

AIPPI United Kingdom

**RESPONSE TO CONSULTATION ON DRAFT
REGULATIONS CONCERNING TRADE SECRETS
16 MARCH 2018**

Introduction

This Response is set out in two sections. Section I provides AIPPI UK's response to the specific questions posed by the Consultation. Section II reproduces the draft Regulations with mark-up to reflect the comments in Section I. We hope that this approach assists the UK IPO in understanding AIPPI UK's position.

I. Summary of Answers

| QUESTION | ANSWER | COMMENTS |
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| <p>1</p> <p>Do you agree that regulations 2 and 3 implement effectively the definitions in the Directive?</p> | <p>No</p> | <p>We believe this definition of "trade secret" under Article 2 of the Directive would be viewed as "confidential information" under UK legal terminology. The UK already provides protection for the types of information falling within this definition. Indeed, as noted in our response to the EU IPO, under UK law, "trade secrets" are a sub-set of "confidential information", so the terms are not interchangeable. The terminology the Directive used refers back to the use of the word "secret" in Article 39(2) of TRIPS, although that provision is about "confidential information" generally, or in the TRIPS vernacular "undisclosed information".</p> <p>The current draft of the Regulation ignores the existing terminology under UK law, by directly transposing the definition from Article 2 of the Directive. The difference might matter if the directive went on to mandate treatment of directive-defined trade secrets that differed from existing UK law treatment of confidential information, but AIPPI UK has not identified cases where such differences would arise. In those circumstances, the separate definition is likely only to result in confusion and uncertainty. The Regulation should, if it is for some reason felt necessary to include this provision at all, maintain the existing UK terminology.</p> <p>It is also worth noting that trade secret protection is a matter of common law, and the courts, as an emanation of the state, are obliged to implement the directive and would therefore be bound by directive provisions in any event. To the extent that we are wrong in identifying no differences in the current state of the law, the duties of the Court, particularly in the light of <i>Marleasing</i>, would ensure that the UK remains compliant with its obligations to implement the directive.</p> <p>The definitions of "infringer" and "infringing goods" also</p> |

| QUESTION | | ANSWER | COMMENTS |
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| | | | <p>suffers from this issue.</p> <p>See also our response to Question 1 of the EUIPO Consultation.</p> |
| 2 | What are your views on the rules set out in regulations 4 – 9? | Provisions are unduly detailed and lengthy. | Given the very limited requirements of Article 8 of the Directive, the provisions in Regulations 4-9 appear unduly detailed and lengthy. We believe it would be simpler to merely clarify that, for the purposes of limitations/prescriptive periods, actions for breach of confidence should be treated in the same way as one of the other categories of action that have already been legislated for (e.g. tort under the Section 2 of the Limitation Act 1980). |
| 3 | 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? | No. | <p>Confidential information is already protected in court proceedings (see our detailed response to Question 2 of the EUIPO consultation). The UK courts recognize and have powers to provide orders for controlling the disclosure of trade secrets in the courts of proceedings, either of their own volition or at the application of a party. The judges have wide discretion to tailor such orders dependent on the facts and circumstances of the case and information. The drafting of Regulation 10 has the potential to be interpreted as limiting this discretion, which is undesirable especially where, in certain circumstances, it would only be desirable for lawyers and/or experts to have access to certain confidential information (which is a possibility under English procedure). It would therefore be desirable to ensure that any changes to existing law is subject to the Court's discretion. Consequently AIPPI UK takes the view that Regulation 10 is not necessary.</p> <p>Alternatively, if Regulation 10 is retained, the current scope of Regulation 10 is much wider than necessary and could also include proceedings other than breach of confidence cases. At the very least, Regulation 10 should be clarified to make clear that its provisions only apply in relation to actions for breach of confidence and does not limit any other powers of the court to regulate its proceedings.</p> |
| 4 | Do you agree that regulation 11 is necessary to ensure that the UK complies with Article 10 of the Directive? | No. | We believe English courts (at least) already have the power to make orders for delivery up of goods that misuse or were created as a result of the misuse of confidential information. As was noted in our response to Question 4.2 of the EU IPO consultation, the Courts already provide for the ability for a delivery up of confidential information (including an order for the provision of information as to what use has been made of the confidential information – see <i>Aon Ltd v JCT Reinsurance Brokers Ltd</i> [2009] EWHC 3448 (QB). |

| QUESTION | ANSWER | COMMENTS |
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| | | <p>[2010].</p> <p>However, to the extent that it is necessary to address lacunae in Scottish procedure and remedies, we do not believe it is necessary or desirable to legislate for the whole of the UK. For example, when implementing the IP Enforcement Directive (Directive 2004/48/EC), English/Welsh and Scottish law aspects were addressed separately.</p> |
| 5 | No. | <p>We believe these factors are, in effect, already considered by Courts in the UK when granting interim orders, including interim orders for delivery up, in confidential information cases. Whilst there is no formal requirement for the Court to address these matters in exactly the terms set out in Article 11 of the Directive, we do not believe it is necessary to legislate for this.</p> <p>Alternatively, if legislation is felt to be desirable then it should be made clear that these factors should be applied to by the Courts in relation to <i>all</i> interim remedies. This is because to legislate only in respect of orders for delivery up (which are in any event an unusual remedy) would only confuse matters.</p> <p>However, any legislation should not limit the discretion of the Courts to also take account of such other matters as the Court considers relevant. The Court should therefore remain free to continue to follow established UK case law in relation to the granting of interim remedies.</p> <p>We also note that Article 11(1) of the Directive is drafted in different terms to Regulation 12(1), with Regulation 12(1) seemingly imposing a mandatory, and potentially higher, standard. If it is to be enacted, Regulation 12(1) should track the wording of the Directive.</p> |
| 6 | No. | <p>The UK courts already require that a trade secrets holder undertakes to commence substantive legal proceedings within a time frame. Where information no longer satisfies the requirements of confidential information the claim will fail.</p> |
| 7 | No. | <p>We believe the English courts (at least) already have the power, upon a reasoned application of the trade secrets holder, to order the removal of infringing goods from the market, destruction, and/or amendment of the goods at the expense of the infringer.</p> <p>Again, to the extent that it is necessary to address</p> |

| QUESTION | | ANSWER | COMMENTS |
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| | of the Directive? | | lacunae in Scottish procedure and remedies, we do not believe it is necessary or desirable to legislate for the whole of the UK. See question 4 above. |
| 8 | Do you agree that regulation 16 is necessary in order to implement Article 13(3) of the Directive? | Yes, in part. | We believe the conditions at Regulation 16(1)(b) and (c) are already considered by the UK Courts when granting interim relief. The condition at 16(1)(a) would generally not be a relevant consideration. To comply with the Directive, only Regulation 16(1)(a) is therefore necessary. |
| 9 | Do you agree that regulation 17 is necessary in order to implement Article 14 of the Directive? | Yes, in part. | The concept of " <i>moral prejudice caused to the trade secret holder</i> " is not an established part of existing law. To comply with the Directive, Regulation 17(2)(ii) is therefore necessary. |
| 10 | Do you agree that regulation 18 is necessary in order to implement Article 15 of the Directive? | No. | Decisions of the English & Welsh Courts are already publicly available (save for where the rare instances where cases are heard in private and where sections of public judgments are redacted to protect confidential information, as noted in our EUIPO consultation response). At that level of generality, the UK is already in compliance with Article 15(1) of the Directive. The English & Welsh courts also have the jurisdiction to grant <i>orders</i> for the publication of judgments by virtue of Section 37 of the Senior Courts Act, Article 15 of the Enforcement Directive, Practice Direction 26.2 to Part 63 of the Civil Procedure Rules and case-law including 32Red PLC v WHG (International) Limited [2011] EWHC 665 and Samsung v Apple [2012] EWHC 2049 and in doing so will weigh up the considerations listed at Regulation 18(3). The factors set out in Article 12(2) and (3) of the Directive are already considered by judges when exercising their discretion in this respect. |
| 11 | Do you agree with the overall approach taken to implement the Directive? | No. | The substance of several of the provisions in the draft Regulations already exist in law in the UK and, as explained, we do not believe legislation is necessary. Care must also be taken not to confuse the established terminology under UK law – the established terminology should be maintained. Care should also be taken not unnecessarily to create procedural differences depending on the nature of the cause of action, especially as actions for breach of confidence are often associated with other causes of action. Further, insofar as it is considered that Scots law requires harmonisation (separate from that of England, Wales and Northern Ireland), as was the case for the IP Enforcement Directive, then this should be done by a separate statutory instrument. |

| QUESTION | | ANSWER | COMMENTS |
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| 12 | 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? | No. | <p>See above. We do not consider that some of these Regulations are necessary to ensure compliance with the Directive.</p> <p>In the mark-up of the draft Regulation in Section II, we have marked in [square brackets] the provisions that we believe are unnecessary.</p> <p><u>In addition</u>, we have amended the various provisions to indicate the changes that we believe are needed, if the provisions are to be implemented.</p> |

II. Proposed Amendments

STATUTORY INSTRUMENTS

2018 No.

INTELLECTUAL PROPERTY

The Trade Secrets (Enforcement, etc.) Regulations 2018

| | | |
|-------------------------------|---------|-----|
| <i>Made</i> | - - - - | *** |
| <i>Laid before Parliament</i> | | *** |
| <i>Coming into force</i> | - - | *** |

The Secretary of State is a Minister designated for the purposes of section 2(2) of the European Communities Act 1972^(a1) in relation to intellectual property (including both registered and unregistered rights)^(b2).

The Secretary of State, in exercise of the powers conferred by section 2(2) of that Act, makes the following Regulations:

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Trade Secrets Regulations 2018 and come into force on [9th June 2018].

(2) These Regulations extend to England, Wales, Scotland and Northern Ireland.

(3) These Regulations shall not affect the existing common law relating to confidential information and actions for breach of confidence, save insofar as the existing law is inconsistent with the provisions of these Regulations.

Interpretation

2. For the purposes of these Regulations—

“court” means in England and Wales, a county court hearing centre where there is also a District Registry or the High Court, in Scotland, the sheriff or the Court of Session and in Northern Ireland, a county court or the High Court;

(a) ¹ 1972 c.68; by virtue of the amendment of section 1(2) of that Act by section 1 of the European Economic Area Act 1993 (c.51) regulations may be made under section 2(2) to implement obligations of the United Kingdom arising under the EEA Agreement.

(b) ² SI 2006/608.

~~“infringer” means a person who has acquired, used or disclosed confidential information in breach of confidence acted in breach of confidence in relation to a trade secret;~~

~~“infringing goods” means goods which significantly benefit from a breach of confidence in relation to a trade secret (as regards amongst other matters the design, characteristics, functioning, production process or marketing of the goods) to the detriment of the trade secret holder;~~

~~[In any action for breach of confidence, for the avoidance of doubt, information shall be taken to be confidential information (referred to in Directive (EU) 2016/943 as a “trade secret”) if it means confidential information:—~~

- ~~(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;~~
- ~~(b) has commercial value because it is secret;~~
- ~~(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;] and~~

~~“trade secret holder” means any natural or legal person lawfully controlling confidential information. -a trade secret.~~

3. In the application of these Regulations to Scotland, “injunction” means interdict.

[Time limits for bringing proceedings]

[4.—(1) Under the law of England and Wales and the law of Northern Ireland, proceedings in respect of a breach of confidence ~~in relation to a trade secret~~ may not be brought before a court after the end of the limitation period determined in accordance with regulations 5 to 8.

(2) Section 36 of the Limitation Act 1980^(a3) (equitable jurisdiction and remedies) does not apply in relation to proceedings brought under paragraph (1).

(3) Under the law of Scotland—

- (a) proceedings in respect of a breach of confidence ~~in relation to a trade secret~~ may not be brought before a court after the end of the prescriptive period for the claim determined in accordance with this regulation and regulations 5 to 8, and
- (b) accordingly, an obligation in respect of the loss or damage that is the subject of the claim is extinguished,

except where the subsistence of the obligation in relation to which the claim is made was relevantly acknowledged before the end of that period.

(4) Section 6 of the Prescription and Limitation (Scotland) Act 1973^(b4) (extinction of obligations by prescriptive periods of five years) does not apply in relation to an obligation described in paragraph (3).

(5) The following provisions of the Prescription and Limitation (Scotland) Act 1973 apply for the purposes of, or in relation to, paragraph (3) as they apply for the purposes of, or in relation to, section 6 of that Act—

- (a) section 10 (relevant acknowledgment);

³ 1980 c. 58.

⁴ 1973 c. 52.

- (b) section 13 (prohibition of contracting out);
- (c) section 14(1)(c) and (d) (computation of prescriptive periods).]

[Limitation or prescriptive period]

[5. Subject to regulations 6 and 7, the limitation period is six years and the prescriptive period is five years.]

[Beginning of limitation or prescriptive period]

[6.—(1) The limitation or prescriptive period for a claim for breach of confidence ~~in relation to a trade secret~~ against an infringer begins with the later of—

- (a) the day on which the breach of confidence that is the subject of the action ceases, and
- (b) the day of knowledge of the trade secret holder.

(2) “The day of knowledge of the trade secret holder” is the day on which the trade secret holder first knows or could reasonably be expected to know—

- (a) of the infringer’s behaviour;
- (b) that the behaviour constitutes a breach of confidence;
- (c) that the trade secret holder has suffered loss or damage arising from that breach; and
- (d) the identity of the infringer.

(3) Where the trade secret holder has acquired the right to bring a claim for breach of confidence ~~in relation to a trade secret~~ from another person (whether by operation of law or otherwise), the reference in paragraph (2) to the day on which the trade secret holder first knows or could reasonably be expected to know something is to be read as a reference to the first day on which the trade secret holder or a person in whom the cause of action was previously vested first knows or could reasonably be expected to know it.

(4) Where a person (“P”) has acquired an infringer’s liability in respect of a breach of confidence ~~in relation to a trade secret~~ from another person (whether by operation of law or otherwise)—

- (a) the reference to an infringer in paragraph (1) is to be read as a reference to P, but
- (b) the references to the infringer in paragraph (2) are to be read as references to the original infringer.

(5) The references in paragraphs (2) and (3) to a person knowing something are to a person having sufficient knowledge of it to bring a claim for breach of confidence ~~in relation to a trade secret~~.

(6) This regulation has effect subject to regulations 7 to 9 which defer the beginning of the limitation period in certain circumstances.]

[Effect of disability on beginning of limitation period]

[7.—(1) This regulation applies if the trade secret holder in relation to a claim for breach of confidence ~~in relation to a trade secret~~ is under a disability on the day on which, but for this regulation, the limitation period for the claim would begin.

(2) In England and Wales and Northern Ireland, the limitation period for the claim begins with the earlier of—

- (a) the day on which the trade secret holder ceases to be under a disability, and
- (b) the day on which the trade secret holder dies.

(3) Where—

- (a) the trade secret holder has acquired the right to make the claim for breach of confidence from another person (whether by operation of law or otherwise), and
- (b) but for this regulation, the limitation period would begin on the day specified in regulation 6(2),

the references to the trade secret holder in paragraphs (1) and (2) of this paragraph are to be read as references to the person by reference to whose knowledge that day would fall to be determined in accordance with regulation 6(3).

(4) In England and Wales, references in this paragraph to a person being “under a disability” have the same meaning as in the Limitation Act 1980⁽⁵⁾.

(5) In Northern Ireland, references in this paragraph to a person being “under a disability” have the same meaning as in the Limitation (Northern Ireland) Order 1989⁽⁶⁾.]

[Suspension of prescriptive period during period of disability]

[8.—(1) This regulation applies if the trade secret holder in relation to a claim for breach of confidence ~~in relation to a trade secret~~ is under legal disability for a period at any time.

(2) In Scotland, the period during which the trade secret holder is under a legal disability is not to be counted when calculating whether the prescriptive period for the claim has expired.

(3) References in this paragraph to a person being “under legal disability” have the same meaning as in the Prescription and Limitation (Scotland) Act 1973⁽⁷⁾.

(4) For the purposes of calculating whether the prescriptive period has expired, the period described in paragraph (2) is not to be regarded as separating the time immediately before it from the time immediately after it.]

[New claims in pending actions: England and Wales and Northern Ireland 9.—]

[(1) In section 35 of the Limitation Act 1980 (new claims in pending actions)—

- (a) subsection (1) applies for the purposes of these Regulations as it applies for the purposes of that Act, and
- (b) subsections (3) to (8) apply in relation to a claim for breach of confidence ~~in relation to a trade secret~~ that is a new claim and to proceedings for breach of confidence ~~in relation to a trade secret~~ as they apply in relation to other new claims and proceedings.

(2) In Article 73 of the Limitation (Northern Ireland) Order 1989 (new claims in pending actions)—

- (a) paragraph (1) applies for the purposes of these Regulations as it applies for the purposes of that Order, and
- (b) paragraphs (2) to (7) apply in relation to a claim for breach of confidence ~~in relation to a trade secret~~ that is a new claim and to proceedings for breach of confidence ~~in relation to a trade secret~~ as they apply in relation to other new claims and proceedings.]

⁵ See section 38(2) of that Act.

⁶ S.I. 1989/1339 (N.I. 11). See Article 47 of that Order.

⁷ 1973 c.52. See section 15(1) of that Act.

[Preservation of confidentiality of trade secrets in the course of legal proceedings]

[10.—(1) Where, in response to an application by a party or on a court's own initiative, a court identifies ~~any confidential information or allegedly confidential information as any trade secret or alleged trade secret~~, participants in legal proceedings (whether as a party, a lawyer or other representative, a court official, a witness, an expert or otherwise) must not use or disclose ~~the confidential information or allegedly confidential information the trade secret or alleged trade secret~~ revealed in the course of legal proceedings for the duration, and after conclusion, of the legal proceedings.

(2) Where the legal proceedings have concluded and—

- (a) the court finds that there is no ~~confidential information trade secret~~; or
- (b) the information in question in due course becomes generally known among or readily accessible to persons within circles that normally deal with that kind of information,

the obligation in paragraph (1) no longer applies.

(3) On application by a party or on a court's own initiative, a court may take any of the measures set out in paragraph (4) as may be necessary to preserve the confidentiality of any ~~confidential information or allegedly confidential information trade secret or alleged trade secret~~ revealed in the course of legal proceedings relating to a breach of confidence ~~in relation to a trade secret~~.

(4) A court may—

- (a) restrict access to any document containing ~~any confidential information or allegedly confidential information trade secret or alleged trade secret~~ submitted by the parties or third parties, in whole or in part, to a limited number of persons;
- (b) restrict access to hearings, when ~~confidential information or allegedly confidential information trade secret or alleged trade secrets~~ may be disclosed, and restrict access to the record or transcript of those hearings to a limited number of persons;
- (c) make available to a person, who is not one of the limited number of persons referred to in sub-paragraphs (a) or (b), a non-confidential version of any judicial decision, in which the passages containing ~~confidential information trade secrets~~ have been removed or redacted.

(5) The number of persons referred to in paragraph 4(a) or (b) shall be no greater than necessary to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least, one individual from each party and the lawyers or other representatives of those parties to the legal proceedings.

(6) In considering which of the measures in paragraph (4) to order and in assessing the proportionality of the measures, a court must consider the need to ensure the right to an effective remedy and to a fair trial.

(7) In deciding whether or not to grant the measures in paragraph (4) a court must consider—

- (a) the legitimate interests of the parties, and
- (b) any potential harm for the parties.

(8) In paragraph (7), "parties" includes third parties.

(9) Regulation 10 shall only apply to proceedings in so far as these are brought in respect of a breach of confidence.

[Interim order for delivery up]

[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 delivered up to the trade secret holder, in addition to any other remedy the trade secret holder may have.

(2) As an alternative to paragraph (1), 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.

(3) A person to whom the suspected infringing goods are delivered up under paragraph (1) must retain the infringing goods pending a decision to make or not to make an order under regulation 14(5).]

~~Matters to be considered before making an order under regulation 11(1)~~

~~12.—(1) Before making an order under regulation 11(1), a court must be reasonably satisfied that—~~

- ~~(a) a trade secret exists;~~
- ~~(b) the applicant is the trade secret holder; and~~
- ~~(c) there has been or there is about to be a breach of confidence in relation to the trade secret.~~

~~(2) In considering whether to make an order under regulation 11(1) and in assessing the proportionality of such an order, a court must take into account the specific circumstances of the case, including, where appropriate—~~

- ~~(a) the value and other specific features of the trade secret;~~
- ~~(b) the measures taken to protect the trade secret;~~
- ~~(c) the conduct of the alleged infringer in acquiring, using or disclosing the trade secret;~~
- ~~(d) the impact of the unlawful use or disclosure of the trade secret;~~
- ~~(e) the legitimate interests of the parties and the impact which a decision to grant or not to grant the measures could have on the parties;~~
- ~~(f) the legitimate interests of third parties;~~
- ~~(g) the public interest; and~~
- ~~(h) the safeguard of fundamental rights.~~

[Time limit for claim to be brought]

[13.—(1) Where a court makes an order under regulation 11(1), and has set a reasonable period within which a claim must be brought, the order ceases to have effect if the applicant does not bring the claim within such period.

- (2) Where a court makes an order under regulation 11(1) but has not set a reasonable period within which the claim must be brought, the claim must be brought within a period not exceeding 20 working days or 31 calendar days, whichever is the longer.
- (3) If the claim is not brought within the period stated in paragraph (2), the order under regulation 11(1) shall cease to have effect.]

[Corrective measures]

[14.—(1) Where it has been found that there has been a breach of confidence in relation to 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.

(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 confidential information 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 confidential information trade secret, be forfeited to the trade secret holder or destroyed.]

[Matters to be considered when making an interim order in proceedings for breach of confidence under regulation 14]

15. - (1) Before making an order for interim relief in proceedings for breach of confidence, the Court may require the applicant to provide evidence that may reasonably be considered available in order to satisfy the Court with a reasonable degree of certainty that—

- (a) confidential information exists;
- (b) the applicant is the trade secret holder; and
- (c) there has been or there is about to be a breach of confidence.

(2) In considering an application for an order for interim relief in proceedings for breach of confidence regulation 14 and assessing the proportionality of such an order, the court shall take into account the specific circumstances of the case, including, where appropriate—

- (a) the value or other specific features of the confidential information trade secret;
- (b) the measures taken to protect the confidential information trade secret;
- (c) the conduct of the infringer in acquiring, using or disclosing the confidential information trade secret;
- (d) the impact of the unlawful use or disclosure of the confidential information trade secret;
- (e) the legitimate interests of the parties and the impact which the granting or rejection of the measures could have on the parties;
- (f) the legitimate interests of third parties;
- (g) the public interest; and
- (h) the safeguard of fundamental rights.]

Compensation in lieu of final injunction or order under regulation 14

16.—(1) A person liable to the imposition of an order under regulation 14 or final injunction for breach of confidence ~~in relation to a trade secret~~ may apply to the court for an order to pay

compensation instead of being made to comply with the order under regulation 14, or injunction or if the following conditions are met:

- (a) at the time of use or disclosure the person neither knew nor ought, under the circumstances, to have known that the confidential information ~~trade secret~~ was obtained from another person who was using or disclosing the confidential information ~~trade secret~~ in breach of confidence;
- (b) the execution of the measures in question would cause disproportionate harm to the person liable to the measures; and
- (c) it appears reasonably satisfactory to pay compensation to the person applying for the measures.

(2) Where a court makes an order for the payment of compensation in lieu of an injunction, the compensation shall not exceed the amount of royalties or fees which would have been due, had that person obtained a licence to use the confidential information ~~trade secret~~ in question, for the period of time for which use of the trade secret could have been prohibited.

Assessment of damages

17.—(1) Where in an action for breach of confidence ~~in relation to a trade secret~~ the infringer knew, or ought to have known, that the activity the infringer was engaging in was in breach of confidence ~~in relation to the trade secret~~, the damages awarded to the trade secret holder must be appropriate to the actual prejudice suffered as a result of the breach of confidence ~~in relation to the trade secret~~.

(2) When awarding such damages—

(a) all appropriate aspects shall be taken into account, including in particular—

- (i) the negative economic consequences, including any lost profits, which the trade secret holder has suffered, and any unfair profits made by the infringer; and
- (ii) elements other than economic factors, including the moral prejudice caused to the trade secret holder by the breach of confidence ~~in relation to the trade secret~~; or

(b) where appropriate, damages may be awarded on the basis of the royalties or fees which would have been due had the infringer obtained a licence.

[Publication of judicial decisions]

[18.—(1) Where the court finds there has been a breach of confidence ~~in relation to a trade secret~~, the court may, at the request of the applicant and at the expense of the infringer, order appropriate measures for the dissemination of information concerning the judgment, including its publication in whole or in part.

(2) Any measure a court may order under paragraph (1) must preserve the confidentiality of the confidential information ~~trade secret~~ in question.

(3) In deciding whether to order a measure under paragraph (1) and when assessing whether such measure is proportionate, the court must take into account—

- (a) the value of the confidential information ~~trade secret~~,
- (b) the conduct of the infringer,
- (c) the impact of the breach of confidence,
- (d) the likelihood of further acts in breach of confidence by the infringer; and
- (e) whether the information on the infringer would be such as to allow an individual to be identified and, if so, whether publication of that information would be justified, in particular in the light of the possible harm that such measure may cause to the privacy and reputation of the infringer.]

Signatory text

Name

Address

Parliamentary Under Secretary of State

Date

Department

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations implement provisions of Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJ L157, 15.6.2017, p.1) ("the Directive"). A number of the provisions of the Directive have already been implemented in the United Kingdom by common law or statute and these Regulations address those areas where gaps occur or where the implementation of the provisions of the Directive by the law of the United Kingdom may be made more transparent. Save as otherwise provided by these Regulations, these Regulations do not affect, alter or otherwise change the existing common law or statute

Regulation 2 defines the terms "infringer", "infringing goods", ["trade secret"] and "trade secret holder" in accordance with Article 2 of the Directive and adds a definition of "court".

Regulation 3 makes clear that in the application of the Regulations to Scotland, "injunction" means interdict.

[Regulations 4 to 9 make provision for limitation and prescription periods applicable to claims for breach of confidence in implementation of the provisions in Article 8 of the Directive. A limitation period of six years is set for England and Wales and Northern Ireland. A prescription period of five years is set for Scotland. Provision is made for determining when the limitation or prescription period begins to run and the circumstances under which the limitation or prescription period is suspended.]

[Regulation 10 provides for the preservation of confidentiality of trade secrets in the course of legal proceedings in implementation of Article 9 of the Directive.]

[Regulation 11 provides for an interim order for delivery up where it is suspected that infringing goods may be or have been put on the market. The remedy is available to a trade secret holder in addition to any other remedy the trade secret holder may have. Under the interim order, a trade secret holder must retain the infringing goods until an order is made under regulation 14(4) that the goods be forfeited to the trade secret holder or destroyed. The matters a court needs to consider before making an interim order for delivery up are set out in regulation 12. Regulation 13 sets out a time limit within which a claim must be brought after an interim order for delivery up has been made. These provisions implement Articles 10 and 11 of the Directive.]

[Regulation 14 provides for measures which may be imposed on an infringer, at his expense, in addition to any other remedy a trade secret holder may have. These measures require an infringer, at his expense, to modify the infringing goods to deprive them of their infringing quality, to withdraw the goods from the market, to deliver up and forfeit the goods to the trade secret holder and to forfeit the infringing goods to the trade secret holder who may them destroyed. The matters to be considered when making an order under regulation 14 are set out in regulation 15. Under regulation 16, a court may order compensation in lieu of an order under regulation 14 or final injunction under certain conditions. This implements Articles 12 and 13 of the Directive.]

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Regulation 17 sets out the factors that need to be taken into account when making an award of damages in an action for breach of confidence ~~in relation to a trade secret~~. This implements Article 14 of the Directive.

[Regulation 18 makes provision for the publication of information relating to judicial decisions in legal proceedings for breach of confidence in relation to trade secrets.]

A full impact assessment has not been produced for this instrument as no significant impact on the private, voluntary or public sector is foreseen. A transposition note is available from the Intellectual Property Office and is annexed to the Explanatory Memorandum which is available alongside the instrument on the website.