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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.:
	A balance should be struck between free competition and protection of Intellectual Property. Such is not seen differently for trade secrets than for any other form of Intellectual Property. This is according to case law of the European Court of Justice.
	It is not excluded that trade secret protection can form an unlawful restraint of trade, when it restricts competition or constitutes an abuse of dominant position. Dutch courts and the Dutch Competition Authority ("ACM"-for a list of abbreviations, please refer to 'Summary') have the power to enforce article 101 and article 102 of the Treaty on the Functioning of the European Union (hereinafter "Treaty"). The Dutch Competition Act does contain similar provisions in respectively article 6 DCA and article 24 DCA.

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

Dutch Courts and the ACM do take into account the decisional practice of the European Commission, and Dutch competition law shall be interpreted in accordance with the principles of the European Community competition law when assessing agreements or concerted practices relating to trade secrets.

In practice, no deviations from the above have been noticed.

The proposal for an EU Trade Secrets Directive represents the Council's view on the proper balance between the protection of intellectual property and free competition. This is represented in the provisions on infringement, on limitations to the scope of trade secret protection and in the provisions on enforcement. Member States are free to enact additional tools of enforcement, but the tools which are included in the proposal are intended as *lex specialis* in relation to the EU Enforcement Directive (2004/48/EC), as specified in recital 28.

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?

In the Netherlands no specific provisions exist with respect to trade secrets. Dutch law therefore does not explicitly distinguish between different types of information.

In order to answer this question we need to check the separate provisions in Civil law, Criminal law and Labour law applying to trade secrets.

Civil Law

Both confidential information and trade secrets seem to fall under the TRIPS definition of Article 39 TRIPS provided that the confidential information has commercial value and this is clear to the person using such information.

In a recent decision of the Court of Appeal of 's-Hertogenbosch (*Note: Gerechtshof 's-Hertogenbosch 10 februari 2015, ECLI:NL:GHSHE:2015:445*) the court made a distinction between specific knowledge and expertise of an employee and know-how as defined in Article 39 TRIPS business information that has been kept secret which information is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question and represents great commercial value.

The Court expressly states that in order to assess what belongs to the know-how it is not decisive whether or not such know-how is (also) based on knowledge, skills and experience of an employee that was in his possession before entering into a labour contract with employer, since employer especially hired employee for that specific knowledge, skills and experience.

Under specific circumstances general skills or knowledge acquired during the course of employment may be part of know-how. According to a Decision of the Court of Appeal of 's-Hertogenbosch of 2004 (*Note: Gerechtshof 's-Hertogenbosch 8 juni 2004, ECLI:NL:GHSHE:2004:AQ5610*) making use of knowledge acquired during the course of employment is only illegal if such knowledge contains confidential information.

With respect to unlawful competition of a former employee judgements are based upon a judgement of the Dutch Supreme Court known as Boogaard/Vesta from 1955 (HR 9 december 1955, NJ 1956, 157). After employment has ended, an employee is free to enter into a labour contract with another employer or start a business and thus compete with his former employer. Such competition is unlawful if there are additional circumstances, namely if the former employee (1) systematic and substantial damages (2)

the long-term market of the former employer that the employee helped building in the context of his employment, (3) using tools like know-how and goodwill which were made available to him by his former employer in confidence.

Based on decisions of the Dutch courts the level of protection of trade secrets depends on the specific case, the parties involved and the perspective of the judge.

Criminal Law

The DPC relates to both confidential information and trade secrets, no further distinction with respect to the level of importance of the information is made.

Labour Law

The provisions on Labour Law as described in the introduction also relate to both confidential information and trade secrets.

In the proposed Directive general skills or knowledge acquired during the course of employment are explicitly excluded from the definition of "trade secret" and do not form part of the Directive. Paragraph 8 of the preamble of the Directive explicitly states:

"For this purpose it is important to establish a homogenous definition of a trade secret without restricting the subject matter to be protected against violation. Such definition should therefore be constructed as to cover business information, technological information and know-how where there is both a legitimate interest in keeping confidential and a legitimate expectation in the preservation of such confidentiality. Such information or know-how should furthermore have commercial value, whether actual or potential. Such information or know-how has commercial value especially insofar as its unauthorized acquisition, use or disclosure is likely to harm the interests of the person lawfully controlling it in that it undermines his or her scientific and technical potential, business or financial interests, strategic positions or ability to compete. By nature, such definition should exclude trivial information and should not extend to the knowledge and skills gained by employees in the normal course of their employment and which are generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question."

The question remains what "normal" course of employment means. There might certainly be cases in which this could lead to a discussion.

In the proposal for an EU Trade Secrets Directive there currently is no provision to distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets. The European Parliament is aware of this and there may be some changes in the next version of the proposal.

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

Irrespective of contractual agreements, trade secrets are protected in three ways (Note: C.J.J.C. van Nispen, *Groene Serie onrechtmatige daad IV.6.2.18 Gebruik van eens anders beroeps- en/of bedrijfsgeheim*, 2015.):

- in labour law: Article 7:611 DCC (duty to act as a good employee) and Article 7:678 paragraph 2 subparagraph i. DCC (urgent reason for termination of the contract)
- in criminal law: Article 272 and 273 DPC.
- general tort law fulfills a supplementary role: Article 6:162 DCC

Labour Law

Employees are always under a duty of confidence, whether or not such has been agreed up on in the contract of employment (*Note: Rb. Amsterdam 16 augustus 1995, ECLI:NL:RBAMS:1995:AD2383 zie ook D.J.B. de Wolff, Goedwerknemerschap, Deventer 2007, p.165.*). An employee who does not treat confidential information as confidential, violates the obligation to act as a good employee (Article 7:611 DCC). A good employee respects the rule that confidential information should not be disclosed or revealed to third parties.

Also, if an employee discloses particulars of the household or business of the employer which he should have kept confidential, this can be an urgent reason for the employer to terminate the contract (Article 7:678(2i)) DCC.

Criminal Law

Based upon the provisions in the DPC as described in the introduction employees are under a duty of confidence which is limited to company information of which they knew or were supposed to know that it should be kept secret. It depends on the nature of the information whether or not it should be kept secret. The prohibition to disclose trade secrets is subject to a broad interpretation (*Note: HR 20 April 1990, ECLI:NL:HR:1990:AD1092, Meijer/De Schelde*). Publishing a conclusion drawn from trade secrets and stating that the conclusion is based on a variety of evidence that is, in the company's interest, not written on paper may also be deemed as disclosing trade secrets.

An express confidentiality clause may be part of a labour agreement, or may be part of a protocol ('Arrest Hoge Raad 14-januari- 1935 NJ1935/430'). In the event of absence of any confidentiality clause it is believed that no reasonable measures have been taken, and consequently there is no existence of a trade secret.

It is permitted to protect classes of information broader than would otherwise be protected by the employee's duty of confidence, in accordance with the principle of freedom of contract.

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?

Absent any confidentiality clause there is hardly a basis to consider the existence of a trade secret.
 The EU proposal for a Trade Secrets Directive does not aim to regulate this, as it does not aim at affecting employment law.

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?:
 In the absence of any relevant contractual provision - in addition to a non-compete clause, one could think of a confidentiality undertaking - workers may use knowledge acquired in the course of earlier employment in a new employment, unless not allowed under tort (see question 9).

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?: It is generally felt that the higher a position of an employee, the more diligence that may be expected of such an employee. However, it is doubtful whether this principle is relevant to the use of knowledge, particularly in the absence of any relevant contractual provision. The use of knowledge that qualifies as a trade secret will not be permitted for any employee, regardless his or her position during previous employment.

Aspect (ii) - Ensuring confidentiality during Court proceedings

6)	What measures or provisions are available to preserve the secrecy of trade secrets during Court proceedings?
	In principle, hearings (and therefore filed evidence as disclosed during a hearing) are public.

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;
	<p>Hearings in the Netherlands are in public: Article 4 JOA:</p> <ul style="list-style-type: none">- 1. Unless provided otherwise by law, hearings must be public, on penalty of nullity.- 2. The examination during the hearing may, for compelling reasons, be conducted wholly or partly in private. The reasons must be stated in the official record of the hearing." (Note: Informal translation, see www.dutchcivillaw.com/legislation/judicialsystem022.htm) <p>Articles 27-29 DCCP confirm the aforementioned principle, but also provide for exceptions According to Article 28 section 3 DCCP, court files are not public. The registry is only allowed to provide copies of judgments and decisions and of documents that have been attached to these. However, the parties normally do not have an obligation of confidentiality (except as discussed below) and could therefore distribute copies of such documents.</p> <p>According to art Article 27 DCCP a court hearing is public, but under certain circumstances (public order and good faith, safety of the State, interests of minors and the right to respect for private life, and the interest of good justice) a party can file a request at the court to order closed hearings that are not accessible to third parties or only to certain persons. The right to respect private life according to Article 27 DCCP also covers companies/legal entities' trade secrets (see DSC 29 March 1985, Enka/Dupont, NJ 1986, 242, par. 3.4; CoJ EU 14 February 2008, Varec/Belgium, C-450/06; ECHR 16 December 1992, Series A no 251-B, §29 (<i>Niemietz v Germany</i>); ECHR 16 April 2002, no 37971/97, §41 (<i>Société Colas Est and Others v France</i>); ECHR 28 January 2003, no. 44647/98, §57, (<i>Peck v The United Kingdom</i>)).</p> <p>According to Article 28 DCCP judgments are rendered in public, however, when one of the parties would have a serious interest, a decision can be rendered on an anonymous basis (wherein certain parts can be removed) (Article 28, paragraph 1 DCCP). In case of closed hearings decisions should be handed on anonymous basis (Article 28, paragraph 4 DCCP).</p> <p>Article 29 DCCP holds a statutory prohibition for parties to communicate to the public anything that has been dealt with during a hearing which has taken place on a confidential basis or which has been restricted to certain persons (in accordance with Article 27 DCCP) or, when the court has</p>

ordered so with regard to certain other data disclosed in proceedings.

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

In principle, such measure is not available in Dutch proceedings. If a party wishes to rely on trade secret evidence against the other party, fair trial principles require that the other party is granted access to such asserted information. The courts may only decide on the basis of information to which the other party has been provided sufficient opportunity to respond (Article 19 DCCP; DSC 20 December 2002, *Lightning Casino/Netherlands Antilles*, NJ 2004, 4, par. 4.4.4). If a party does not file specific evidence concerning certain allegations, the courts may (still) allow or order, unless for serious reasons, filing thereof. The courts have discretion to disregard unsupported allegations to the disadvantage of the concerned party that fails to file such evidence (Article 22 and 85 (4) DCCP; DSC 30 January 1998, NJ 1998, 459, and see annotation Vranken, par. 11). Although there is no express legal basis (apart from the principle of party autonomy, cf. Article 24 DCCP), the parties may agree to request the court to deal with certain issues/evidence during the hearing only via their legal representatives, while the parties leave the court room. The parties cannot impose such obligation to leave the hearing on each other.

Related issues

1. The courts need to provide the opportunity to the party holding the trade secret to argue that the information is confidential or a business secret (CoJ EU 14 February 2008 *Varec/Belgium*, C-450/06, par. 54).
2. Witness examination may be denied to safeguard trade secrets (DSC 29 March 1985, *Enka/Dupont*, NJ 1986, 242, par. 3.4).
3. There may be other (pre-trial) measures that the other party may initiate to obtain information.

See question 15.

If ex parte measures are available in case of trade secrets, then also protective letters should be available.

The EU proposal for a Trade Secrets Directive contains a specific regulation in Article 8. Member States need to ensure that parties who have access to court files containing trade secrets will not disclose those. National law should allow courts to take appropriate measures to protect trade secrets during litigation. These shall include the possibility to restrict access to the court file and to court hearings, provided that at least one person from each party and their lawyers or other outside advisors are granted access. Also, redacted versions of court decisions should be available where needed to protect trade secrets. In deciding on such measures, proportionality, the need to ensure the rights to an effective remedy and to a fair trial, the legitimate interests of the parties and, where appropriate of third parties, and any potential harm for either of the parties, and where appropriate third parties shall be taken into account.

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

Upon request a censored copy or abstract of a judgment in the proceedings may be issued in cases that have been handled in closed hearing (Article 28 and 838 DCCP). Other documents in the proceedings are not to be provided to third parties (Article 28(3) DCCP). See as an example Pres. DC The Hague to be 28 August 2008, *Abbott/Medtronic*, IEF 7793).

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

See 6.c.

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 should expressly invoke these measures and provisions with sufficiently reasoned assertions that confidentiality of trade secrets is at stake (cf. Pres. DC Oost-Nederland 1 February 2013, Astellas/Synthon, IEF 12305, par. 4.29; and see Article 149 DCCP).

The EU proposal for a Trade Secrets Directive provides that Member States should provide that such measures will be taken at the request of the trade secret holder. However, they may also allow the judicial authorities to take such measures on their own initiative. The proposal does not contain a threshold for the level of evidence required, but the measures should lapse if the information in question is found not to be a trade secret or ceases to be a trade secret.

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?

Article 29 DCCP holds a statutory prohibition of communications to the public ('mededelingen') by the parties regarding (i) anything that has been dealt with during a hearing which has taken place on a confidential basis or which has been restricted to certain persons, or (ii) with regard to certain other data disclosed in proceedings when the court has ordered so. The DCCP does however not specifically prohibit "use" of such information by the parties. The party who has an interest in safeguarding confidentiality may request such an injunction (Memorandum of Explanation, Rev. DCCP, p. 171). The court may also expressly direct such injunction to third parties (see Van Mierlo, T&C DCCP, Article 29, comment 4(c)).

1. It could be argued that "use" of such information may however covered by this article 29 DCCP, insofar as it qualifies as communication of the trade secret to a third party. Art. 29 DCCP does not prescribe a specific form of 'communications'. This may be supported by analogy with Article 3:37(1) DCC which provides (for legal acts) that a communication can also be encompassed by conduct/action. Therefore, "use" resulting in making available trade secrets to third parties may be covered by Article 29 DCCP. However, lower courts do not apply prohibitions beyond the scope of this statutory provision, see DC Amsterdam 14 July 2005, KPMG/Maconomy, NJF 2005, 321, par. 6; DC Amsterdam 15 July 2009, Universal/TGD, NJF 2009, 430, par. 2.8; DC Groningen 16 December 2009, Ad Hoc Data/Digicom, ECLI:NL:RBGRO:2009:BL3206.

2. The EU proposal for a Trade Secrets Directive provides that the limitations remain in force after the legal proceedings have ended, as long as the information concerned remains a trade secret.

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 a remedy for trade secret violation. In case parties have agreed on contractual confidentiality obligations, a failure in the performance of such an obligation shall require the person in default to repair the damages which the other person suffers therefrom,

provided this failure is attributable. The injured party may also recover damages suffered as a result of a tort, i.e. the unlawful disclosure, use or acquisition of its trade secret. The elements of a prima facie case for an order of damages for the tort of trade secret infringement are:

- unlawful (improper) acquisition, use or disclosure of another's trade secret;
- damage
- factual causal link between unlawful acquisition, use or disclosure and damage (conditio-sine-qua-non-criterion);
- legal causal link: extent of liability (foreseeability of damages) (Article 6:98 DCC);
- fault

Under tort law principles, damages can only be awarded if the infringing act is due to the infringer's fault or to a cause for which he is accountable by law or pursuant to generally accepted principles (Article 6:162(3) DCC). In practice, this is the case where the infringer who knowingly, or with reasonable grounds to know, acted unlawful.

In the Netherlands, damages are normally assessed in separate proceedings which occur only after a finding of a trade secret violation. Since such cases are often settled, decisions on the actual calculation of damages are relatively scarce.

If it can be established that the value of the trade secret has been diluted by an unlawful publication, compensation of this loss will be possible.

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?

In case another party has breached a contractual obligation or committed a tortious act by unlawfully acquiring using or disclosing another's trade secret, the injured party can file a claim for damages. In both cases, the damages will be calculated according to the same principles of the Dutch Civil Law (Articles 6:96 to 6:110 DCC).

According to Article 6:95 DCC the amount of damages consist of "material loss and other disadvantages, the latter as far as the law implies that there is an additional entitlement to a compensation for such damage." The damages awarded to the plaintiff should as far as possible put the plaintiff in the same (financial) position it would have been absent the trade secret infringement. Such is effected by making a comparison between the actual (financial) position of the plaintiff at the time of the trial and the position it would probably have been in without the infringement.

Article 6:96 (1) DCC stipulates that material loss includes losses suffered as well as missed profits. Missed profits include, e.g., compensation for loss of profits due to missed sales and reduced market share (e.g. District Court Oost-Brabant, 25 September 2013 confirmed by Court of Appeal Den Bosch 10 February 2015, ECLI:NL:GHSHE:2015:445 (*Arte*)) or due to the termination of a distribution agreement (District Court Amsterdam 14 November 2012 (*Firesense v Sensetek*)). Further, costs for determining the nature and scope of the damages and reasonable costs to prevent or limit the damages and reasonable costs for attempts to obtain compensation out of court can be claimed as damages under Article 6:96(2) DCC (e.g. Court of Appeal Amsterdam 27 December 2011, IEF 10799 (*Super B v Batterie Montage Zentrum GmbH*)). Damages may also include compensation for the fact that due to the unauthorized use of trade secrets a competitor is able to enter the market at an earlier point in time than would otherwise have been possible (District Court Zutphen 18 October 2006, IER 2007, no. 42, p. 154 (*Arplas/AWL*)).

In fixing the amount of damages, Netherlands courts can apply four different methods of calculation:

1. concrete calculation of all damages of the injured party;
2. abstract calculation of damages by looking at the unfair profits made by the infringer;
3. calculation on the basis of a fixed amount at least the reasonable license fee;
4. estimation ex aequo et bono.

The court shall assess the damages in a manner most appropriate to its nature (Article 6:97 DCC). In principle, the court should use the method under 1). However, if it is difficult to assess the damages under this method, the court may, if requested, apply the "abstract test" of fixing the injured party's damages at the level of the infringer's profit (Article 6:104 DCC). The court must exercise restraint in applying this method if it is clear that the infringer's profits are much higher than the injured party's damages. In such a case, the court may fix the damages at the level of only a part of the infringer's profits. In applying this method, the court may also take into account the level of fault of the infringer. In principle, the third method is only applied in appropriate cases, i.e. cases where it is possible to fix a license fee, e.g. because license fees have been paid by other parties. The fourth method is only applied as a last resort, i.e. if it is not possible to calculate the damages on the basis of the other three methods.

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?

yes

Please comment:

The group interprets "moral prejudice" as non-material harm. Following the implementation of Article 13 Enforcement Directive in different IP laws, the Netherlands/Benelux have a rule that provides that in appropriate cases, the court which sets the damages shall also take into account the moral prejudice (=non-material harm) caused to the IP owner. However, this rule does not (yet) exist for trade secrets. We note that under Article 6:106 DCC a court may award non-material damages (e.g. in case of invasion of personality rights), but there exists no case law in which such damages have been awarded in a trade secret infringement case.

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

The EU proposal for a Trade Secrets Directive provides in Article 13 that the infringer who knew or ought to have known that he or she was engaging in unlawful acquisition, use or disclosure of a trade secret has to pay the trade secrets holder appropriate damages. When setting the damages pursuant to paragraph 1, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the non-material harm caused to the trade secret holder by the unlawful acquisition, use or disclosure of the trade secret. The damages can also be set as a lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due if the infringer had requested authorization to use the trade secret in question.

Aspect (iv) - Proving infringement

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

The elements that are to be proved to establish violation of a trade secret under Dutch law depend on a

variety of factors, including in particular:

- the specific norm alleged to have been breached and the regulatory framework said norm forms part of (criminal violation of trade secrets, tortious liability, breach of contract, breach of employment agreement);
- the procedural context (criminal proceedings, full scale civil proceedings, preliminary injunction proceedings, ex parte proceedings); and
- the (procedural) position of the party that is to prove the violation (plaintiff in civil proceedings, prosecutor in criminal proceedings, or defendant in civil proceedings invoking the violation by way of defense against a related claim).

With regards to the rather bare bone statutory norms of Criminal Law the cumulative elements that need to be established by the public prosecutor to make his case encompass: (i) intent, albeit positive or constructive intent, (ii) disclosure or commercial use of (iii) specific information with respect to a commercial, industrial, or service organization (which can also be a sole entrepreneur) in which the defendant is or has been employed, and (iv) with respect where to such (ex)employee was held to (implicit or explicit) confidentiality obligations.

With regards to Labour Law, the key elements to be proven by the employer to make his case for termination on the ground as mentioned in the introduction are: (i) disclosure, (ii) by the employee of (iii) information regarding the enterprise of his employer, (iv) with respect where to a confidentiality obligation existed. Moreover, the burden of proof upon the employer may encompass additional elements depending on the nature and the specificity of the employee's defense.

As mentioned in the introduction, the rules regarding protection and violation of trade secrets have no explicit footing in Dutch statutory provisions. Generally, civil enforcement action against violation of trade secrets must therefore either be based on breach of contract (Article 6:74 DCC), tortious liability for unfair trade practices based on the general tort provision (Article 6:162 DCC) or a combination of both.

Obviously, the constitutive elements to establish breach of contract based on violation of trade secrets largely depend on the explicit and implicit terms of the agreement at issue, supplemented with the general requirements of accountability/attribution (*i.e.* is the defendant to blame?), damage and a causal link between damage and the breach.

Finally - and most interestingly for our current purposes - tortious liability for violation of trade secret relies on the "open norm" of general tort pursuant to Article 6:162 DCC. While this provision affords protection against violation of trade secrets, albeit by an employee, a business partner or an unrelated third party without limitation, it does not define any specific elements to be proved, nor is such a norm contained elsewhere in Dutch statutory law. Although there is a vast body of Dutch case law in respect of tortious liability for violation of trade secrets, the reasoning of these decisions is in large majority casuistic. As mentioned in the introduction, Dutch courts assume that application of Article 6:162 DCC accords with Article 39(2) TRIPS and incorporate the framework of elements set out therein. Accordingly, the plaintiff in a civil action for violation of trade secrets is usually required to establish (and if contested: prove) that the defendant (unlawfully) (i) used or disclosed information, (ii) which was secret in the sense of Article 39(2) sub (a), (iii) has commercial value as a result and (iv) was subjected to reasonable steps to keep the information secret, such level of protection generally being considered dependent on the profile of the party in control of the information. Different from the context of contractual liability for violation of trade secrets, the existence of damage need not to be established. In the realm of tortious liability, the mere possibility of damage is sufficient.

Under the proposed Directive, guidance as to what constitutes a trade secret and the violation thereof is found in Articles 2 and 3, respectively, read in conjunction with the exceptions set out in Article 4. The Directive does not in itself shed light on the standards and burden of proof of the constitutive elements, which is left to the national legislator and courts.

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?

In many cases a trade secret violation will occur hand in hand with a breach of confidence, where the breach of confidence is one of the elements leading to a trade secret violation. However, it is also possible that the two are different types of violations.

In regard to a claim on account of a breach of confidence the requirements appear to be less strict and less far reaching than a claim on account of a trade secret violation.

Obviously, for an action on account of a breach of confidence 'use' of the confidential information is not an element that must be fulfilled. It will generally be sufficient that there was a duty of confidence and that there has been a disclosure of such information.

Accordingly, the plaintiff in a civil action for violation of trade secrets is usually required to establish (and if contested: prove) that:

- (i) the defendant (unlawfully) used or disclosed information,
- (ii) which was secret in the sense of Article 39(2) sub (a) TRIPS,
- (iii) has commercial value; and
- (iv) reasonable steps have been taken to put the defendant under an obligation to keep the information secret (such level of protection generally being considered dependent on the profile of the party in control of the information).

In view of the required elements a breach of confidence may constitute one of the elements that leads to a trade secret violation.

On the other hand there can be a breach of confidence even if no use of the confidential information occurs.

With regard to a trade secret violation the Dutch group thinks that actual use of the trade secret which is damaging to the trade secret holder, or which at least potentially damages his interests, is an essential element.

On the other hand, a trade secret violation can occur without the occurrence of a breach of confidence, namely in cases where the trade secret has become known as a result of other unlawful or improper acts, not involving a breach of confidence.

An example of the latter is theft of information, or the inadvertent disclosure to someone who is not under a duty of confidence.

In the EU proposal for a Trade Secrets Directive this is not specified, but left to the Member States.

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? :

Constructive knowledge (*i.e.* being deemed to have had knowledge rather than actual knowledge) *inter alia* plays a role in Dutch case law in respect of violation of trade secrets with respect to the construction of awareness of the defendant that a given trade secret was in fact to be considered a trade secret. In this context, actual knowledge is not always required. It may suffice, taking into account

the circumstances at hand, that the defendant lacking (proof of) actual awareness should have been aware that he was under an obligation of confidentiality with respect to specific information being disclosed or used. However, pursuant to Dutch case law construction of knowledge of the secret itself (or the fact that the employer had this knowledge) is not appropriate. In other words, one cannot be held liable for violation of trade secrets if the actual knowledge of the secret (and, as the case may be: violation /derivation thereof) is not established. After all, actual knowledge is a prerequisite for disclosure; See for instance (in the context of alleged violation of trade secrets): CoA The Hague, 14 May 2013, *Shell / DWSW c.s.*, upheld by the Dutch Supreme Court.

The EU proposal for a Trade Secrets Directive provides in Article 3 section 4 that the acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of acquisition, use or disclosure should, under the circumstances, have known that the trade secret was obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully.

13) Does your jurisdiction provide for discovery?

no

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?:

Any position taken by a party must be substantiated. The court may at any time during the litigation instruct a party to provide further substantiation through clarification of its claims or further documentation. A party may refuse to comply with such an instruction by invoking a serious ground, which it must substantiate. Such a ground could for example be that it concerns confidential information, medical data etc. With regard to confidential information, a solution to meet the refusing party's concerns could be to continue the proceedings behind closed doors or impose specific confidentiality obligations on the parties. The court will in its own discretion decide whether the refusal is justified and the court may draw any conclusion from the refusal it deems appropriate.

In principle, the burden of proof rests with the party making a claim, unless a specific rule or the principles of reasonableness and fairness require a different allocation of the burden of proof. This can, for example, be the case if the burden of proof on the applicant is unreasonably onerous due to actions of the defendant. If the applicant can demonstrate to a certain level of probability that the defendant has violated applicant's trade secret, the burden of proof may shift to the defendant to demonstrate that he did not. The court is in principle free in the manner in which it weighs any evidence presented to it.

The EU proposal for a Trade Secrets Directive does not deal with this issue, which is left to the national legislators.

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?:

Discovery as such is not available under Dutch law; the EU Enforcement Directive; or the EU proposal for a Trade Secrets Directive (at the discretion of the Member States) . Other means of securing and

obtaining evidence under Dutch law are: as follows.

The method of seizure of evidence has been implemented in Dutch law specifically for IP following the Enforcement directive (2004/48/EC). The Dutch Supreme Court decided in 2013 that the method can also be used in other (non-IP) cases, such as cases relating to the violation of trade secrets (SC 13 September 2013, X/Molenbeek, IEF 13035).

Although a seizure is considered to be a far-reaching measure it may be granted ex parte. In most cases no formal hearing will be part of such ex parte proceedings. The seizure is limited to documentation including digital documentation / data files (and may include the data carriers).

In protective letters against ex parte descriptive/evidentiary seizure relief it is possible to request the court not to grant such relief, or restrict grant to a bailiff not accompanied by the opponent, but at most an information specialist ('code breaker') and/or (patent) attorney or expert, and under supervision of own counsel. There is no specific basis for such request, however the DCCP does expressly provide in general that such evidentiary seizure relief (and disclosure) is not granted when confidentiality is not sufficiently safeguarded (Article 1019b, 843a and 1019a DCCP).

The specialised patent courts in The Hague officially accept such protective letters (in accordance with rules of procedure for filing protective letters of 1 July 2014). Other courts appear to communicate protective letters to The Hague judges (these may rule in the other judges' capacity).

The courts maintain a lower threshold for granting ex parte evidentiary seizure measures than the plausibility of infringement which is a prerequisite for an injunction in inter partes preliminary injunction proceedings (see Pres. DC Oost-Nederland 1 February 2013, Astellas/Synthon, IEF 12305, par. 4.3; Pres. DC The Hague 25 July 2007, Abbott/Teva, IEF 7759, par. 5.2). However, the applicant has the obligation to provide clear prima facie evidence that a violation of trade secrets is at hand and to specify the documentation it wants to seize. The applicant will also have to provide arguments why no other less far-reaching options are available to prove the violation. In practice the threshold is (still) quite high. The court will further consider whether the measure (in its specific form) would be proportionate and can adjust the scope of its order depending on the specific circumstances.

To prevent abuse, such seizure is of a conservatory nature only: the seizing party in principle is not entitled to review the seized documents or inspect the seized samples. Normally, copies of the documentation will be secured at a custodian. In order to be able to review the seized documents, he will need separate court permission (which can be obtained in summary inter partes proceedings). The data seized is only disclosed to the requestor of the evidentiary seizure if the court has held in inter partes proceedings that he is entitled to the data. In the Netherlands, no general disclosure/discovery exists, meaning that a party could be obligated to provide information and documents full stop. Fishing expeditions are to be prevented by the conditions of Article 843a DCCP. (cf. SC 13 September 2013, X/Molenbeek, IEF 13035, par. 3.7.1.; CoA The Hague 29 March 2011, Xingraphics/Agfa, IEF 9522, par. 7-8; and DC The Hague 23 July 2014, Senz/Okay Color, ECLI:NL:RBDHA:2014:8992, par. 4.2; Pres. DC The Hague 11 June 2014, Zoorobotics/Labelsoft, IEF 13930, par. 4.2). In order to be entitled to disclose the seized samples, three requirements of article 843a DCCP must be fulfilled:

1. The claimant has to show that a proper administration of justice requires disclosing of the specific and identified documents;
2. The claimant is only entitled to demand specific records, which are within the control of defendant (in order to exclude/restrict fishing expeditions);
3. There must be a 'legal relationship' between the claimant and the defendant (which also includes a relationship based on tort).

Next to this, the judge has the freedom to provide for specific measures to protect confidentiality as far as possible while providing access to the documentation. When necessary, the courts may order the manner in which access is provided (Article 843a(2) DCCP).

Disclosure is usually not granted, unless (i) the claimant furnishes facts to support a reasonable suspicion of (threatened) infringement with adequate rebuttal of the respondent's counter arguments, and (ii) the documents for which access is claimed are important for the factual substantiation of an infringement claim (CoA The Hague 29 October 2013, Real Networks/X, IEF 13189, par. 16; CoA Amsterdam 24 April 2012, Rhodia/Vat, IEF 11241, par. 3.21).

Furthermore, the courts have discretion. Also, to further safeguard confidentiality the courts may order turn-based access: the party - whose information is seized and ordered to be disclosed - is granted prior review of the seized data in order to check whether confidentiality would be harmed, with a short term to initiate proceedings to suspend the judgment granting access via the execution judge if necessary (CoA Arnhem-Leeuwarden 16 December 2014, Econvert/Voith, IEF 14500, par. 2.35-2.36). This is also in line with Varec/Belgium decision of the CoJ EU.

The EU proposal for a Trade Secrets Directive does not contain such provisions, in contrast to the EU Enforcement Directive, but these can be provided for in national law, as this is not excluded by the proposal and the provisions on enforcement are intended as minimum harmonization.

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?

Besides the seizure to secure evidence, a seizure could also be used to recover tangible documentation owned by the applicant (for example the information as such, whether or not in binders with documentation that have been taken by a former employee) on basis of reclaiming property.

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?

no
If not, why?:

This because competition law adequately prevents unlawful restraints of trade.

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

Yes, this is already the case in The Netherlands.

As indicated it is generally felt that the higher a position of an employee, the more diligence that may be expected of such an employee. Senior employees often independently perform specific tasks within an organisation collecting and receiving relevant information on the business of employer and know-how in this respect. Provided that employer is loyal towards such senior employee, it seems reasonable that an employer may have higher expectations towards the loyalty of employee and thus higher standards of confidentiality may apply.

An employee automatically owes confidentiality to an employer. However, in some environments nowadays employee mobility is high and employers can no longer guarantee loyalty towards their employees. Employers should include confidentiality / non-use clauses in their labour contracts. Such clauses might vary based upon the specific function level (taking also into account the financial compensation) of an employee.

With respect to junior employees and employees in lower positions it seems unreasonable to enforce confidentiality / non-use clauses in case such enforcement means in fact the end of their career or no further progression of their career.

An employer has to take reasonable measures in order to keep trade secrets confidential (Vzr. Rechtbank Den Haag 27 August 2014, IEF14156). Knowledge that qualifies as trade secrets should be kept confidential by any employee regardless of his or her position within the company.

The Dutch group is of the opinion that the Dutch approach on this element is balanced.

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?

On the one hand, it seems desirable to impose an obligation of non-use of trade secrets that may be learned during proceedings on defendants that cannot demonstrate independent development thereof to safeguard confidentiality and enforcement of trade secrets. On the other hand, this would effectively result in a shift of the burden of proof onto the defendant. This would go against the presumption of innocence.

As explained above (in particular question 6), the DCCP holds several provisions in order to safeguard confidentiality of trade secrets during proceedings. However, it may be argued that these provisions may not always be (sufficiently) adequate vis-à-vis the other party during proceedings (mainly because of disclosure/openness under fair trial principles).

Success in trade secret violation proceedings is dependent on which allegations the parties are able to put forward and, if refuted, prove. In this respect it is decisive who has the burden of proof. In Dutch court proceedings, including those regarding violation of trade secrets, the plaintiff must put forward reasoned allegations of breach of confidentiality or misappropriation of trade secrets. If the defendant contests such allegations (with reasons), the plaintiff has the burden of proof (Article 149-150 DCCP; see question 14).

If the plaintiff succeeds in substantiating use of the trade secret by the defendant, the defendant may - by way of absolving defence - prove that no breach or violation has occurred, if the defendant has developed the relevant information independently. If the defendant 'positively' substantiates independent development of the concerned information he should not be prohibited from use thereof. Otherwise the plaintiff should claim non-disclosure/non-use obligations to adequately protect its trade secrets.

However, if the plaintiff does prove the use of the (trade secret) information, but does not succeed to prove breach or violation of the trade secret, the defendant also runs free. In such case, the defendant may learn a trade secret during the proceedings without 'positively' substantiating that he has not come up with the concerned information independently.

A comparison: Article 70(8) DPA (see also art. 35 CPC) provides for a shift of the burden of proof onto the defendant with regard to novel products which are protected by a process claim which extends to the products directly obtained by such process (see also art. 64(2) EPC). In such case, the defendant has to prove that he obtained the product by an alternative process. Again, this seems to be justified by the fact that third parties have sufficient legal certainty to work outside the patent claims that are published in the patent register. In respect of trade secrets there is obviously no public register. Therefore, third parties acting in good faith do not know and do not have reasonable grounds to know that they may potentially use information that is exploited as trade secret information by another party. In trade secret

violation cases it thus seems reasonable that the plaintiff carries the burden of proof (as in other unfair competition cases), and therefore also the consequences of loss. Such attribution of burden may require improving the plaintiff's measures to safeguard trade secrets during proceedings, e.g. by limiting initial discussions to 'outside counsel only'.

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?

As protection of trade secrets does not extend to information that is developed independently, the use of such independently developed information should in principle not qualify as breach of confidentiality or violation of trade secrets. Independent developments prior to proceedings would run free. Assessment of developments after trade secret proceedings is a matter of fact and degree which may be assessed in additional proceedings if necessary.

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?

no
If not please comment.:

In case of trade secret infringement, damages should be available if the elements of the tort action are fulfilled (see supra Question 9), irrespective of whether or not any injunctive relief is possible, adequate, or necessary.

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?:

The Dutch group feels that the concept of construction of knowledge of a trade secret (as opposed to construction of awareness that certain information that is subject to actual knowledge constituted a trade secret), is at odds with Dutch legal doctrine. It therefore is felt to be appropriate that pursuant to current Dutch case law doctrine around violation of trade secrets, it is upon the claimant alleging violation to establish (and if contested: prove) (a) that the information at issue constitutes/constituted a trade secret, (b) that the defendant accused of violating it had actual knowledge of the information, and derived this knowledge from the plaintiff, and (c) disclosed or used the information without the plaintiff's consent. The Dutch group feels this standard and burden of proof should remain as is.

That said, the group also points out that constructive knowledge of the party acquiring the trade secret, as stipulated in Article 3(4) of the Directive, is echoed in current Dutch practice already.

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?:

As discussed above, pre-action evidence preservation is currently possible in cases involving a trade secret violation. This is helpful and should be maintained.

Measures can be taken on an ex parte basis. This is important because if there would be a form of advance warning it would be easy to destroy the evidence or make it unavailable.

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?:

Seizure orders are available for the purpose of seeking destruction or transfer of ownership in respect of goods that are infringing I.P. rights. There is not yet a clear similar basis available for trade secret violations involving goods or information that are not protected by IP rights, although courts are sometimes willing to grant requests with a similar scope. The possibilities to seize knowhow also depend on whether knowhow is considered to be a property right (Art. 3:6 DCC) or not. This is not clear in The Netherlands.

In the opinion of the group it would be good to introduce a clear legal basis to seize knowhow in the same manner as it already exists for IP rights, as it would be an effective additional means of protection for trade secrets.

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

No Specific rules exist under Dutch law in this respect. Normally a seizure order would include several safeguards to prevent that the claimant gains access to the seized information, including 'new trade secrets'.

If, in spite of the safeguards, the owner of the 'new' trade secrets fears that the claimant gains access to trade secrets of the defendant it should be possible to obtain a cross-order against the claimant which provides an adequate form of protection of the confidentiality and which prohibits the acquisition, use or disclosure of that information by the claimant.

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Yes, the group feels there is a clear need for harmonisation, because a violation of trade secrets will practically always have cross border effects and there are currently substantial differences in the various legal systems where it comes to the protection of trade secrets.

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.

Such action should fail in the event that:

a) trade secret enforcement would result in a breach of competition law (and thus be an unlawful

restraint of trade);

b) trade secret enforcement would preclude an employee from using knowhow (as defined in the answer to question 3, i.e. knowledge and skills the employee has attained on the job).

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 view of the answer to question 1 (competition law can limit the protection of trade secrets), no relief should be given by courts if an enforcement action is barred as an unlawful restraint of trade.

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

In case an employee was forced to accept a very strict obligation of confidentiality from his employer due to a high level of unemployment at the time he entered into the labour contract, or otherwise was in a very disadvantageous position to negotiate his contract, there might be situations in which it would not be fair to enforce such strict confidentiality clause in the future.

For instance, in case the clause means that this employee is not able to obtain another employment elsewhere.

The answer to this question depends on the specific confidentiality clause involved and the type of information used or shared.

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?

Nowadays trade is more and more global, meaning that technologies on one hand and highly skilled professionals on the other hand move more over the globe. At the same time disseminating information on a global level is much quicker and easier. Breach of confidentiality or violation of trade secrets is thus less and less a national or even regional issue. For more effective protection of innovators on one hand, and knowledge workers on the other hand the need for global harmonisation increases.

At the same time it is seen that trade secret protection in Europe is still far from being harmonized. The TSD in that respect forms a significant and important initiative. After adoption and national implementation thereof, Europe makes a big step forward. Once (national) implementation has taken place, further global harmonisation should be considered.

For a fair trial on trade secrets these need to be effectively available to judicial authorities, the parties involved in the dispute and for openness of proceedings to the general public. Such, however, does not imply that all parties should have equal access to all information. It would be contradictory to the interest of innovation when a trade secrets holder would have his trade secrets disclosed 'by default' when attempting to protect these via court. (Obviously, trade secrets in this context means that the information does qualify accordingly).

At the same time, claims of the defendant towards not disclosing (confidential) information to allegedly protect their trade secret should not be an ultimate effective way for stalling proceedings, while at the same time a defendant should be able to defend themselves against fishing expeditions. Such could be balanced by an initial discussions through a smaller team of representatives in the form of 'outside

counsel only’.

In the TSD confidentiality issues are arranged for in Article 8, as discussed above. More than one outside legal professional and other representatives (such as patent attorneys) can discuss the trade secrets. Obviously such representatives should be subject to confidentiality or legal privilege. This seems a balanced minimum degree of access to all the documents relevant to the proceedings with protection (against broad disclosure) of the trade secrets and effective representation. Access also needs to be granted to at least one party representative, to keep in line with Article 6 of the European Convention on Human Rights, but the court may decide who this should be. In this way company representatives who would have a commercial interest in obtaining access can be excluded.

Article 4.1a of the TSD also has implications on confidentiality, as it provides that ‘the acquisition, use and disclosure of trade secrets shall be considered lawful to the extent that such acquisition, use of discloser is required or allowed by Union or national law’, but obviously the liberty of the Member States to enact such provisions is limited by Article 8. This may not mean that in e.g. court proceedings where trade secrets are (disclosed under confidentiality and) discussed that all of a sudden this valuable information would lose its protection and would become available to third parties or the public at large. This would mean the trade secret has lost its value, consequently leaving the innovator empty handed.

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?

In the event that an enforcement action fails, it should be distinguished whether such is due (a) to the trade secrets have not been disclosed or used by the defendant (or independently developed it); or (b) whether the alleged trade secrets prove not to qualify accordingly, e.g. due to insufficient protection by the plaintiff.

In the event that a decision can still be appealed, confidentiality and non-use should stay in place.

In situation (a) it has been concluded that the trade secrets in dispute have not been violated by the defendant. The trade secrets have been kept confidential in the proceedings and the confidentiality should stay in place after the final decision. Confidentiality should include a non-use obligation. When such confidentiality should cease to exist, may be determined by the parties and in disagreement hereof by court and can be considered as a fixed timeframe, or when such the trade secret ceases to exist, e.g. as it has become available to the general public. Furthermore, by securing that a limited, but effective, group of representatives (bound by privilege or confidentiality) has access to such information (as discussed here above in 29) there would be no risk of contamination.

In situation (b) the plaintiff has seemingly not bothered to arrange for appropriate protection of his knowledge. Also in this situation confidentiality and non-use should be considered by the court, however it could be likely that limited or no confidentiality restrictions would apply to the claimant.

Aspect (iii) - Valuation of loss

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

In our view, the principles established in Question 9 are fine. However, we propose that in case of trade secret violation, the injured party should have the right to claim a transfer of the profits made due to the trade secret violation and a claim for the provision of accounts in this regard. Under such a rule, the award of the infringer's profits is not determined by calculating damages (as under current law), but is based on the unjust enrichment theory. Under this theory, which recognizes the exclusive position of information that is kept secret, any profits made by the infringer due to the trade secret violation must

be handed over to the injured party since this secret has been unlawfully acquired, used or disclosed. Under this theory, the profits that must be handed over, can be higher than the actual damages of the injured party, and therefore can no longer be viewed as a mere compensational measure. However, in our view, the court should have the possibility to limit the profits that must be handed over to the injured party if the trade secret violation has not been committed in bad faith or the circumstances of the case do not justify such an order.

32) Should courts award moral damages?

no

Aspect (iv) - Proving infringement

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

We believe that seizures are an appropriate measure that should be available. Seizures could be used to secure or preserve evidence, but also to surrender seized materials.

The seizure to secure evidence is currently available under Dutch law. This type of seizure has strict limitations on the use of the seized materials, the claimant may only access the materials upon explicit permission from a court. Such permission can only follow from litigation on the matter, in which the defendant has been heard.

The seizure to surrender is at present only possible in matters of intellectual property infringements, but may also prove useful in trade secret cases. As for any seizure, there should be a sound basis which is properly substantiated through arguments and evidence. There should be limitations to the use of seized materials, the claimant should only be able to 'use' the seized materials upon explicit permission of the court, to follow after having litigated the matter and the court has found the seizure to have been lawful. Such use of the seized materials could be that the claimant may appropriate the materials and/or destroy them. There should be strict limitations on what the claimant can do with any confidential information outside of the scope resulting from the seizures, such as materials from the defendant which do not form part of the trade secrets of the claimant but were (somehow) 'caught' under the seizure. The claimant should not be able to use those, unless he can prove that he already had those materials or had access to them through other means than the seizure.

As for any seizure, the defendant should be able to hold the claimant liable for any damage it incurs due to the seizure having been unlawful (as ruled by a court).

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

See response to question 33.

Summary

In order to be able to answer the questions as briefly as possible we included a summary of the current situation on trade secret protection in the Netherlands. Currently no separate, specific provisions related to trade secrets exist in the Netherlands. We outline the separate provisions in Civil law, Criminal law and Labour law applying to trade secrets.

In our report we also discuss the development in EU law with regard to trade secrets. On 28 November 2013 the European Commission published a proposal for a Trade Secrets Directive (COM(2013) 813 final, 2013/0402 (COD)). After consultation with stakeholders, expert meetings and

discussions with the Member States, the Council agreed on a compromise proposal on 19 May 2014, which was published 26 May. Meanwhile, the Committee on Legal Affairs of the European Parliament has agreed on amendments to the Commission Proposal in its meeting of 30 March 2015, which have not been published yet. The next step is the so-called tripartite, discussions between the Commission, the Council and the Parliament. The Council Proposal is currently the most complete published version available. It contains many important improvements in comparison to the Commission Proposal. The discussion of EU law in this report is based on the text of the Council Proposal.

Civil Law

According to Dutch Civil law the protection of trade secrets is based upon the general principle of tort, Article 6:162 DCC. The Dutch Supreme Court decided that this provision includes protection against infringement of trade secrets (HR 31 January 1919 Lindenbaum/Cohen, NJ 1919, 161). As a general rule, Dutch courts assume that application of Article 6:162 DCC accords with Article 39(2) TRIPS and incorporate the framework of elements set out therein. Some judgments include references to Article 39 TRIPS.

Criminal Law

According to Articles 272 and 273 of the DPC the disclosure of trade secrets may be considered a criminal act under Dutch law. Article 272 DPC relates to the disclosure by persons appointed in a certain office or having a certain capacity. The relevance in private practice however is limited. This because enforcement is at discretion of the public prosecutor and rarely occurs.

Labour law

Under Labour law an employee is considered to be in breach of labour contract in terms of Article 7:678(2) sub (i) DCC if he reveals specific information regarding the enterprise of his employer that he was supposed to keep confidential, thus justifying immediate termination of the labour contract for urgent reasons.

In this report the following abbreviations are used:

ACM	Dutch Competition Authority ('Autoriteit Consument en Markt')
DCA	Dutch Competition Act ('Mededingingswet')
DCC	Dutch Civil Code
DPC	Dutch Penal Code
JOA	Judiciary Organization Act ('Wet op de Rechterlijke Organisatie')
DCCP	Dutch Code of Civil Procedure
TSD	Draft trade secret directive (2013/0402(COD)), 19 May 2014
DPA	Dutch Patent Act
EPC	European Patent Convention

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

Such comments have been included hereabove at the relevant answers.