 - I ZR 126/03 (OLG Muenchen), GRUR 2006, 1044 - *Kundendatenprogramm*.

[2][#_ftnref2] German Federal Court of Justice (BGH) GRUR 1983, 179, 181 - *Stapel-Automat*.

[3][#_ftnref3] Harte-Bavendamm/Henning-Bodewig/*Harte-Bavendamm*, UWG [Commentary on the Act against Unfair Competition], § 17 Rn. 33.

13) Does your jurisdiction provide for discovery?

yes

If yes, does it provide for discovery at the pre-action stage; and / or against third parties?:

There is no equivalent to the U.S. discovery of UK document production in the German legal system (with respect to seizure, see Q 15). However, the German procedural law does contain an element of discovery in section Sec. 142 Code of Civil Procedure (*Zivilprozessordnung, ZPO*) according to which the court can order the parties at trial or a third party to produce documents or records *during* (but not before) pending proceedings if the documents are in the other party's possession and the other party referred to them. This does not amount to a general procedural duty of disclosure of the party that does not bear the burden of proof, though.[1][#_ftn1] Rather, the disclosure duty is limited to those documents or records that have been referred to and the request for disclosure has to contain a substantiated and conclusive rendering of the facts as well as the *precise identification* the specific document to be disclosed. Furthermore, the court has discretion in ordering the disclosure and will weigh the potential insight resulting from the production of the document against the legitimate interest of protecting secrets and privacy. Finally, there is no sanction for the other party if it refuses to produce the document. However, the court may consider such refusal in its assessment of the evidence.

In principle, also third parties can be ordered to produce a document when they have custody of over document referred to by the other party. They can, however, refuse to produce them pursuant to Sec. 142 para. 2 ZPO if this would be unreasonable or if they have a right to refuse to testify. Such right to refuse to testify can be based, for instance, on personal or factual reasons according to Secs. 383 et seqq. ZPO. In particular, the third party does not have to subordinate its pecuniary interests for the benefit of the party wanting to provide/obtain evidence.[2][#_ftn2]

A third party that does not produce a document without having a right to refuse to testify can only be sanctioned to pay a coercive fine pursuant to Secs. 142 para. 2, 390 ZPO. There is no presumption that the content of the document actually corresponds to what was alleged/referred to in the proceedings.

[1][#_ftnref1] German Federal Court of Justice (BGH) 26.10.2006, III ZB 2/06, NJW 2007, 155

[2][#_ftnref2] German Federal Court of Justice (BGH), 26.10.2006, III ZB 2/06, NJW 2007, 155

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?

yes

If yes, what is this threshold?:

There are no specific rules for trade or company secret violations; thus the general rules of civil procedure apply. According to the general principle regarding the allocation of the burden of proof, each party has to provide evidence for the facts / requirements of a claim that are in its favor. Thus, the plaintiff has to provide evidence for all the facts establishing and preserving the specific right, whereas the defendant has to prove the facts/ requirements for objections that preclude, negate or inhibit such right, as well as any opposing rights.

According to Sec. 138 para. 2 ZPO, the defendant has to respond with a substantiated statement once the plaintiff has given a substantiated allegation of a violation of trade secrets. This means he has to take a specific position to each allegation. It is generally insufficient to merely contest the facts in a general way. Only if a substantiated statement – i.e. a counter-statement – is impossible, if the defendant does not have sufficient knowledge thereof and is not able/obliged to obtain such knowledge, he/she will be entitled to simply contest the facts.[1][#_ftn1] Allegations that are not contested to the required extent will be deemed accepted by the other party according to Sec. 138 para. 3 ZPO.

The burden of proof will become only relevant if and when the defendant contests to a substantiated extent. It is possible to ease the burden of submission for the adverse party („secondary burden of submission“). This can be the case where the party having the burden of proof has no insight into the relevant course of events and, thus, it is impossible or unreasonable for it to provide more details, whereas the contesting party knows all relevant facts and it is possible and reasonable for it to provide the corresponding details.[#_ftn2] It may be necessary for the party bearing the burden of proof to furnish verifiable facts for that it is reasonable for the other party to provide the information.[#_ftn3] It depends on the individual circumstances whether or not a secondary burden of submission can be assumed.

Although this does not result in a reversal of the burden of proof, it will no longer be sufficient for the other party to simply contest the presented facts in an unsubstantiated manner. Rather, it has to present facts for the incorrectness of the submission it has contested.[4][#_ftn4] Otherwise, the alleged fact will be deemed accepted according to Sec. 138 para. 3 ZPO. However, there are not very high demands for an substantiated contestation; in particular, there is no obligation to produce documents.[5][#_ftn5]

[1][#_ftnref1] German Federal Court of Justice (BGH) 11.06.1985 – VI ZR 265/83, NJW-RR 1986, 60

[2][#_ftnref2] German Federal Court of Justice (BGH) 18.05.2005 – VIII ZR 368/03, NJW 2005, 2395 (2397); German Federal Court of Justice (BGH) 19.02.2014 – I ZR 230/12, NJW 2014, 3033 Rn. 14; BAG 27.09.2012 – 2 AZR 516/11, NZA 2013, 559 Rn. 28

[3][#_ftnref3] German Federal Court of Justice (BGH), 17.10.1996 - IX ZR 293/95, NJW 1997, 128; see also German Federal Court of Justice (BGH) NJW 2014, 149 Rn 20; BeckOK ZPO/Bacher ZPO § 284 Rn. 84

[4][#_ftnref4] German Federal Court of Justice (BGH) 18.05.2005 - VIII ZR 368/03, NJW 2014, 3033 Rn. 14

[5][#_ftnref5] German Federal Court of Justice (BGH) 26. 6. 2007 - XI ZR 277/05, NJW 2007, 2989 [2991]

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?:

In contrast to, e.g., patent, trademark and copyright law, there is no specific provision for securing evidence with regard to trade secret protection. Therefore, here as well the general rules apply. Under these rules, it is possible to assert a claim for an *ex parte* inspection pursuant to Sec. 809 BGB. This practice - which has been developed in the context of patents/copyright before specific provisions were introduced in the respective laws in the course of the implementation of the Enforcement Directive - is a combination of an independent procedure for the preservation of evidence pursuant to Sec. 485 et seq. ZPO with a preliminary injunction, the so already mentioned *Düsseldorf Proceedings* (see above, question 6 b)), which is also applicable to violations of trade secrets. However, the *Düsseldorf Proceedings* allow only for an inspection of objects/documents and potentially for making copies thereof. They do not allow for the seizure of an original document.

In civil proceedings, there is no possibility for an on-site seizure of evidence. Also, the EU Counterfeiting Regulation,[1][#_ftn1] which regulates border seizures of goods, is not applicable for cases of suspected violation of trade secrets. National law only provides for border seizures with regard to certain intellectual property rights, i.e. for trademarks, community trademarks, patents, designs, copyrights and plant variety marks, but not for trade secrets.

A possibility for seizure of evidence is *available* in the course of criminal investigation proceedings initiated by a public prosecutor. However, the decision whether or not a search and/or a seizure are to be carried out is left to the discretion of the investigating authority.

[1][#_ftnref1] Reg. (EU) 608/2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003.

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?

There are no particular seizure measures with respect to trade secrets, or the violation thereof. The general civil procedural rules apply. Where the trade secret owner has a claim for removal/destruction of goods embodying the trade secret (e.g. based on § 1004 BGB or § 8 para. 1 UWG), it should be possible to secure such claim in preliminary proceedings by way of seizure and sequestration. However, there is no published case-law.

There are no seizure measures for securing evidence in order to establish infringement, only the possibility of an inspection under the *Düsseldorf Proceedings* (see above Q 6 b)).

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? :

Trade secrets, arguably, are no fully-fledged intellectual property rights. There are, in theory and in practice, several reasons why German law, in its current state, accords trade secrets a form of protection that decidedly falls short of the protection currently accorded to intellectual property rights, in both substance and extent. Among these reasons is that trade secrets are volatile in that their subject matter and use oftentimes cannot be differentiated from the use of knowledge based on experience that former employees have legitimately, and legally, acquired during the time they were employed. So the limits of trade secret protection in the current German law are basically justified by the different nature of trade secrets vis-à-vis real intellectual property rights: whereas the latter constitute absolute rights, the first are rather protected against disloyal behavior. We respectfully submit that the restrictions of protection contained in Secs. 17-19 of the German Unfair Competition Act should be maintained in the interest of freedom of competition.

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

We basically agree with the proposition that different obligations of confidence or non-use should apply to different employees. Employees with special tasks, such as board members or supervisory board members, should conform to different confidentiality obligations than employees with less or a different responsibility. A hierarchical system of different obligations, which is currently the law in Germany, takes the different obligations and tasks of different employees into account (see above under I., aspect (i) (5)).

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?

In order to allow effective enforcement of trade secrets the claimant must be protected against subsequent use and/or disclosure by the defendant or any other person participating in the litigation independent of whether or not his claim was successful. First of all it is a general principle of civil procedure that the parties seek the help of the court to establish and enforce their purported claims, whether they are (un)founded or not left to be decided by the court. If the protection depends on the success of the claim the claimant would in addition to the general procedural risks (such as costs) put his trade secret at risk. Second, enforcing trade secrets is particularly difficult because the requirements contain a subjective element, such as dishonest disclosure or disloyal access, which are particularly difficult to prove. It therefore may well be that there is a valuable trade secret at stake, but the claimant loses the case because he cannot meet the burden of proof. Third, in any case of misappropriation there is a difficulty to identify the leakage. The same applies in case the claim is directed against the wrong (former) employee or an entity who actually uses the misappropriated secret, but has not itself committed any wrong. After all the claimant seeking protection is obliged by procedure law to disclose the trade secret to the opponent. This duty has to be balanced by efficient protection.

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?

Information developed independently prior to the proceedings cannot come under a duty of confidentiality, because such a rule would in its essence enlarge the scope of protection of trade secrets. Its main characteristic as compared to full-fledged IPRs exactly is, that the information is not protected as such, but only against disloyal imitation. What has been known beforehand cannot be imitated.

In theory the same should apply with regard to independent development taking place after the proceedings. However, it is difficult to imagine that someone of his own accord arrives at a result which he has previously had access to. Keeping in mind the difficulties of proving that information has been misappropriated it may be more apt to impose a reversal of the burden of proof on the defendant, who relies on subsequent independent development.

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?
	no
	If not please comment.:

b)	only where injunctive relief is not adequate
	no
	If not please comment.:

c)	only where injunctive relief is not necessary?
	no
	If not please comment.:

d)	If by default, why?
	<p>Damages should be available by default, and not only in cases where injunctive relief is not available. Further, injunctions should be available even if the business secret became through the infringement public. Damages and injunctions should not be strict alternatives, because they fulfill different tasks: damages compensate for harm already suffered by the infringement of trade secret, so it is directed to the past. Injunctions to the contrary are directed to the future: they shall stop the infringement to avoid further harm in the future. So there is no reason to put both up as alternatives, both should be available where appropriate. But of course, even if damages are by default available, the amount of damages suffered still has to be demonstrated. This means the general availability as such does not mean that money is in fact awarded. It is possible that an infringement did not (yet) cause damages. Then even though damages are available by default, the amount awarded would still be zero.</p>

Aspect (iv) - Proving infringement

22)	Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer?
	no
	If no, why not?:

It could be considered to introduce a reversal of burden of proof similar to those provided for process patents in Art. 34 TRIPS (and implemented in section 139 para. 3 German Patent Act). This would seem adequate if there is concrete secondary evidence that the ex-employee (i) has participated in the particular project of the new employer and (ii) that there is a sufficiently high probability that the trade secret has been used in the project.

The danger of such reversal of proof is, however, that it may become difficult for the ex-employee to disprove that he or she disclosed the information illegitimately to the new employer in view of the German law permitting the use of the so-called experience knowledge that is merely drawn from memory. Additionally, it may force the other party to disclose trade secrets of its own if such are part of the production process. This could be problematic as long as there is no sufficient protection for the disclosure of trade secret during court proceedings. Furthermore, the threshold for imputing constructive knowledge of the trade secret may not so low that it creates a disincentive against hiring ex-employees due to the potential threat of being sued for trade secret violation.

The current court practice which does not impose to high a standard for the claimant's burden of allegation and proof in such circumstances and shifts the secondary burden of submission to the ex-employee resp., his employer (see question 14), already seems to achieve an adequate solution based on case-by-case decisions.

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?:

See question 33.

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

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

The confidentiality of trade-secrets in court proceedings should be safeguarded in court proceedings both as regards trade-secrets of the claimant and of the defendant. This could required the introduction of a confidentiality club or an counsel-only privilege that precludes the claimant from learning of new trade secrets of the defendant. In any case, measures should be available to ensure that the claimant does not make use of the trade secrets for business purposes.

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.

Since “restraint of trade” is not a clear-cut legal category in Germany or Europe, but is subject to diverse considerations that are dependent on the particular set of facts of the case at hand, it is difficult to come up with overriding and concrete principles guiding the success of trade secret enforcement actions. As a rule, one may conclude that statutory trade secret protection should be granted in any case where the statutory requirements are met and there are no exceptional circumstances that would give rise to a violation of established antitrust laws.

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?

In the exceptional event that a trade secret enforcement action should fail on account of a “restraint of trade” constituting an antitrust violation, there is no reason for awarding any relief to the plaintiff since his claim is not founded for antitrust violations.

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

Stricter statutory obligations of confidentiality in Germany exist for employees which generally have greater responsibility towards other employees or towards the company they serve (see above under I., aspect (i) (5)). Therefore, the underlying reason for establishing stricter obligations for these groups of employees should basically not be repealed or modified in certain circumstances.

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?

As a general rule any trade secret holder must have a fair chance to seek protection by state courts without putting the very existence and confidentiality of his trade secret at risk. Accordingly all information provided in the course of proceedings has to be kept secret by all participants, the recipients must be prohibited both to disclose and to use such information. In order to foster the reliance of trade secret holders in the state court litigation such confidentiality orders have to be strict and enforceable.

Keeping the broad scope of trade secret protecting and the different types of information concerned in mind there is no one-size-fits-all solution. The necessary measures in particular depend on whether the use of such knowledge can be objectively proven - as is the case with technical information - or whether the recipient will already gain from the mere knowledge - as in the case of a market analysis. If access to the knowledge as such transports the competitive advantage to the recipient the claimant must have a possibility to prevent the defendant's access to such information. In this case measures such as in camera proceedings, a chartered accountant or a confidentiality club is required. A further possible measure may be to allow the claimant to first to plead the facts of the misappropriation and only after this has been established to the persuasion of the court then introduce the details of the trade secret. If by contrast the use of the relevant information can be physically verified it may be sufficient to secure the strict confidentiality order by either contempt of court measures or contractual penalties.

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?

The above mentioned measures should apply to all information which the defendant did obtain in the course of the proceedings. As a trade secret as such does not protect against independent development the same restriction must apply to confidentiality measures.

Aspect (iii) - Valuation of loss

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

The three different calculation methods for damages (i.e. (1) lost profits, (2) infringer's profit, and (3) license analogy) work basically well and should be kept. One proposal, maybe more to the courts than to the legislator, is not to overstretch the burden of proof for lost profits. It naturally is always challenging to prove what hypothetically would have happened in case a certain event would not have occurred. For example, whenever there are more than two market players, it is difficult for one of them to prove that in case a second one could not have entered the market, he would have made his turnovers. It is also possible that other market participants would have taken over his market share. Therefore a full proof is difficult, which makes claiming lost profits difficult. It would be desirable that a certain likelihood is here sufficient, e.g. an expert report from an economist.

32) Should courts award moral damages?

no

Aspect (iv) - Proving infringement

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

Pre-action inspection measures corresponding to those introduced in the other intellectual property laws as part of the implementation of Art. 7 of the European Enforcement Directive should be explicitly codified. While the introduction of seizure orders would remove the burden for the state prosecutor's office (which is currently the only German authority empowered to conduct seizure proceedings), it seems questionable whether such tool should be introduced with regard to trade secrets (only) as the German legislator has chosen not to include pre-action seizure in the other intellectual property laws when implementing Art. 7 of the Enforcement Directive.

The hearings for the determination of the grant of inspection orders should take place ex parte to prevent the destruction or concealment of evidence and inappropriate delays in the enforcement. The defendant is protected against unjustified inspections as the claimant is liable for damages regardless of negligence or fault. As long as sufficient safeguards are implemented to preserve the confidentiality of any potential new trade secrets of the defendant, his interests would seem sufficiently safeguarded.

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

The claimant should be limited to using the seized evidence solely for the purposes of the court proceedings and it he/she should be precluded to use any of it for its own business purposes. This may require that the claimant receives only limited access, if any to the evidence and that a counsel only privilege should apply (see questions 24, 29 and 30).

As a matter of course, confidentiality obligations should apply likewise to claimants and defendants.

Summary

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

AIPPI