Introduction to the Trade Secret System: Overview and International Framework

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Structure

- What is a trade secret?
  - International Framework
  - Requirements
- Rights of trade secret holders?
- Enforcement
- Patent vs. trade secret protection
Trade secrets - International Framework

- Trade secret = IP right on confidential information

- **Paris Convention**, Art. 10bis
  Sets general obligations for Member States to provide effective protection against *unfair competition* - any act of competition contrary to honest practices in industrial or commercial matters

- **TRIPS Agreement**, Art. 39(2)
  1st multilateral instrument which provides minimum standards of protection of IP, including undisclosed information
What kind of information may be protected as a trade secret?

■ Broadly speaking, any confidential business information which provides (due to “secrecy”) an enterprise with a competitive edge and is “secret” to others may be protected as a trade secret.

The nature of the information can be very different
Nature of the “secret” information?
Examples:

- Technical and scientific information

https://zwackunicum.hu/en/markaink/unicum/
Nature of the “secret” information?
Examples:

- Commercial or financial information…
Nature of the “secret” information

Examples:

- Negative information
Requirements for obtaining a trade secret (according to Article 39 (2) TRIPS Agreement)
1. The information must be "secret"

"Secret"

- not generally known among or readily accessible to persons
- within the circles that normally deal with this kind of information

→ Test on “accessibility” of information
2. The information must have commercial value because it is “secret”

- Confers some economic benefit to the right holder
- This benefit must derive specifically from the fact that it is not generally known, not just from the value of the information itself.
- Value: actual or potential
  - Elements that may be considered:
    - Competitive advantage for the owner in using the TS
    - The cost for an outsider to duplicate the TS
    - Lost advantages to the TS owner resulting from disclosure to competitors
3. Reasonable steps to keep the information "secret"

Under most trade secret regimes:

- Without reasonable steps to remain "secrecy" ≠ trade secret 😞!

"Reasonable" → case by case

- The test on the quality of measures taken to protect the information

→ importance of proper TS management/protection program
Examples of steps that may be reasonable
Examples of steps that may be reasonable

- **TS management program** may include:
  - Identification
  - Education of employees
  - Identification and review periodically which employees “need to know” the TS and restrict access to only those
  - Application of physical and technological restrictions to access TS
  - Limitation and monitoring public access to buildings that house TS
  - Marking documents containing TS as “secret” or “confidential”
  - Signing confidentiality / non-disclosure / non-compete agreements with relevant employees / outsiders who may get access to TS
Rights of trade secret owners according to Art.39(2) TRIPS

- Possibility of preventing information from being disclosed to, acquired by, or used by others

- Contrary to “honest commercial practice”
  TRIPS footnote 10 at least practices such as:
  - Breach of contract, breach of confidence, inducement to breach
  - Acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition
Rights of trade secret owners

- As owner of an IP, a trade secret holder can
  - transfer the trade secret
  - licence the trade secret

But...due to the confidential nature of a trade secret it is more difficult than with a patent.
What protection does a trade secret not offer? according to Art.39(2) TRIPS

- Use of the same technical or commercial information, if acquired or developed independently
  - no protection against reverse engineering
  - no protection against third party acquisition in good faith

- No defensive protection

- risk that your trade secret will be independently patented
Enforcement of Trade Secrets according TRIPS Agreement

- Art. 1.2 TRIPS: TS are included in the categories of IP

- Art. 41 TRIPS: Enforcement of IP applies to misappropriation and misuse of trade secrets

  - A trade secret owner shall take action against alleged misappropriation

  - Regional/national laws provide different enforcement procedures

  - Attention: even if there is no term of protection for a TS enforcement of a misappropriation may be limited in time
## Trade Secret or Patent?

<table>
<thead>
<tr>
<th></th>
<th>Patent</th>
<th>Trade Secret</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration</td>
<td>Yes</td>
<td>No, but in general, documentation needed</td>
</tr>
<tr>
<td>„Secrecy“ of the information</td>
<td>No</td>
<td>Yes, condition of protection</td>
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<tr>
<td>Term of protection</td>
<td>Generally 20 years</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Assingment</td>
<td>Yes</td>
<td>Yes, but more difficult</td>
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<tr>
<td>Licencing</td>
<td>Yes</td>
<td>Yes, but more difficult</td>
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<tr>
<td>Enforcement</td>
<td>Yes</td>
<td>Yes, but more difficult</td>
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<tr>
<td>Protection against reverse</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>engineering</td>
<td></td>
<td></td>
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<tr>
<td>Defensive protection</td>
<td>Yes</td>
<td>No</td>
</tr>
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</table>
And now…What to do in practice????

- Identify
- In any case: psssssssst!!!
- For patents:
  - Preparation of registration
- For Trade secrets:
  - Reasonable steps/preparation of evidence
- Advice from a regional/national expert can help a lot
More information on trade secrets

- https://www.wipo.int/directory/en/contact.jsp?country_id=159&type=ADMIN
Questions?

Thank you for your attention

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