

Q1. Do you agree that Regulations 2 and 3 implement effectively the definitions in the Directive?

Yes, we agree although we regret the lack of specification: an infringer could be both a “natural” or a “legal” person. This is what Article 2 (3) of the TSD specifies. Regulation 2 has not taken up this specification. Therefore, the rule could be (mis)interpreted as only targeting natural persons. This means that Ghost companies may not be primarily targeted. Instead, under regulation 2, the TSH is supposed to identify, inside the company, the natural person who has stolen the secret, which may prove to be very difficult. This is particularly unfortunate because Regulation 2 (c) rightly points out that a “trade secret holder” means any natural or legal person lawfully controlling a trade secret. Accordingly, a company which would claim to be a TSH may not be sued if we consider that legal persons cannot qualify as infringers.

Q2. What are your views on the rules set out in Regulations 4 – 9?

We find regulation 6.4 helpful and protective for TSH.

The notion of “disability” is confusing. Could it be somewhere defined in regulation 7?

Q3. Do you agree that Regulation 10 provides the appropriate level of clarity and transparency with regard to preserving the confidentiality of trade secrets in proceedings?

Yes. Regulation 10.1 is actually clearer than Article 9.1 of the TSD.

Moreover, the fact of conferring the right on the court to have the initiative to identify the confidentiality of the secret or alleged secret is good and complies with the last sentence of Article 9.1 of the TSD.

Nevertheless, attention will have to be paid about the burden of proof : on what grounds can one “identify” as confidential a trade secret or alleged trade secret? Will the TSD or alleged TSH have to issue a contract to prove the breach of confidentiality? If there is no contract at stake, will the TSH have to produce other documents, such as plans, receipts? In all the cases, how can the TSH keep its secret while trying to prove that it is confidential?

We understand that these questions may not be addressed within the framework of the drafting of the regulations. However, we very much hope that these Regulations be complemented by Guidelines of by another Act.

Otherwise, Regulation 10.3 and 10.4 rightly reflect the language of Article 9.2

Q4. Do you agree that regulation 11 is necessary to ensure that the UK complies with Article 10 of the Directive?

We understand that regulation 11 implements only Article 10(1)(c) of the Directive as the other provisions are already implemented in UK law.

However, we would like that Regulation 11 refers to this UK law.

Moreover, under its current drafting, Article 11.2 establishes that the trade secret holder may apply to the court for an order that the goods be delivered up to him but that, as an alternative, the Court orders instead, without the TSH's explicit consent and in order to compensate him, that the trade secret continues to be used provided that the alleged stealer lodges guarantees to ensure compensation to the trade secret holder.

This contradicts Article 10(1) of the Directive according to which "*Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer*" (among which the right for the stealer to use the trade secret if he lodges guarantees to ensure compensation to the trade secret holder).

Therefore, we would like that Regulation 11 (2) be amended as follows : "*(2) As an alternative to paragraph (1), at the request of the trade secret holder the court may make an order making the continuation of the use, but not the disclosure, of the trade secret in breach of confidence subject to the lodging of guarantees to ensure compensation to the trade secret holder*".

Finally, Regulation 11 does not mention the possibility of seizure as Article 10 (c) does : "*c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.*" In our view, it is important to envisage the possibility of seizure without necessarily delivering up the product to the TSH, for two reasons :a) the TSH may not have storage capacity or enough money to fund the storage of the infringing goods; b) the TSH may not have any premises in the UK.

For this reason, we suggest to amend Regulation 11.1 as follows "*11.—(1) Where it is suspected that infringing goods, including imported goods, may be or have been put on the market, the trade secret holder may apply to the court for an order that the goods be seized and/or delivered up to the trade secret holder, in addition to any other remedy the trade secret holder may have*".

Q5. Do you agree that regulation 12 is necessary to ensure certainty and compliance with the Directive?

Yes, we do as it reinforces legal certainty. However, we consider that regulation 12 will have to be complemented by Guidelines which will interpret and illustrate paragraphs a) to h).

Q6. Do you agree that regulation 13 is necessary to ensure that the UK complies with Article 11(3)(a) of the Directive?

Yes, we do agree.

Q7. Do you agree that regulations 14 and 15 are necessary to ensure that the UK complies with Articles 12 and 13(1) of the Directive?

In our view, regulation 14 does not fully comply with Article 12 of the TSD.

First, Article 12 of the TSD allows the TSH to seek various corrective measures after "*a judicial decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret*".

By contrast, regulation 14 limits the possibility for the TSH to seek corrective measures only (1) "*Where it has been found that there has been a breach of confidence in relation to a*

trade secret". This seems to suggest that only those TSH who were in a contractual relationship with the stealer can seek corrective measures. But what about those TSH whose secret was stolen by a third party with whom the TSH had no contract?

Therefore, in order to ensure that regulation 14 complies with Article 12 of the TSD, we suggest that regulation 14 fully takes up the language of the following excerpt of Article 12.1 and be amended as follows :

- 1) ~~Where it has been found that there has been a breach of confidence in relation to a trade secret~~ **1) a decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret, the trade secret holder may apply to the court for any or all of the following orders, in addition to any other remedy trade secret holder may have.**

Secondly, in our view, the scope of the corrective measures that regulation 14 identifies is narrower than that of Article 12 of the TSD. Indeed, the TSD envisages :

- the cessation of the use of the trade secret
- the prohibition of the disclosure of the trade secret;
- the prohibition of the production of infringing goods,
- the prohibition of the offering of infringing goods
- the prohibition of the placing on the market of infringing goods
- the prohibition of the use of infringing goods,
- the prohibition of the importation of infringing goods,
- the prohibition of the export of infringing goods
- the prohibition of the storage of infringing goods
- the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files.

By contrast, regulation 14 refers only to those measures in bold :

*"The trade secret holder may apply to the court for any or all of the following orders, in addition to any other remedy trade secret holder may have. (2) A trade secret holder may apply to the court for an order that, at the expense of the infringer, the infringing goods be **modified** such as to deprive the infringing goods of an infringing quality. (3) A trade secret holder may apply to the court for an order that the infringing goods be **withdrawn** from the market at the expense of the infringer where withdrawal does not undermine the protection of the trade secret in question. (4) Where a court orders that infringing goods be withdrawn from the market, the court may, on the application of the trade secret holder and at the expense of the infringer, order that the infringing goods **be delivered up and forfeited** to the trade secret holder together with all or part of any document, object, material, substance or electronic file containing or embodying the trade secret. (5) A trade secret holder may apply to the court for an order that, at the expense of the infringer, the infringing goods, together with all or part of any document, object, material, substance or electronic file containing or embodying the trade secret, be **forfeited** to the trade secret holder or **destroyed**".*

Therefore, in our view, the scope of Article 12 of the TSD is wider than that of regulation 14.

Regulation 15 complies with Article 13 (1) of the TSD.

Q8. Do you agree that regulation 16 is necessary in order to implement Article 13 of the Directive?

In our view, regulation 16 bears the same initial flaw as regulation 14 : it only mentions the “breach of confidence” in relation to a trade secret, whereas a TS can be stolen independently from a contract. We therefore suggest, either that the first sentence of regulation 16.1 be somehow reformulated so as the term “Injured party” be used instead somewhere, as it is the case for Article 13 of the TSD, or that the term “breach of confidence” be simply erased. Otherwise, regulation 16 complies with Article 13 of the Directive and is indeed necessary in order to implement it.

Q9. Do you agree that regulation 17 is necessary in order to implement Article 14 of the Directive?

Yes, it is necessary but we point out again on the use of the terms “breach of confidence” . We recommend that the IPO reformulates the sentence and uses the terms “injured party” instead in order to stick to the language of Article 14 of the TSD.

Otherwise, we welcome the fact that the TSD provides for a common scheme not only regarding injunctions but also while allowing the granting of damages. We believe that this unified system of injunctions and granting damages will make it easier for TSHs to get their rights enforced all across the EU because both enforcement authorities and judges will know the same rules they will apply more or less in the same manner.

At this stage, we would like to make the following comment:

In order to get their rights protected in other Member States, TSHs must rely upon EU Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Once the UK adopts legislation transposing the TSD, UK TSHs will be entitled to resort to this tool. However, Brexit questions the duration of such possibility: do the ongoing negotiations on Brexit take this matter into account with a view to inserting it in a future bilateral EU-UK trade agreement? If not, how does the UK government reckon on adopting rules that will adequately protect TSHs in the EU and elsewhere in the world?

Q10. Do you agree that regulation 18 is necessary in order to implement Article 15 of the Directive?

Yes, it is very necessary.

We nevertheless point out again the use of the terms “breach of confidence”. These terms may limit the number of cases where publication of judicial decisions be ordered. We suggest that regulation 18 be reformulated in order to replace the terms “breach of confidence” by the language used in Article 15 of the TSD : *“unlawful acquisition, use or disclosure of a trade secret”*.

Q11. Do you agree with the overall approach taken to implement the Directive?

We agree with the overall approach of the consultation.

However, we would like that this consultation be followed by seminars or meetings allowing stakeholders to give their opinion on some specific notions, concepts or situations proper to trade secrets. Indeed, this TSD opens a new field of IP law insofar as TS has hitherto been dealt with under UK law through case law or through other IP rules which may overlap with TS, such as patent law. However, through this TSD, trade secrets now become a statutory instrument in the UK. This new twist deserves in-depth reflection over TSH's rights that are brought into the UK law and over the limits to these rights. Hence, this consultation only touches upon some notions such as "reverse engineering" or indirectly addresses specific situations such as those of so called "ghost companies". Yet, these notions and situations underpin the whole regulatory philosophy of the TSD. It is necessary that they get discussed in view of the implementation of the TSD – see below our answer to question 12.

Q12. Do you agree that we have correctly identified all the relevant articles in the Directive that need implementing in UK law to ensure the UK complies with the Directive?

Following on our remarks above, in our opinion, the UK IPO has more or less correctly identified the procedural articles of the TSD.

By contrast, some of the more substantial provisions, which underpin the rationale of the TSD, may have been neglected or disregarded.

Hence, the draft regulations do not implement Article 1 of the TSD which reads as follows :
"Subject matter and scope 1. This Directive lays down rules on the protection against the unlawful acquisition, use and disclosure of trade secrets".

This sentence shows that the very purpose of the TSD is (i) to protect TSH (ii) against a range of three unlawful actions that may harm him, i.e. 1) acquisition 2) use and 3) disclosure of TS.

By failing to implement this Article 1 of the TSD, the draft regulations overlook the wide scope of the TS that the TSD tackles *ab initio*. Hence, it may be the reason why, as we regrettably pointed out above, the regulations in some cases limit the field of TS to the "breach of confidence". This wrongfully seems to limit the theft of TS to contracts, whereas a theft of TS can clearly occur in a non-contractual case.

Likewise, the very real situation of companies whose mere objective is to steal trade secrets (the so called "Ghost companies"), is not clearly addressed by the regulations. Yet, nothing in the TSD prevents the UK IPO from doing so with a view to including a provision, in the regulations, that would aim to tackle this problem while complying with the TSD. Hence, UK law relies upon the notion of theft of Trade Secrets (TSs). It does not seem to confer as strong protection as French law (which relies upon unfair competition). Accordingly, if a company is set up in the UK with the specific goal of developing a device or a process whose features are exactly the same as any of those that were originally developed by a TSH, the latter must prove that there has been a theft of a TS. In our view, this may be more difficult than *"proving the existence of a future damage that would directly and certainly result from*

an existing situation, provided that the value of the damage can likely be immediately estimated", as requested by French law.

Likewise, the regulations fail to properly address the issue of reverse engineering. Rather, they confine themselves to remark that *"independent discovery or creation and reverse engineering are legitimate means of acquiring information"* (see Annex B – Transposition table, Article 3). Accordingly, the UK IPO has considered that Article 3 of the TSD does not need to be transposed.

In our view, this approach is too straightforward. It does not take into account the comprehensive approach taken by the EU legislator with regard to reverse engineering in the TSD.

Hence, Preamble 17 of the TSD addresses the issue of reverse engineering in these terms : *"In some industry sectors, where creators and innovators cannot benefit from exclusive rights and where innovation has traditionally relied upon trade secrets, products can nowadays be easily reverse-engineered once in the market. In such cases, those creators and innovators can be victims of practices such as parasitic copying or slavish imitations that free-ride on their reputation and innovation efforts. Some national laws dealing with unfair competition address those practices. While this Directive does not aim to reform or harmonise the law on unfair competition in general, it would be appropriate that the Commission carefully examine the need for Union action in that area"*.

Likewise, Preamble 16 of the TSD states that *"Reverse engineering of a lawfully acquired product should be considered as a lawful means of acquiring information, except when otherwise contractually agreed. The freedom to enter into such contractual arrangements can, however, be limited by law"*.

Could not the UK IPO start working on incorporating rules, in the regulations on TS, which would reflect the need to strike a balance between the lawful and the unlawful reverse engineering processes?

In our view, the UK could take advantage of this Brexit and post-Brexit period in order to take the lead on this issue.

* * *