

Teresa Trallero Ocaña

The Notion of Secrecy

A Balanced Approach in the Light
of the Trade Secrets Directive



Nomos

MIPLC

Munich
**Intellectual
Property**
Law Center

Augsburg
München
Washington DC



MAX-PLANCK-GESELLSCHAFT

UNIA
Universität
Augsburg
University

TUM
TECHNISCHE
UNIVERSITÄT
MÜNCHEN

**THE GEORGE
WASHINGTON
UNIVERSITY**
WASHINGTON, DC

MIPLC Studies

Edited by

Prof. Dr. Christoph Ann, LL.M. (Duke Univ.)
TUM School of Management

Prof. Robert Brauneis
The George Washington University Law School

Prof. Dr. Josef Drexler, LL.M. (Berkeley)
Max Planck Institute for Innovation and Competition

Prof. Dr. Michael Kort
University of Augsburg

Prof. Dr. Thomas M.J. Möllers
University of Augsburg

Prof. Dr. Dres. h.c. Joseph Straus
Max Planck Institute for Innovation and Competition

Volume 39

Teresa Trallero Ocaña

The Notion of Secrecy

A Balanced Approach in the Light
of the Trade Secrets Directive



Nomos

MIPLC

Munich
**Intellectual
Property**
Law Center

Augsburg
München
Washington DC

This publication was supported by the Max Planck Society.



MAX-PLANCK-GESELLSCHAFT

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at <http://dnb.d-nb.de>

a.t.: München, LMU, Diss., 2020

ISBN 978-3-8487-7146-2 (Print)
978-3-7489-1197-5 (ePDF)

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

ISBN 978-3-8487-7146-2 (Print)
978-3-7489-1197-5 (ePDF)

Library of Congress Cataloging-in-Publication Data

Trallero Ocaña, Teresa

The Notion of Secrecy

A Balanced Approach in the Light of the Trade Secrets Directive

Teresa Trallero Ocaña

640 pp.

Includes bibliographic references.

ISBN 978-3-8487-7146-2 (Print)
978-3-7489-1197-5 (ePDF)

1st Edition 2021

© Teresa Trallero Ocaña

Published by

Nomos Verlagsgesellschaft mbH & Co. KG
Waldseestraße 3–5 | 76530 Baden-Baden
www.nomos.de

Production of the printed version:

Nomos Verlagsgesellschaft mbH & Co. KG
Waldseestraße 3–5 | 76530 Baden-Baden

ISBN 978-3-8487-7146-2 (Print)
ISBN 978-3-7489-1197-5 (ePDF)

DOI <https://doi.org/10.5771/9783748911975>



Onlineversion
Nomos eLibrary



This work is licensed under a Creative Commons Attribution – Non Commercial – No Derivations 4.0 International License.

Acknowledgements

I would like to thank my supervisor Professor Annette Kur for her support during the completion of the dissertation and her valuable academic guidance. I would also like to express my gratitude to Professor Ansgar Ohly for providing the Zweitgutachten.

After graduating from the Munich Intellectual Property Law Center (MIPLC), I was fortunate to be accepted as a doctoral student by the Max Planck Institute for Innovation and Competition, to which I owe not only the financial support, but also the possibility of conducting research in the most stimulating academic environment.

I am particularly grateful to Seth Ericsson, Margit Hinkel and Ulrike Stubenvoll for their support throughout this long journey and making the MIPLC my family far away from home.

I would not have been able to complete this work without the support of so many friends and colleagues, but among them I would especially like to mention my good friend Marisa for her constant encouragement.

Special thanks go to Fabian for everything.

Most importantly, I would like to thank my mother Maite, my sister Anna, and my grandparents Manuel and María Teresa. This dissertation is dedicated to them.

Table of Contents

Abbreviations	19
Introduction	23
§ 1 Object, scope and structure of the research	25
§ 2 Research methodology	27
Chapter 1. Concept, justifications and legal nature of trade secrets	29
§ 1 The significance and concept of trade secrets	29
§ 2 The problematic justifications underlying trade secrets protection	30
A) Deontological arguments	33
I. Commercial ethics	33
II. Labour value theory	34
III. Contractarian theory	35
B) Utilitarian arguments	36
I. Incentives to innovate	36
II. Incentives to disclose	41
III. Limit to the arms race	43
IV. The privacy rationale	45
C) Conclusion on the doctrines underlying trade secrets protection	48
§ 3 Dissecting the legal nature of trade secrets: between IPRs and unfair competition	49
A) The unsettled relationship between trade secrets and IPRs	51
I. Trade secrets and patents	51
1. Trade secrets prior to patenting	52
2. Preferring trade secrets over patents	55
a) Analysis of economical empirical evidence	55
b) Advantages of secrets over patents	59
c) The risks of secrecy	65
3. Simultaneous protection of trade secrets and patents	69
II. Trade secrets and copyright	71
III. Trade secrets and trade marks	74

Table of Contents

IV. Trade secrets and the database right: the protection of investment as such	77
1. The EU two-tier legal regime for the protection of databases and its interplay with trade secrets protection	77
2. The problem of protecting created data under the sui generis database right and the possibility of resorting to contractual protection	82
V. Conclusion on the relationship between trade secrets and IPRs	87
B) Trade secrets as the object of intellectual property law: considerations for Europe	87
I. Comparative legal analysis	89
1. International intellectual property convention system	89
2. Common law approach	93
a) England	93
b) U.S.	96
3. Civil law approach	100
a) Italy	100
b) Germany	101
4. European Union approach	104
II. Considering information as the object of property rights	107
1. Preliminary remarks: the problematic conceptualisation of information as such as the object of IPRs	107
2. The debate in the U.S.: <i>INS v. Associated Press</i> and its influential dissent	110
3. Semiotics approach to the property debate	113
4. Example case: data producer's right	115
5. Concluding remarks on the treatment of information as property	119
III. Dissecting the proprietary debate in the light of the harmonised framework created by the TSD	121
§ 4 Conclusion	126

Chapter 2. Trade secrets protection in the international context	129
§ 1 International legal sources for the protection of undisclosed information	129
A) International minimum standards of protection: The TRIPs Agreement and the protection of undisclosed information	130
I. General framework	130
II. Negotiation history of Article 39 TRIPs	132
III. The architecture of the general obligation to protect undisclosed information: Article 39(1)TRIPs	135
1. Hybrid nature of the protection	135
2. Construing Article 10bis PC in the context of undisclosed information	136
IV. Article 39(2) TRIPs	141
1. Scope of the obligation	141
2. Requirements for protection	144
a) Information	144
b) Secrecy: Information not generally known or readily accessible	146
c) Commercial value	147
d) Reasonable steps to maintain secrecy	149
B) Considerations from a soft law perspective: The WIPO Model Provisions on the protection of unfair competition	150
§ 2 Trade secrets protection in the U.S.	151
A) Evolution of trade secret law in the U.S.: main legislative sources	152
B) Definition of a trade secret and requirements for protection in the U.S.	158
I. Definitional aspects	158
II. Requirements for protection	164
1. Secrecy: information not generally known or readily ascertainable	164
2. Independent economic value	168
3. Reasonable measures to maintain secrecy	171
a) Assessment of the “reasonableness” of the measures adopted	172
b) Criticism	174
C) The legal regime for the protection of trade secrets under the UTSA, the DTSA and the Restatements of the law	177
§ 3 Conclusion	181

Table of Contents

Chapter 3. Fragmented protection of trade secrets across the EU leading to a harmonised system: study of the English and German models and the emerging common framework	182
§ 1 Scattered protection across the internal market before the implementation of the Trade Secrets Directive: Different models	182
§ 2 Trade secrets protection in Germany before the implementation of the TSD	184
A) Development of the law of trade secrets	185
B) Legal regime for the protection of trade secrets	186
I. Constitutional Law	186
II. Unfair competition law and its intersection with criminal law	187
1. § 17 UWG Trade secrets disclosure	189
a) Unauthorised trade secret disclosure in the course of employment	190
b) Industrial espionage	193
c) General prohibition	195
2. § 18 UWG Use of models	196
III. Civil law	198
1. Criminal accessory claims	199
2. Civil autonomous claims	201
§ 3 Trade Secrets Protection in England before the implementation of the TSD – The law of confidentiality	202
A) A note on Brexit	204
B) Development of the law of confidentiality	205
C) Legal regime for the protection of confidential information under the breach of confidence action	206
I. Jurisdictional basis for the action	206
1. Contract	207
2. Equity	208
3. Property	209
4. Tort	210
II. Liability requirements	212
1. The quality of confidence	214
2. The obligation of confidence	215
a) Disclosure by confider to confidant	215
b) Accidental acquisition	218
c) Surreptitious acquisition	219
d) Third party liability	220

3. Unauthorised use	224
III. The “springboard doctrine”	226
§ 4 Concluding remarks on the comparative law analysis	228
§ 5 The emerging common framework: a critical study of the Trade Secrets Directive	229
A) Background of the Directive	229
B) Legal basis and grounds for harmonising trade secrets protection	233
C) Legal analysis of the TSD	237
I. General remarks	238
II. Scope of application and subject matter covered	242
1. Scope of application	242
2. Definition of trade secret holder and infringer	245
3. Infringing goods	247
III. Scope of protection: the assessment of misappropriation and lawful conducts	250
1. Lawful acquisition, use and disclosure	250
2. Types of infringing conduct	252
a) Unlawful acquisition	253
b) Unlawful use and disclosure	255
c) Third party liability	256
d) Import and export	258
3. Exceptions	261
IV. Enforcement	264
1. General provisions	265
2. Limitation period	266
3. Preservation of confidentiality during litigation	267
4. Remedies available in case of infringement	269
a) Provisional and precautionary measures	269
b) Injunctions and corrective measures	271
c) Damages	273
d) Publication of the judicial decision	274
e) Claims for information and preserving evidence	275
§ 6 Conclusion	276
Chapter 4. Mapping the notion of secrecy	279
§ 1 Secrecy in the digital age	279
A) Increasing vulnerability of confidential information	279
B) Constructing the public domain	281

Table of Contents

§ 2 Different concepts and requirements for protection of trade secrets before the implementation of the TSD	284
A) Concept and requirements for the protection of trade secrets in Germany	284
I. Distinction between Geschäftsgeheimnis and Betriebsgeheimnissen	284
II. Requirements for the protection of trade secrets	285
1. Information	286
2. Information connected to a business — Geschäftsbezogenheit	286
3. Secrecy — Nichtoffenkundigkeit	288
4. Will to keep the information secret — Geheimhaltungswille	290
5. Interest in keeping the information secret — Geheimhaltungsinteresse	291
B) The notion of confidentiality in England	293
I. Concepts of confidential information and trade secret in England	293
II. Subject matter capable of protection	295
1. Commercial value: protection of trivial information?	296
2. Information that is vague	298
3. Immoral and false information	300
III. Confidential nature of the information	301
1. The general test of inaccessibility	301
2. Form of the information	305
3. No need to adopt reasonable measures	306
§ 3 The concept of trade secret in the Directive: considerations in the light of the comparative analysis	306
A) Preliminary remarks	306
B) Terminology	308
C) Commercial value	310
D) Private and personal information	312
E) Adoption of reasonable steps	314
F) A requirement of identification of the information concerned?	315
§ 4 Deconstructing secrecy	316
A) Evaluating the degree of secrecy required	316

B) The doctrine of ready ascertainability and the principle of inaccessibility	318
I. Absence of a normative standard	318
II. Criticism	321
C) Fencing secrecy by its negative dimension	324
I. The “Third Party Doctrine” of trade secrets law and its limitations: conceptualising the different types disclosures	325
II. Effects of the disclosure	328
1. Disclosure in a patent application or specification	328
a) England as an example case	328
b) Guiding principles	329
2. Disclosure to the state and its authorities	330
a) England as an example case	330
b) Confidentiality in the <i>acquis communautaire</i> and the right of access to documents	335
c) Protection of competing interests in the TSD	337
d) Guiding principles	338
3. Marketing of a product in which the trade secret is embodied	339
a) U.S.	340
b) England	343
c) Germany	345
d) Guiding principles	346
4. Disclosures on the Internet	349
a) U.S.	349
b) England	352
c) Germany	353
d) Guiding principles	354
5. Limited content: combination secrets	358
a) U.S.	360
b) England	364
c) Germany	365
d) Guiding principles	368
6. Disclosures in the Cloud	372
a) General considerations and outline of the problem	372
b) Guiding principles	375
D) The doctrine of relevant circles	378
I. U.S.	379
II. England	381

Table of Contents

III. Germany	382
IV. Guiding principles	384
E) Secrecy as opposed to IPRs normative standards	385
I. Novelty	385
1. Novelty under the EPC	385
2. U.S. cases that demand novelty	388
a) Analysis of the relevant case law	388
b) The “law of ideas”	390
3. English cases that demand novelty under the breach of confidence action	393
II. Originality	394
1. U.S.	395
2. England	396
III. Conclusion – protection of abstract ideas	397
F) Excursus: Trade secrets and Big Data — the way forward?	400
I. The Data Economy and the associated phenomena	401
II. Assessing the possibility of relying on trade secrets protection for industrial data	408
1. Reconciling the legal requirements of protection of trade secrets law with Big Data	409
2. Additional problems: identifying the trade secret holder and the risk of infringement	413
3. Conclusion on the applicability of the trade secrets liability regime to Big Data	414
§ 5 Conclusion	415
Chapter 5. Study case: the strategic importance of secrecy in the perfume industry	417
§ 1 Preliminary remarks on the methodology applied	417
§ 2 The perfume industry	418
§ 3 The protection of perfumes through IPRs	420
A) Copyright	420
I. Object of protection	420
II. Requirements for protection	421
1. Literary and artistic work	422
2. Originality: author’s own intellectual creation	424
3. Fixation	428
III. Evaluation	430

B) Patent Law	431
I. Object of protection	431
1. Aromatic compounds	432
2. Aromatic compositions	434
II. Requirements for protection	434
III. Evaluation	436
C) Trade mark law	437
I. Object of protection	437
II. Requirements for protection	438
1. Signs	439
2. Representation	439
3. Distinctiveness	443
4. Functionality	445
III. Evaluation	447
D) Unfair competition – Comparative advertisement	448
I. Object of protection	448
II. Requirements for protection in the wake of L'Oréal v Bellure	450
1. Two-step test: Definition of comparative advertisement and the appraisal of fairness	450
2. Presentation of products as imitations in the wake of L'Oréal v Bellure	451
III. Evaluation	458
§ 4 The role of trade secrets in the protection of perfumes	459
A) Importance of trade secrets for the perfume industry	459
B) Increasing vulnerability of trade secrets in the perfume sector	461
I. Reverse engineering	462
II. Demands for disclosure and transparency	463
III. Electronic information storage and transmission	463
IV. Employment mobility	464
V. Measures adopted to protect the company's trade secrets	465
§ 5 Conclusion	465
Chapter 6. The internal and external spheres of secrecy and their limitations	467
§ 1 The two spheres of secrecy	467
A) The internal sphere of secrecy: confidentiality and employees	469
I. Implied duty of confidentiality during the course of the employment relationship	469

II. Secrecy obligations of departing employees	471
1. Employees general skills, knowledge and experience and the implied obligation of secrecy after the termination of the employment relationship	472
a) Comparative law analysis	472
aa) U.S.	472
bb) England	478
cc) Germany	480
b) Implied secrecy obligation of departing employees under the TSD	484
c) Guiding principles	486
2. Some considerations regarding post contractual non-disclosure and non-competition clauses	489
a) Comparative law analysis	490
aa) U.S.	490
bb) England	493
cc) Germany	498
b) Post-contractual obligations under the TSD	501
B) The external sphere of secrecy	502
I. Licensing agreements	503
1. Object and legal nature	503
2. Secrecy obligations	506
a) Pre-contractual obligations of secrecy	506
b) During the term of the contract	507
aa) Secrecy obligations of the licensor	507
bb) Secrecy obligations of the licensee	508
c) After the termination of the contract	510
II. R&D agreements	511
1. Object and legal nature	511
2. Secrecy obligations	513
§ 2 The limitations of secrecy	515
A) Independent discovery and creation	516
B) Reverse engineering	518
I. Conceptual introductory remarks	518
II. Rationales underlying reverse engineering	521
III. Comparative law analysis	525
1. TRIPs	525
2. U.S.	526
3. England before the implementation of the TSD	529
4. Germany before the implementation of the TSD	534

IV. Reverse engineering under the TSD	536
1) Scope of the reverse engineering pursuant to Article 3(1)(b) TSD	536
2) Contractual limitations on the possibility of reverse engineering and in particular the interplay with the Software Directive	539
3) Guiding principles	545
C) Competition law as an inherent limitation to the protection conferred by a trade secret	547
§ 3 The optimal scope of secrecy: a balanced approach in the light of the TSD	552
A) The Nordhaus model and trade secrets protection	552
B) Legal application of the Nordhaus model to trade secrets protection: introduction of a presumption regarding post-contractual duration in business-to-business relationships	556
Conclusion	561
Annex 1: Transcript of the Interview with head of IP Perfume Company 1	569
Annex 2: Transcript of the interview with Perfumist Rosendo Mateu	571
Zusammenfassung	573
Bibliography	601

Abbreviations

AIA	America Invents Act
BAG	Bundesarbeitsgericht or Federal Labour Court
BC	Berne Convention
BGB	Bürgerliches Gesetzbuch
BGH	Bundesgerichtshof or Federal Supreme Court
BKartA	Bundeskartellamt
BverGe	Bundesverfassungsgerichtentscheidungen
CCZ	Corporate Compliance Zeitschrift
CFI	Court of First Instance
ChFREU	Charter of Fundamental Rights of the EU
CJEU	Court of Justice of the European Union
Commission	The European Commission
CR	Computer und Recht
DPMA	German Patent and Trade Mark Office
DSU	Dispute Settlement Understanding
DTSA	Defend Trade Secrets Act of 2016
e.g. (from Latin <i>exempli gratia</i>)	For example
EC	European Community
EC Treaty	The Treaty Establishing the European Community
ECHR	European Convention of Human Rights
ECJ	European Court of Justice
ECR	European Court Reports
ECS	European Copyright Society
ECtHR	European Court of Human Rights
ed/eds	Editor/Editors
EIPR	European Intellectual Property Review
EJIL	European Journal of International Law
EPC	European Patent Convention
EPO	European Patent Office
EU	European Union

Abbreviations

EUTMR	European Union Trade Mark Regulation
FTC	Federal Trade Commission
GATT	General Agreement on Tariffs and Trade
GCEU	General Court of the European Union
GG	Grundgesetz für die Bundesrepublik Deutschland
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
GRUR Int	Gewerblicher Rechtsschutz und Urheberrecht/Internationaler Teil
HGB	Handelsgesetzbuch
HRA	Human Rights Act
i.e. (from Latin <i>id est</i>)	That is to say
IDEA	IDEA: The Intellectual Property Law Review
IIC	International Review of Intellectual Property and Competition Law
IoT	Internet of Things
IP	Intellectual Property
IPQ	Intellectual Property Quarterly
IPR(s)	Intellectual Property Right(s)
JEP	Journal of Economic Perspectives
JIPITEC	Journal of Intellectual Property, Information Technology and Electronic Commerce Law
JIPLP	Journal of Intellectual Property Law and Practice
JuS	Juristische Schulung
LJ	Law Journal
LQR	Law Quarterly Review
LR	Law Review
MCAD	Misleading and Comparative Advertisement Directive
NAFTA	North American Free Trade Agreement
NDA	Non-disclosure agreement
NZA	Neue Zeitschrift für Arbeitsrecht
NZA-RR	Neue Zeitschrift für Arbeitsrecht -Rechtsprechungs-Report Arbeitsrecht
para(s)	Paragraph(s)
PC	Paris Convention
R&D	Research and Development

R&DBER	Research and Development Block Exemption Regulation
SC	Supreme Court
TEU	The Treaty of the European Union
TFEU	The Treaty on the Functioning of the European Union
TMD	Trade Mark Directive
TMR	Trade Mark Review
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TSD	Trade Secrets Directive
TTBER	Technology Transfer Block Exemption Regulation
UK	United Kingdom
U.S.	United States of America
UN	United Nations
UTSA	Uniform Trade Secrets Act
UWG	Gesetz gegen den unlauteren Wettbewerb
VCLT	Vienna Convention on the Law of Treaties
VPN	Virtual Private Networks
WHO	World Health Organisation
WIPO	World Intellectual Property Organization
WRP	Wettbewerb in Recht und Praxis
WTO	World Trade Organisation

