



Departing Employees, Confidentiality Clauses and European Trade Secret Protection

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Abstract Departing employees are a classic problem in trade secret law. Employees who wish to set up on their own or accept a job offer from their principal's competitor may often be tempted to take with them valuable and secret information from the existing principal's business. The law should protect employers against this. On the other hand, employees have a legitimate interest in being able to change jobs, and trade secret law should not be so protective as to severely hamper labour mobility. According to leading scholars, Directive 2016/943 on the protection of trade secrets does not harmonise the legal protection of trade secrets vis-à-vis departing employees. This leaves room for national legislators and courts to develop the law on this important topic on their own. One might fear that this could lead to substantial legal differences within the European Economic Area. This article explores this question with a particular focus on many employers' practice of including obligations of confidentiality in their employment contracts or entering into separate non-disclosure agreements with their employees. The author shares the view that the Directive, along with much of the national legislation that implements it, gives courts considerable freedom in how to solve the difficult cases of departing employees, including when the ex-employee is bound by post-employment confidentiality obligations. This is not, however, necessarily a threat to legal certainty, as national case-law prior to the Directive seems to have had many common traits. This could provide important guidelines as to how the relevant parties' interests have to be safeguarded and balanced also under the Directive. The author has two main points on the substantive law: (1) an agreement that generally prohibits employees from disclosing or using "trade secrets", "business information" or the like may be important – but not necessarily decisive – for establishing that the employer has taken "reasonable steps" to protect the information, as

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required by the Directive; (2) however, the concrete assessment of whether a former employee has violated such a contract should not differ much from an assessment of whether they would have violated trade secret law in the absence of such an agreement.

Keywords Trade secrets · Know-how · Employees · EU · Confidentiality agreements

1 Introduction

Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against unlawful acquisition, use and disclosure (“the Directive”) was adopted on 8 June 2016. It was included in the European Economic Area (EEA) Agreement by Decision 91/2019 of 29 March 2019 and is, therefore, also binding for the European Free Trade Association states of Iceland, Lichtenstein and Norway. Before the Directive was passed, national legislators had – unlike with “real” intellectual property rights such as trade marks, copyright, etc. – considerable freedom in drawing up the ambit of protection for information that a business wanted to keep secret.¹ However, formulating clear rules in this field is challenging, given all the different interests and values involved, such as incentives for innovation, respect for confidence and privacy, freedom of contract, and mobility of workers. The legal basis for protection has varied considerably. States have protected such information within the framework of unfair competition law, criminal law, intellectual property law, contract law, tort law or *sui generis* legislation. In *substance*, however, there have been many common traits. One such trait is that the rules have been quite vague on some important issues, giving courts the possibility of deciding the cases before them by balancing the interests involved. This is the case at least when it comes to the difficult – but very practical – problem of departing employees.

A law on trade secrets that does not protect an employer’s interest vis-à-vis employees, or former employees, is a failure. The biggest threat to most companies’ trade secrets is the company’s own employees. In the summary of responses to the Commission’s public consultation on the proposal for the Directive, 53% of respondents who reported having suffered misappropriation of important trade secrets said this was committed by former employees.² On the other hand, an employee has a legitimate interest in being able to change jobs, without having to “wipe clean the slate of his memory”.³ It is not uncommon for firms to initiate

¹ The most important international legal instrument protecting trade secrets prior to the Directive has been Art. 39 TRIPS Agreement, which obliges states to protect the “undisclosed information” of natural and legal persons, but still leaves national legislators with considerable freedom as regards the strength of the protection.

² European Commission (2012), p. 13. Studies from single nations suggest that the percentage is even higher. See the summary of US studies in European Commission (2013), p. 107; Harte-Bavendamm et al. (2020), p. 150; and Irgens-Jensen (2010), pp. 14–15.

³ *Peerless Pattern Co. v. Pictorial Review Co.* 132 N.Y. p. 37 (39).

litigation based on alleged misuse of trade secrets, or to threaten to initiate such litigation, in order to stifle honest competition from start-ups founded by former employees or companies that have employed such former employees. This can have serious consequences for the welfare of the individuals involved, but also for society at large, since new and better or less expensive products and services may be prevented from getting to market.⁴ As pointed out by Magdalena Kolasa in her book *Trade Secrets and Employee Mobility*, courts have to strike a fine balance between the interests of the employers and the interests of the departing employees.⁵ Lord Neuberger in *Vestergaard Frandsen A/S v. Bestnet Europe Ltd* expressed this in the following way:

Looking at this case a little more broadly, I would add this. Particularly in a modern economy, the law has to maintain a realistic and fair balance between (i) effectively protecting trade secrets (and other intellectual property rights) and (ii) not unreasonably inhibiting competition in the market place. The importance to the economic prosperity of the country of research and development in the commercial world is self-evident, and the protection of intellectual property, including trade secrets, is one of the vital contributions of the law to that end. On the other hand, the law should not discourage former employees from benefitting society and advancing themselves by imposing unfair potential difficulties on their honest attempts to compete with their former employers.⁶

The European Court of Human Rights (ECtHR) has stressed that authorities must show “special diligence” in cases concerning labour mobility.⁷ The EU legislators were clearly concerned with the above-mentioned policy considerations. In the preamble to the Directive, we read that its purpose is, through the protection of trade secrets, to foster innovation by creating incentives for investment in research and development,⁸ to strengthen the competitiveness of European firms by making the

⁴ European Commission (2012), p. 11, cf. Laddie J in *Ocular Sciences Ltd v. Aspect Vision Care Ltd* [1997] RPC 289: “it is well recognised that breach of confidence actions can be used to oppress and harass competitors and ex-employees” (p. 359). But as Arnold J stated in *Vestergaard Frandsen A/S v. Bestnet Europe Ltd* [2009] EWHC 657 (Ch): “It does not follow that all such claims are unfounded and harassing claims”.

⁵ Kolasa (2018), p. 367.

⁶ *Vestergaard Frandsen A/S (now called MVF 3 ApS) v. Bestnet Europe Limited* [2013] UKSC 31, para. 44. Other decisions in the matter are *Vestergaard Frandsen A/S v. Bestnet Europe Ltd* [2009] EWHC 657 (Ch); *Vestergaard Frandsen A/S v. Bestnet Europe Ltd* [2009] EWHC 1456 (Ch); and *Vestergaard Frandsen A/S (now called MVF3 APS) v. Bestnet Europe Ltd* [2011] EWHC 477 (Ch).

⁷ *Wojtunik v. Poland* [J] 2006, No. 64212/01 para. 42.

⁸ Cf. recitals 1 and 4. In the public consultation launched by the European Commission prior to draft directive COM (2013) 813 final, 68% of companies and 78% of business associations responding to the consultation stated that EU legislation would lead to more investment in R&D and innovation in Europe, while this view was shared by 42% of the research entities responding; European Commission (2012), p. 10.

⁹ Recitals 2 and 9.

¹⁰ Recitals 6 and 9.

protection of trade secrets less costly,⁹ to remove obstacles for the functioning of the internal market,¹⁰ and, by harmonising protection across the EU, to lower the barriers for cross-border collaborative research and co-operation on production.¹¹ At the same time, the preamble is very clear that the protection of trade secrets has to be balanced against the need to secure the freedom of establishment and the free movement and mobility of workers.¹²

The Directive has clarified and harmonised many controversial issues. In many trade secret cases the main problem is one of fact. It is difficult to prove what information an alleged infringer has actually used in their competing business. This may be a major problem in many “ex-employee” cases as well. However, such cases can be difficult to solve even when it is absolutely clear what kind of information the former employee has used or passed on to a new employer, and absolutely clear how they have used it. Even if the facts are clear, it can be difficult to solve the *legal problem* of whether the ex-employee’s actions have been unlawful or not. Gradually, some principles for solving these cases have evolved from the practice of national courts. The provisions of the Directive that are relevant to such cases are, like the former national provisions, quite vague, and, in my opinion, rightly so. A prevailing view among legal scholars seems to be that this gives national courts considerable freedom to decide these disputes in much the same way as they have already decided them, and this ensures some legal certainty.¹³ The key to this argument seems to be Art. 4(3) of the Directive, which reads:

The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

- (a) Having acquired the trade secret unlawfully;
- (b) Being in breach of a confidentiality agreement or any other duty not to disclose the trade secret;
- (c) Being in breach of a contractual or any other duty to limit the use of the trade secret.

It follows from this provision that if the previous employee *obtained* the trade secret in question in a lawful way as part of their former job, their subsequent *use* of the trade secret in a new job is unlawful if they were bound by a contract or by “any other duty” to not disclose the trade secret or to limit its use. The point is that the Directive does not state when such “other duty” exists. So, the argument goes, it is up to *national law* to decide to what extent there is an “implied duty for ex-employees not to use trade secrets loyally learned in the previous employment”.¹⁴

¹¹ Recitals 3 and 8. In the public consultation, 78% of companies and 88% of business associations responded that EU legislation would create better opportunities for “network innovation”. This view was shared by 47% of the research entities responding; European Commission (2012), p. 10.

¹² Recitals 3, 13, 21 and 34.

¹³ Domeij (2020), p. 163.

¹⁴ Domeij (2020), *ibid.*, cf. Kolasa (2018), p. 156 and Harte-Bavendamm et al. (2020), p. 162 and pp. 277–278.

Studies of case-law from Germany and the UK, as well as from Scandinavian countries that are particularly well known to this author, show that the courts often establish such an implied duty of confidence only on a case-by-case basis, and provided that a weighing-up of interests favours the employer.¹⁵ Since the Directive does not specify the contents of such “other duty”, this court practice should still be relevant for the understanding of substantive law on trade secrets in Europe.

Two examples may be illustrative: Let us assume in *example 1* that employees of a company producing technologically advanced components for the offshore industry resign and start a competing business. Before they leave, they copy the complete specifications of their employer’s best-selling product. They then use these specifications to develop a competing product with some improvements and offer the new product to the market much more cheaply than their former employer’s product. Most commentators will probably agree that such behaviour clearly violates the implied duty of confidence, and this has ample support in case-law. Let us then, in *example 2*, assume that the former employees *had not* taken any specifications with them. When developing the competing product, they only used the knowledge they had in their head. Let us, furthermore, assume that the product they develop is quite different from the former employer’s product, and that some of the differences are caused by the use of a technology that the ex-employees once *suggested* to the previous employer, who had turned it down. Other differences come from tests and calculations the ex-employees made after they had left the previous employer. Have the ex-employees still violated the implied duty of confidence by starting their new business and production? This is not clear, as we shall see.

We may then ask: What if *the employment contract* between the parties, or another agreement between them, contains an *explicit duty* not to use or disclose trade secrets, or other information, learned during the employment, and states that this duty also applies after the employment is terminated? Such agreements are quite common, and often entered into without much discussion between employer and employee. How will the use of such clauses impact a court’s assessment of cases such as examples 1 and 2? The main aim of this article is to investigate this. If there are major differences between courts from different jurisdictions in the significance that they attribute to such clauses, and the Directive does not prevent such differences, then there is no harmonisation on a point of great importance to employers and employees all over Europe.

Before we can discuss how courts should assess these contracts or contract clauses after implementation of the Directive, we have to go into more detail on the background norms of trade secret protection as they relate to departing employees. The article will thus be structured in the following way: Section 2 will illustrate how the threshold for information to qualify as a “trade secret” has been *low* in the national court practice investigated and will argue that a low threshold is in line with the Directive. This means that an employment contract that prohibits an employee from using an employer’s “trade secrets” after the termination of employment could

¹⁵ Harte-Bavendamm et al. (2020), p.113 and pp. 160–162; Kolasa (2018), pp. 94–140 and pp. 153–165; Irgens-Jensen (2010), pp. 137–142 and pp. 249–346.

cover a broad spectrum of knowledge that the employee has in their head. Section 3 then briefly describes how courts have solved cases where the parties have not agreed anything specific about how the employer's trade secrets should be handled after the end of employment. It will be shown that courts have often protected the interest that employees have in being able to become a competitor to a former employer by *weighing the interests* of the former employer and employee against each other in the case concerned before concluding whether the employee has breached any implied duty of confidence. As already mentioned, the Directive makes it possible for courts to continue this practice. Section 4 discusses how courts should assess cases where the employee has explicitly agreed not to use the employer's trade secrets or other information post-employment. The wording of Art. 4(3) of the Directive could give the impression that, if this is the case, there is no room for a weighing of interests: as long as the former employee has used information that meets the low requirements for a "trade secret", and as long as they signed an agreement stating that they should not use "trade secrets", every use is a violation of trade secret law. However, courts have tools in national contract law to *interpret, supplement* or *set aside* agreements in a way that maintains the weighing of interests. In addition to looking at general agreements that prohibit the employee from using the employer's "trade secrets" after the termination of employment (Section 4.2), we will look at agreements that, according to their wording, protect more than "trade secrets", for example, "any business-related information" (Section 4.3). In addition to discussing the relatively well-known German and English cases, this article builds on case-law from other European jurisdictions, in particular from Scandinavian countries.¹⁶ I have found many common traits in the decisions of courts of different countries. I also point out diverging decisions insofar as I am aware of them. Of course, I cannot exclude that some relevant decisions may have escaped my attention, and there are many important jurisdictions that I have not investigated. However, I believe that the court practice that I have analysed is sufficiently broad to at least provide courts that are to decide on these cases in future with relevant legal arguments. Even though the UK has left the EU, I have included UK decisions in the analysis. The UK remains a very important economic actor even in the post-Brexit era, and UK case-law on "breach of confidence" is one of the richest bodies of case-law on trade secret protection in Europe. The Directive was implemented in the UK (after the Brexit referendum) as a body of law (Trade Secrets (Enforcement, etc.) Regulation 2018 No. 597) separate from the traditional law on "breach of confidence". Until Parliament should decide otherwise (and I see no sign of this happening), both bodies of law remain in force in the UK¹⁷ (such co-existence between Directive-implemented legislation and the traditional law on confidential information also seems to be the case in Ireland).¹⁸ However, since the Directive (cf. the discussion of Art. 4(3) above) largely leaves it up to national

¹⁶ Norway is not a Member State of the EU but is part of the internal market by virtue of the Agreement on the European Economic Area of 1992. By the Act on the Protection of Trade Secrets (Law No. 15 2020), Norway has implemented the Directive along with other directives concerning the functioning of the internal market.

¹⁷ *Trailfinders Ltd v. Travel Counsellors Ltd* [2020] EWHC 591 (IPEC).

¹⁸ Bolger (2019) p. 197.

courts to decide when a person has breached a “contractual or any other duty to limit the use of the trade secret”, the case-law on breach of confidence may be a source of inspiration also for courts deciding cases under the Directive.¹⁹ Even though the contractual and equitable duties of good faith and loyalty that underpin the law on confidential information²⁰ is in some respects different from the unfair competition laws that have formed the basis of trade secret protection in many other European countries, both sets of law establish a framework for the same balancing of interests in “departing employee” cases and will often lead to the same results in concrete cases.²¹

2 Definition of “Trade Secret”

A simple safety measure for employers who want to protect valuable information is to include a clause in employment contracts that explicitly prohibits employees from disclosing or using the employer’s “trade secrets”, both during employment and after its termination. Provided that the contract can be enforced according to its wording, the employees will then be under a “contractual duty” not to use or disclose trade secrets after their employment has terminated. According to Art. 4(3) of the Directive, such use or disclosure is deemed to be a violation of trade secret law. However, the scope of protection of such clauses will depend on how a “trade secret” is to be understood. National courts have, under trade secret law, protected information of very different natures, both technical (production methods, product compositions, software source code, etc.) and economic or administrative (customer lists, ways to organise a business, customer lists, marketing plans, etc.). This is in line with the definition given in the Directive.²² According to Art. 2.1, a “trade secret” means information that meets all of the following requirements:

¹⁹ The UK Trade Secrets (Enforcement, etc.) Regulation 2018 No. 597 Art. 3(1) explicitly refers to breach of confidence. In *Trailfinders* (cf. *supra* note 17), Hacon J stated that “[i]t is therefore to be assumed that the substantive principles governing the protection of confidential information under English law, including that afforded by terms implied into contracts of employment and by equitable obligations of confidence, are unaffected by the Directive. However, the Directive shines an occasional light on those principles” at [9]. Malone (2021), pp. 759–764 highlights some important differences between the Directive and traditional law on confidential information in the UK, which we will discuss in Section 2 below.

²⁰ Cf. Gurry (2012), pp. 441–472; and pp. 539–560; Kolasa (2018), pp. 121–140.

²¹ For example, the statement in *Trailfinders* (cf. *supra* note 17) that, while a former employee might not breach their obligations vis-à-vis their previous employer when using some of the confidential information they remember from the previous job, employees will “remain liable for their acts in breach done during the employment, such as copying down customer information or deliberately memorising it for use or disclosure afterwards”, has a clear parallel in statements in classic German cases BGH GRUR 1983, 179 *Stapel-Automat* (pp. 180–181) and BGH GRUR 1963, 367 *Industrieböden* (pp. 368–369).

²² Ref. recital 14. Also scientific information with some commercial potential developed at a research institution may qualify as a “trade secret” under the Directive. The protection of *personal* information, relating to the *privacy* of individuals, however, should not be regarded as regulated by the Directive, but by other legal instruments, see Sousa e Silva (2014), p. 11, and Kolasa (2018), pp. 68–69.

- (a) It 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) It has commercial value because it is secret;
- (c) It has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret

This is almost identical to the definition of “undisclosed information” in Art. 39 of the TRIPS Agreement, to which all EEA states are signatories. If the criteria have been applied in national jurisdictions, the bar that courts have set for satisfying them generally seems to have been fairly low. It should be noted here that, in relation to UK law, the correct parallel is the broader term “confidential information”, and not “trade secrets”, which has been used narrowly in cases involving departing employees to mean information having a high degree of confidentiality.²³ I will briefly revert to this distinction in Section 3 below.

The first requirement of the Directive is that the alleged trade secret must not be “generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question”. English law possibly provides the clearest example on how to understand such a “not easily accessible” requirement by the so-called “*springboard doctrine*”. This originates from the case *Terrapin v. Builder’s Supply Co.* A company’s former business partner who had started to produce competing products – prefabricated portable buildings – based on detailed information that it had received from the claimant company during the co-operation, argued that the information was not sufficiently “confidential” to enjoy protection. The claimant had already brought the buildings onto the market and issued some brochures about them. However, judge Roxburgh stated:

[a] person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential communication, and spring-board it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public. [...] [i]t is broadly true to say that a member of the public to whom the confidential information had not been imparted would still have to prepare plans and specifications. He would probably have to construct a prototype, and he would certainly have to conduct tests. Therefore, the possessor of the confidential information still had a long start over any member of the public.²⁴

The decision can be seen as expressing the principle that information may be protected under the law of confidential information as long as the person who possesses it gets some advantages, a “springboard” – typically relating to how to make a certain product – compared with other players on the market. This is particularly relevant when the information in question combines several elements,

²³ *Trailfinders Ltd v. Travel Counsellors Ltd* [2020] EWHC 591 (IPEC) at [14].

²⁴ *Terrapin Ltd v. Builders’ Supply Co (Hayes) Ltd* [1967] RPC 375, pp. 391–392.

each of which can easily be found in the public domain but the combination of which cannot. The company that possesses the combination gains an advantage over those who have to make the combination before they can start production.²⁵

This “springboard” doctrine has been held as a typical trait of the protection of confidential information under English law. However, even though courts of Civil Law countries have not, to my knowledge, referred to the doctrine explicitly, we find similar ways of reasoning in a number of court cases from the European continent. A German Federal Supreme Court case dating as far back as 1936 (*Albertus Stehfix*, GRUR 1936 p. 573) is a good example. A plant that produced kernel oil for foundries sued two former employees who had started preparing a competing business while still employed at the plant. It argued that, while still employed, the pair had learned the plant’s production method with the aim of using it in the new competing business. Discussing whether the production method was a trade secret (“*Betriebsgeheimnis*”), the Court stated:

Courts have assumed that one can find a trade secret in the collection of experience and its expression in tables, in particular also in construction data [...] even when the data may be obtained relatively easily by measuring the finished goods. The advantage for a business that controls such data lies not least in that *the goal can be reached far more easily, and probably also more reliably*, with these tools than by carrying out measurements oneself. ... [In this matter] the findings of the Court of Appeal do not deny that the composition [of the oil], the methods of its production and the implications the composition had for the oil’s use [...] could have been obtained by studying the finished goods, but not *without greater difficulty or sacrifice* (“*ohne größere Schwierigkeiten und Opfer*”).²⁶

Even though the German Federal Supreme Court did not use the word “springboard”, its reasoning is, in my view, very similar to that doctrine. Right up until the adoption of the new legislation implementing the Directive, German law seems to have regarded the “(not) readily accessible” (“*leichte Zugänglichkeit*”) criterion of a trade secret to be satisfied as long as the information in question cannot be obtained by third parties “without great difficulty or sacrifice” or “great

²⁵ A recent example is provided by *Salt Ship Design AS v. Prysmian Powerlink SRL* [2021] EWHC 2633 (Comm).

²⁶ *Ibid.* p. 576 (emphasis added, my translation). See also GRUR 2008, 727 *Schweißmodulgenerator*.

²⁷ Köhler et al (2019), p. 1729, cf. BGH GRUR 2012, 1048 *Movicol* (the alleged misuse of trade secrets was the copying of a request for marketing authorisation that contained a selection of scientific articles) and the German Federal Supreme Court’s decision of 22 March 2018 ZR 118/16. In the latter case, the Court stated that “the use of construction drawings containing the measurements and arrangements of the technical parts of a machine will generally save on having to do one’s own construction work to a significant degree” (“Insbesondere die [...] Nutzung von Konstruktionsplänen, in denen Maße und Anordnungen technischer Bauteile einer Maschine verkörpert sind, wird regelmäßig in erheblichem Umfang eigene Konstruktionsarbeit ersparen”). In NJW 2009, 1420 *Versicherungsvertreter*, the German Federal Supreme Court used the expression “data [...] that can be put together at any time from publicly available sources without great effort” (“Angaben [...], die jederzeit ohne großen Aufwand aus allgemein zugänglichen Quellen erstellt werden können”). An interesting discussion by the German Federal Labour Court (“*Bundesarbeitsgericht*” – BAG) of whether a chemical formula satisfied the criterion can be found in NJW 1983, 134 (BAG) *Thrombosol*.

use of time and expenses”.²⁷ Construction drawings that would save a manufacturer approximately 100 hours of engineering work have been found by the German Federal Supreme Court to satisfy the criterion.²⁸

A similar low threshold has been mentioned by the Norwegian Supreme Court. A case published in *Norsk Retstidende (Rt.)* 2007 p. 1841 (“SAS/Braathens”) stated: “In circumstances as in the present case, it will suffice to meet this criterion that the information has made it possible to obtain results that would otherwise have required more time or more resources”.²⁹

Case-law from Finland, Sweden and Denmark, which has protected, for example, relatively uncomplicated technical drawings and collections of business information gathered from various public sources, also indicates a low threshold for the “not readily accessible” requirement.³⁰ French courts seem to indicate that information may be protected under the “*concurrence déloyale*” doctrine based on Art. 1382 of the former French Civil Code (now Art. 1240) if it is the result of “intellectual work and one’s own investment” (“*informations resultants d’un travail intellectuel et d’un investissement propre*”).³¹

Should the Directive’s definition of “trade secrets”, and contracts protecting such secrets, be understood as setting such a low threshold for fulfilling the criterion of “not generally known [...] or readily accessible” as these court cases express? In my opinion, yes.³² Firstly, this is compatible with the Directive’s wording.³³ Secondly, the “springboard” assessment provides a guideline that makes it relatively easy to decide whether the “readily accessible” requirement is satisfied in an actual case. Thirdly, the above-mentioned cases, and a number of other cases, show that there is a *need* to protect businesses against the unfair competition demonstrated in these cases, and it would secure more legal certainty across Europe if courts could use harmonised trade secret legislation to handle these cases rather than non-harmonised rules such as the general clauses on unfair competition in Germany and most of the Nordic countries, or the traditional law on “breach of confidence” in the UK and Ireland.³⁴

Some of the cases mentioned above were between businesses rather than between an employer and former employee. However, the Directive gives no indication whether the requirements of Art. 2(1) (a) should vary depending on whether the

²⁸ BGH GRUR 1964, 31 *Petromax II* (p. 33).

²⁹ Rt. 2007 p. 1841 para. 25.

³⁰ Nordiskt Immateriellt Rättsskydd 1986 p. 130, Fahlbeck (2019), p. 418, Schovsbo and Bruun (2019), pp. 93–97.

³¹ Cour de Cassation 24 September 2013, 12-22.413.

³² Along the same lines, Köhler et al. (2019), p. 1716.

³³ The Danish (“*umiddelbart tilgængelige*”) and German (“*ohne weiteres zugänglich*”) versions of the Directive in particular indicate a low threshold.

³⁴ German Law against Restraints of Competition (“*Gesetz gegen Wettbewerbsbeschränkungen*”), Sec. 3 (Germany); Markedsføringsloven Sec. 3 (Denmark); Lag om otillbörligt förfarande i näringsverksamhet 22.12.1978/1061 Sec. 1 (Finland); Markedsføringsloven (2009 No. 2) Sec. 25 (Norway). In *Salt Ship Design AS v. Prysmian Powerlink SRL* [2021] EWHC 2633 (Comm), Jacobs J concluded that the information in question, which he found to be confidential under the law of confidence, also met the requirements of the Directive and the Trade Secrets (Enforcement, etc.) Regulation.

relationship is between businesses or between an employer and an employee. Although recital 14 of the Directive has a special provision stating that “[t]he definition of trade secret excludes trivial information and the experience and skills gained by employees in the normal course of their employment”, this does not relate to the “not readily accessible” requirement. The said provision of recital 14 will be discussed below, but, to sum up, much of the information that an employee will take with them from a former employer will not be “generally known [...] or readily accessible”. There must be other safeguards in place in the law to make it possible for them to find relevant alternative jobs than setting a high threshold for the employer’s information to meet the above-mentioned requirement.

The requirement of *commercial value* (cf. the Directive’s definition of ‘trade secret’ in Art. 2(1)(b)) could also be found in national laws predating the Directive, but courts seem seldom to have discussed whether an alleged trade secret met the requirement or not.³⁵ This is not surprising, as parties will seldom litigate over subject matter with no value. The general view seems to be that the threshold here is also *low*. It suffices that it “may negatively affect” the lawful holder of the alleged trade secret if third parties, especially competitors, obtain knowledge of the information.³⁶ This is in line with the Directive’s recital 14, which states that the commercial value may be “actual or potential [...] for example, where its unlawful acquisition, use or disclosure is likely to harm the interests of the person lawfully controlling it, in that it undermines that person’s scientific and technical potential, business or financial interests, strategic positions or ability to compete”. According to the same recital, “trivial information” is excluded.

The requirement of *reasonable steps* to keep information secret (Art. 2(1)(c) of the Directive) seems, if one looks at the wording of various definitions of trade secrets in the national laws prior to the Directive, to have been less common in national jurisdictions. As mentioned, it is expressed in the TRIPS Agreement. It was also stated in the preparatory works of the Norwegian Marketing Control Act, which contained provisions on the protection of trade secrets, and, with a slightly different wording, in Sec. 1 of the former Swedish Act on Trade Secrets. Such a requirement has also been applied by Danish courts.³⁷ In German law, the requirement was rather that the owner of the trade secret should have the *intention* of maintaining secrecy, and that this intention should at least be “*erkennbar*” (visible, recognisable).³⁸ This does not seem too remote from the UK law of confidence, where taking reasonable protective steps is not a general requirement for protection, but “the law imposes a ‘duty of confidence’ whenever a person receives information he knows or ought to know is fairly and reasonably to be regarded as confidential”.³⁹ A closer look at the laws that *contained* a requirement of protective steps reveals that it was often interpreted so broadly that it actually came close to the old German

³⁵ Swedish law might represent an exception, see Fahlbeck (2019), pp. 443–449.

³⁶ BGH GRUR 2006, 1044 *Kundendatenprogramm*, cf. Irgens-Jensen (2010), p. 235.

³⁷ See, for example, SHD 2006.V48/00 (Maritime and Commercial Court), cf. Riis and Schovsbo (2019), p. 107.

³⁸ Köhler et al. (2019), pp. 1717 and 1730; Kolasa (2018), pp. 48–50.

³⁹ *Campbell v. Mirror Group Newspapers Ltd* [2004] I AC 457 at [14], quoted in Malone (2021), p. 762.

requirement and UK court practice. In the Norwegian case already mentioned in *Norsk Retstidende* 2007 p. 1841, the Norwegian Supreme Court stated, for instance: “*Either* it must be expressly marked that secrecy is required, *or* it must be *implicit in the situation* that this is required” (emphasis added). In the Swedish preparatory acts, it was stated that “[t]he business owner’s *intentions* [of secrecy] will often be fully clear without any protective measures being required. It may be clear for employees from the aim of the business and its type that certain information is secret” (emphasis added).⁴⁰

How is the requirement to be understood in the Directive? In the preamble, recital 23 refers to trade secret holders’ “duty of care”, and recital 14 states that in order for certain information or know-how to be protected, there should be “both a legitimate interest in keeping them confidential and a legitimate expectation that such confidentiality will be preserved”. At least the last point fits well with the previous requirement of a recognisable intention of maintaining secrecy.

German, Swedish and Norwegian legislators nevertheless seem to believe the Directive makes it necessary to require protective measures *to a greater extent* than previously. The proposed bill from the Swedish government directly states that “it should not suffice that other persons, for example employees or business partners, understand or assume that the holder intends to keep the information secret”.⁴¹ However, the bill is unclear on how strict the requirement should actually be. It states that “if the holder has an evident reason to keep the information secret [...] the requirement should be set low”⁴² and the new rule probably would not represent a remarkable change in the legal situation “on the practical level”.⁴³ In the German bill it was explained that the new requirement of reasonable protective steps is an

[...] objective requirement, for which the holder carries the burden of proof. What kind of protective steps are required depends on the type of trade secret in detail and the actual circumstances related to its use. It is not necessary to mark every piece of information that is to be kept secret: one may basically choose measures for certain categories of information (i.e. technical access restrictions) or give general internal guidelines and instructions, for instance in employment contracts. When assessing whether protective steps have been sufficient, the following could be taken into consideration: the value of the trade secret and the costs of its development, the nature of the information, its importance for the business, the business’s size, other protective steps taken in

⁴⁰ Proposition 1987/88: 155 med förslag til lag om företagshemligheter p. 36.

⁴¹ Prop. 2017/118 200 p. 139. Fahlbeck criticises the statement for having no support in either the Directive or foreign court practice, and for going against the Directive’s purpose. He claims that it should be “totally ignored” Fahlbeck (2019), pp. Mandy. 432–433 *infra* note 130.

⁴² *Ibid.* p. 139.

⁴³ *Ibid.* p. 31.

⁴⁴ Gesetzentwurf der Bundesregierung, Entwurf eines Gesetzes zur Umsetzung der Richtlinie (EU) 2016/943 zum Schutz von Geschäftsgeheimnissen vor rechtswidrigem Erwerb sowie rechtswidriger Nutzung und Offenlegung [Draft Law of the German Federal Government, Draft Law on the Implementation of Directive (EU) 2016/943 on the Protection of Trade Secrets against Unlawful Acquisition and Unlawful Use and Disclosure], p. 22.

the business, how the information has been characterised and how it has been handled in agreements with employees and business partners.⁴⁴

In the Norwegian preparatory works, it is stated that the Directive requires “that the holder has taken steps that substantiate the holder’s expectation of secrecy [...] it cannot be required that the steps will ensure secrecy in all circumstances, but that protective steps are taken to a reasonable extent”.⁴⁵ The preparatory works to the Finnish Act also support a low threshold: “The requirement implies that the holder shall *try* to keep the information secret, and that those dealing with the information understand that it is secret.”⁴⁶ In its decision of 26 July 2018 (No. 2018-768) the French Constitutional Court emphasised that what was “reasonable” depended on the means available to the enterprise in question, that is to say requirements for smaller enterprises were less strict.⁴⁷

Some European scholars have emphasised the Directive’s reference to a “duty of care” and argued that this means that a “recognisable intention of maintaining secrecy” is not sufficient for protection, that the measures expressing such intention must correspond to what a “*bonus pater familias*” would have regarded as sufficient protection measures,⁴⁸ that the business has “handled normal risks”,⁴⁹ and that protective steps should be “proportionate to the value of the secrets”.⁵⁰ As this suggests that information of great value will be protected only if it has been subject to expensive protective steps, it runs counter to the Directive’s aim of reducing the cost of trade secret protection.⁵¹ Another European scholar has claimed that the requirement “contributes to providing trade secret protection only where it is efficient, in other words where the costs made suggest that the information is put to efficient use by the holder”. This is, to my mind, close to the old requirement that there be a recognisable intention of maintaining secrecy, and I do not think that the wording of the Directive requires any more than this.⁵² In any case, the requirement of “reasonable protective steps” should not be so strict that any slip made by the business that could potentially make the secret available to others (similar to “available to the public” in patent law) would deprive the information of protection under the Directive, and render ineffective an agreement obliging the employee not to make use of the employer’s “trade secrets” after termination of their employment. If that were the case, parties who had disloyally taken away secret documents from an employer – as in case 1 in the examples in the introduction to this article – could possibly avoid liability by pointing at some flaw in the

⁴⁵ Prop. 5 LS (2019–2020) p. 26.

⁴⁶ RP 49/2018 *Regeringens proposition till riksdagen med förslag till lag om företagshemligheter och till vissa lagar som har samband med den* p. 84 (emphasis added).

⁴⁷ Para. 15.

⁴⁸ Wiker (2020), p. 18.

⁴⁹ Domeij (2019), p. 187.

⁵⁰ *Ibid.*

⁵¹ Recital 9.

⁵² In the same direction, Fahlbeck (2019), pp. 434–443.

⁵³ Cf. Malone (2021), p. 763.

principal's protective measures.⁵³ In legal proceedings, their lawyers would, to see if there were any such security flaws to invoke, require the principal to disclose all measures and confidentiality clauses in the business. Litigation costs would rise, and the legal protection of confidential information would be less effective than it was before the Directive, particularly for small and medium-sized enterprises. This would also be contrary to the Directive's purpose.⁵⁴ In other words, setting a high threshold for the requirement of "protective steps" to be fulfilled would not be a suitable way of safeguarding the interests of departing employees.

An illustrative case is the Austrian Supreme Court case of 25 October 2016 (4 Ob 165/16t). The parties were competitors, both selling ticket systems for ski resorts. An employee of the defendant had exploited a security flaw in the IT system of the claimant and obtained access to some of the claimant's customer data. The defendant then contacted the director of one of the major customers and, in an attempt to make the customer terminate its customer relationship with the claimant, told him that the claimant had made the customer's "data freely available on the internet". When sued for trade secret infringement, the defendant argued that there was no infringement as there was no trade secret. The defendant argued that, owing to the "security hole", the claimant had not put "reasonable protective steps" in place. The Austrian Supreme Court rejected the argument. The customer data were password-protected and the claimant had a "recognisable intention of maintaining secrecy", as required under the Austrian Act on Unfair Competition (Sec. 11). The Court did not find it necessary to decide on whether the information in question met the criteria of a "trade secret" under the Directive, as the deadline for implementing the Directive had not yet lapsed. Besides, the Court took the view that the Directive did not preclude Member States from giving trade secrets broader protection than that established by the Directive, as long as the protection did not "violate particular provisions of the Directive". I agree that the defendant's acts in this case should be deemed illegal, for example under unfair competition, tort or unjust enrichment law, should the customer data not be recognised as a trade secret under the Directive. Competition should clearly not be conducted as it was by the defendant. But, from a harmonisation point of view, it would be preferable for such conduct to fall under the prohibitions of the Directive and not under unharmonised rules.

Another set of cases that should come under these branches of law if trade secret law is unavailable typically have the following scenario: A company's suppliers, business partners or counterparts in negotiations use some technical drawings received in confidence from the other party to make a very similar, competing product. The drawings are not very advanced, and experienced engineers would probably be able to come up with something similar if they invested some time and resources. The drawings are often not very well protected. Courts have nevertheless clamped down on the misuse of such drawings a number of times,⁵⁵ and should

⁵⁴ Maaßen (2019), p. 352 mentions a number of security precautions that a business would be well advised to follow if it wants to protect its trade secrets over time. I believe, however, that it would be excessive if failure to comply with these measures meant that a business lost legal protection for this information.

⁵⁵ NJA 1998 p. 633 (JAHAB); NIR 1986 p. 130; Rt. 1940 p. 48; Rt. 1959 p. 712, BGH GRUR 1958, 297 *Petromax I*; and BGH GRUR 1964, 31 *Petromax II*.

continue to do so in the future. If the drawings were to be denied trade secret protection due to a lack of protective measures, use of the drawings could probably still be deemed a violation of the rules of unfair competition, for example Sec. 3 of the German Law against Unfair Competition (“*Gesetz gegen den unlauteren Wettbewerb*” – UWG) or Sec. 25 of the Norwegian Marketing Control Act. Recital 17 of the Directive’s preamble makes it clear that retaining such legislation is not against EU law. But again, from a harmonisation point of view, it would be preferable to keep the cases within the trade secret protection framework. This also calls for not being very strict on the requirement for protective steps.

3 Weighing of Interests

When “trade secret” is understood as broadly as indicated above, employees may fear that much of the useful knowledge they learned during their employment is covered by their employer’s “trade secrets”, which they cannot use in any way in a new job without the former employer’s consent. This could hinder the mobility of workers that the Directive aims at safeguarding (see the discussion in Section 1 above).

As mentioned in the introduction, courts in various jurisdictions have, despite adhering to the above-mentioned broad protection of trade secrets, found ways to safeguard the interests of employees who wish to change jobs. *One approach*, which clearly has support in the Directive, is to carve out “skills gained by employees in the normal course of their employment”, ref. recital 14, from the notion of a trade secret, even when they meet the three criteria in the definition in Art. 2. The approach of UK courts after *Faccenda Chicken*,⁵⁶ where a former employee’s implied obligation of confidence is deemed to extend only to confidential information of a certain nature (information that can “properly be classed as a trade secret” or information of “a highly confidential nature”) is arguably in line with this. But it can be difficult to assess whether a piece of information falls within the protected category. The Court of Appeal has stated that it is necessary to consider “all the circumstances of the case” in order to reach a decision.⁵⁷ This is not too remote from *the other approach* adopted by courts of some other jurisdictions to solve such cases,⁵⁸ under which it should not be decisive for the question of infringement whether the information that the employees have taken

⁵⁶ *Faccenda Chicken Ltd v. Fowler* [1987] Ch. 117; Kolasa (2018), pp. 126–134; Gurry (2012), pp. 548–560. The latter points out that, while English courts after *Faccenda Chicken* tend to differentiate between “trade secrets or their equivalent”, which are protected by an implied duty of confidence, and “mere confidential information”, which is not, Australian and Canadian courts seem to distinguish between protected “confidential information” and unprotected “skill and knowledge”. French law prior to the Directive also seems to have differentiated between “*le fruit de l’expérience*”, which a person is free to exploit after their employment has ended, and “*savoir-faire*”, which belongs to the employer; Tourneau (1998), pp. 165–166. See also Cour de Cassation 27 May 2015, 14-50.042 and 24 September 2013, 12-22.413.

⁵⁷ *Faccenda Chicken Ltd v. Fowler* [1987] 1 Ch. 117, p. 126.

⁵⁸ That the two approaches are converging is also underlined by Kolasa (2018), pp. 158–160 and Domeij (2020), p. 166.

with them falls into the category of “trade secrets” or “skills and knowledge”, as this distinction is almost impossible to draw. Instead, one openly admits that a *concrete weighing of interests* decides. Generally, this is on condition that the departed employees are only making use of information from the former employer that they had *in their head*, and not, for instance, physical documents or electronic files.⁵⁹

This was the solution under Sec. 7 of the old Swedish Act on Trade Secrets: “If the act was committed after the employment was terminated, [the employee is liable] on special grounds”. That ex-employees who only used information from the former employer that they had in their head could be held liable only after weighing up opposing interests was also the German Federal Supreme Court’s understanding of the relevant provision of the German Act against Unfair Competition.⁶⁰ The new Swedish Act has maintained the old rule in its new Sec. 7, and also in Germany the prevailing view seems to be that Sec. 4 of the new Act on the Protection of Trade Secrets (“*Geschäftsgeheimnisgesetz*”) establishes the same rule on employees’ possibilities for exploiting knowledge from their former employer, as under the old legal regime.⁶¹

At the same time, Sec. 3 of the new Norwegian Act on the Protection of Trade Secrets makes it clear that it only forbids the “unlawful” (“*urettmessig*”) use of trade secrets; according to the *travaux préparatoires*, this means that a former employee can be held liable for misuse of their former employer’s trade secrets only after a “concrete assessment of the circumstances surrounding the [employee’s]

⁵⁹ Federal Supreme Court 22 March 2018, ZR 118/16 and 26 February 2009, ZR 28/06 (Germany), Cour de Cassation 27 May 2015, 14-50.042 (France), AD 2013 No. 24, *cf.* Domeij (2020), p. 161 (Sweden).

⁶⁰ The way Sec. 17 of the German Law against Restraints of Competition on the protection of trade secrets was worded did not cover former employees who used information they had lawfully acquired during their employment in a new business, even if this information fell under the definition of a “trade secret” (“*Geschäfts- und Betriebsgeheimnis*”). However, the Federal Supreme Court has ruled that such use can be held contrary to the “general clause” against “unfair competition” (German Law against Restraints of Competition, Sec. 3) if the weighing of the parties’ interests so justifies. The German Federal Labour Court, on the other hand, has held that the ex-employee must not use the former employer’s trade secret after their employment has ended, but has tried to preserve the legitimate interests of the employee with “approach No. 1” mentioned above, that is to say keeping “*Erfahrungswissen*” outside the scope of trade secret protection. *See*, for instance, NZA 1994, 502 *Titanoxid*, *ref.* Harte-Bavendamm et al. (2020), pp. 160–162 and pp. 278–279 and Kolasa (2018), pp. 94–113. In NJW 1983, 134 *Thrombosol*, the German Federal Labour Court stated that the case should be decided on the basis of an “overall assessment” (“*Gesamtbeurteilung*”).

⁶¹ Harte-Bavendamm et al. (2020), pp. 160–163 and pp. 278–280.

⁶² Prop. 5 LS (2019–2020) p. 30 *cf.* p. 54.

⁶³ *Cf.* Irgens-Jensen (2010), pp. 69–73. Recent case-law from the courts include that of the Norwegian Supreme Court of 25 June 2019, HR-2019-1218-A; Frostating Court of Appeal 12 March 2021, LF-2020-92904; Borgarting Court of Appeal 11 February 2021, LB-2019-148851-2; 20 December 2017, LB-2016-99968; and 8 April 2014, LB-2013-20938; Gulating Court of Appeal 15 May 2015, LG-2013-162132; Oslo City Court 21 March 2012, TOSLO-2011-113128; and Oslo City Court 14 May 2010, 09-067562TVI-OTIR.

acts”.⁶² That a weighing of interests has to be carried out has ample support in Norwegian case-law,⁶³ although there may have been a tendency in recent years to let the outcome be in the former employer’s favour, at least when it comes to the use of technical information.⁶⁴ We find tendencies to weigh up interests also in Danish⁶⁵ and French⁶⁶ case-law prior to the Directive.

What factors have been relevant in this exercise of weighing up interests? An important factor in many cases seems to have been the value of the information or the potential harm of the alleged unlawful use.⁶⁷ This is in line with the policy considerations of the Directive, as outlined in Section 1 above. If the purpose is to foster innovation, it is more important to protect the production methods of a new product than the names of a business’s customers. So if an ex-employee leaves with secret information about a technically complicated product that has generated significant profit for the former employer, and uses this information to start to produce, in direct competition with the former employer, a product with almost identical key technical features, the ex-employee has definitely committed a trade secret infringement. On the other hand, if the alleged trade secret consists only of customer names and contact details, courts in all jurisdictions seem to hold that the ex-employee should be able to make use of this if they have not entered into a non-compete or non-solicit clause, and not taken with them tangible or digital copies of the customer list.⁶⁸ The interests of the ex-employee and society’s interest in labour mobility outweighs the former employer’s interests in preventing the ex-employee from using the information. If the alleged trade secrets concern other matters, it may count in the ex-employee’s favour if they or their new employer are not using the information in direct competition with the former employer (and thus causing less harm, which gives less weight to the interests of the former employer in preventing use), if there are considerable differences between their products and those of the former employer⁶⁹ (society does not have the same interest in slavish copies), if the ex-employee left because of unfair treatment by the former employer, or if the ex-employee contributed during their former employment to the creation of the trade secrets for the former employer.

⁶⁴ Frostating Court of Appeal 12 March 2021, LF-2020-92904; and Gulating Court of Appeal 15 May 2015, LG-2013-162132.

⁶⁵ U 2006 p. 1209 H and Riis and Schovsbo (2019), pp. 130–132.

⁶⁶ Cour de Cassation 27 May 2015, 14-50.042: “the decision maintains that the company did not use any manufacturing process or specific technique that would belong to the company SOG, and that the fact that the three former employees necessarily use their knowledge of the know-how and customers of company SOG is not sufficient to establish that they have done anything disloyal to make the customers come over to them” (my translation). One example of illegal misuse from a former employee mentioned by Tourneau (1998), p. 166, is the use of information that the ex-employee acquired with the *purpose* of later using it in a competing enterprise. A case illustrating this is Cour d’appel de Montpellier, 2nd Chamber 14 May 2019 No. 15/07646, which concerns the same complex of cases as the *Vestergaard Frandsen* cases in the UK (*cf. supra* note 6).

⁶⁷ Harte-Bavendamm et al. (2020) p. 279; Kolasa (2018), pp. 112–113; and Irgens-Jensen (2010), pp. 258–266. From Norwegian case-law, *see* Rt. 1997 p. 199.

⁶⁸ Irgens-Jensen (2010), pp. 267–268. From French case-law, *see* Cour de Cassation 27 May 2015, 14-50.042.

⁶⁹ Irgens-Jensen (2010), pp. 283–296.

According to Art. 7 of the Directive, courts must consider the proportionality of any measures and remedies they order against the unlawful acquisition, use or disclosure of trade secrets. This assessment of proportionality is further described in recital 21 of the Directive, which clearly points towards a weighing of interests such as carried out by national courts. Certainly, the passage is about the possibility of modifying or dismissing certain *remedies* against unlawful acquisition, use or disclosure of a trade secret, not about a weighing of interests for assessing whether an ex-employee's use of their former employer's trade secret was unlawful at all. However, it has been convincingly argued that also applying a broad "weighing of interests", as some national courts do, when assessing whether the former employee has breached trade secret protection laws at all, is also compatible with the Directive.⁷⁰ I fully agree, and will not repeat the argumentation here, at least in respect of cases where the employee has not signed an agreement in which they undertake not to use any company secrets after termination of their employment. But is there any room for this "weighing of interests" if the employment agreement imposes an *explicit* obligation on the employee not to use the principal's trade secrets after termination of their employment? This is one of the questions we will address in the next section.

4 Contracting Out

4.1 Introduction

A confidentiality clause in the employment contract, or separate confidentiality agreements or policies that aim to bind the employee to confidentiality, may be helpful for employers in several respects. Firstly, if well worded, it might define the information to be protected in a more specific way than the vague, statutory definitions of "trade secret". Secondly, it might increase employees' awareness of the importance of maintaining secrecy, and thus, thirdly, help to substantiate that the employer has taken "reasonable steps under the circumstances" to protect their trade secrets, ref. Art (2)(1)(c) of the Directive.

As already mentioned, Art. 4 (3)(c) of the Directive states that the use of a trade secret is considered unlawful whenever carried out, without the consent of the trade secret holder, "in breach of a contractual [...] duty". This provision could be understood as saying that, if the employment contract's wording explicitly prohibits the employee from using their principal's "trade secrets" after their employment has ended, the courts, which under certain circumstances have applied a broad weighing of interests when they assess the lawfulness of the former employee's use

⁷⁰ Kolasa (2018), pp. 155–156, cf. Domeij (2020), p. 163; Harte-Bavendamm et al. (2020), p. 162 and pp. 277–278; and Knaak et al. (2014), p. 962. The new French legislation implementing the Directive, Law No. 2018-670, 30 July 2018, included in Code de Commerce Titre V, also seems in line with the "weighing of interests" approach. The Act does not exclude a worker's "experience and skills" from the definition of a trade secret but has kept the Directive's provision that use of a trade secret is not unlawful when it is carried out for the purpose of protecting a "legitimate interest" (Art. L-151-8 3°). In my opinion, the reference to "legitimate interests" calls for a weighing of interests.

of the information, should *not* do this, but, on the contrary, deem every use of the former employer's trade secrets post-employment to be a trade secret violation. Thus a simple clause would significantly expand employers' protection of trade secrets at the expense of employees' ability to use their knowledge in new jobs. If this really is the case, it is to be expected that a great number of employment contracts will include such clauses in the near future. Very few employees would, upon recruitment, object to a clause prohibiting their use of the company's "trade secrets" after employment has ended.⁷¹ The delicate balance between the interests of trade secret holders and the interests of their departing employees struck by national courts, and supported by the Directive, would in practice be set aside. In Section 4.2 below, we will see whether it is correct to understand the law in a way that could have such consequences.

Another question is whether an employer may use contracts to make it unlawful for an employee to exploit information after termination of their employment even if the information does not meet the criteria of the Directive's trade secret definition. How is a court to assess a clause prohibiting the employee from using "any information related to the business"? Such phrases are not uncommon, and if they mean that protection of the employer's information is extended compared to what would be the legal position without such a clause, one should expect the use of such clauses in employment relationships to increase significantly.⁷² Such clauses will be discussed in Section 4.3.

4.2 Prohibitions on Using "Trade Secrets": Impact on the Weighing of Interests

If the agreement contains a concrete description of the information to be held confidential – such as a concrete formula – the case is clear: there is ample support in case-law and legal doctrine, in almost all the jurisdictions I have investigated, that the employee will be barred from using the formula after the end of their employment, as long as the formula satisfies the criteria of a trade secret.⁷³ There are good reasons for this too. In such a case, the employee will know what

⁷¹ And if an employee does ask about such a clause, they will probably often get assurances that the clause only states what already follows from the background norms that would apply in the absence of such a clause. This would be misleading.

⁷² The consequences of breaching a contract that protects only "real" trade secrets and breaching a contract – assuming it is valid – that also protects information not meeting the criteria of a "trade secret" under the Directive, may vary. If the contract's protection is limited to trade secrets, an ex-employee's use of the information in violation of the contract will be an unlawful use of a trade secret under Art. 4(3)(c) of the Directive. A court should then have all the remedies in Ch. III of the Directive at its disposal for providing the employer with civil redress against the former employee, cf. CJEU, C-666/18 *IT Development*. If, on the other hand, the information in question does not amount to a trade secret under the Directive's definition, the remedies will be a matter of national contract law and procedural law, which may vary.

⁷³ Harte-Bavendamm et al. (2020), pp. 118–120 and pp. 166–167. An example from German court practice is NJW 1983, 134 (BAG) *Thrombosol*. For English law, see Gurry (2012), p. 550.

⁷⁴ Richters and Wodtke (2003), pp. 287–288.

information not to use. On the other hand, the quite common agreements that simply state that employees are prohibited from using the employer's "trade secrets" do not provide the employees with much clarity.⁷⁴

As mentioned above, Sec. 7, second paragraph, of the Swedish Act on Trade Secrets states that if a former employee uses their previous employer's trade secrets after employment has terminated, the employee is liable only if there are "special grounds". The *travaux préparatoires* clearly state that the provision is non-mandatory ("dispositive").⁷⁵ In other words, the parties may in principle agree that employees are liable for use of the employer's trade secrets after the end of employment, even if there are no "special grounds".⁷⁶ In UK law, the *Faccenda Chicken* case, which states as a point of departure that the "obligations of the employee are to be determined by the contract between him and his employer",⁷⁷ could nevertheless be understood as meaning that an explicit duty of confidentiality for former employees cannot go beyond the duty that courts would apply in the absence of an agreement.⁷⁸ This has been criticised,⁷⁹ and other courts have taken a different view.⁸⁰ In Germany, the German Federal Labour Court indicated in the so-called *Titanoxid* case that a contract prohibiting an employee from exploiting the company's trade secrets even after termination of their employment is acceptable as long as it does not put the employee in a more unfavourable situation than employees who did not know of the secrets.⁸¹ German legal doctrine argues, with some support in the Federal Supreme Court decision *Spritzgießwerkzeuge*,⁸² that clauses just prohibiting the use of the principal's trade secrets after termination of employment might also, in certain circumstances, unfairly limit the employee's ability to find a suitable occupation. In such cases, they may be set aside by the courts under general contract law rules.⁸³ In Scandinavian law, a non-disclosure agreement could be set aside by the courts under the general "unfairness clause" in Sec. 36 of the Nordic Contracts Acts. The threshold for this is high,⁸⁴ but elements that have to be taken into consideration are how clearly specified the obligation of

⁷⁵ Proposition 2017/2018: 200 p. 77.

⁷⁶ Fahlbeck (2019), p. 598; Domeij (2016), p. 386.

⁷⁷ *Faccenda Chicken Ltd v. Fowler* [1987] Ch. 117 p. 135.

⁷⁸ Kolasa (2018), p. 198.

⁷⁹ Kolasa (2018), *ibid.*

⁸⁰ *Balston Ltd v. Headline Filters Ltd* [1987] FSR 330 (p. 347). See also *Force India Formula One Team Limited v. Aerolab SRL* [2013] EWCA Civ 780. If the agreement is confined to "real trade secrets", a limitation as to time and area is not necessary for the agreement to be upheld, cf. *TSB Bank plc v. Connell* [1997] SLT 1254 and Gurry (2012), p. 523.

⁸¹ Cf. Kolasa (2018), p. 171. For Swedish law, see Domeij (2016), p. 391.

⁸² BGH GRUR 2002, 91.

⁸³ Richters and Wodtke (2003), p. 286; Harte-Bavendamm et al. (2020) pp. 166–167; Kolasa (2018), p. 174. See also Kolasa (2018), 199 for UK law.

⁸⁴ Woxholth (2021), p. 392.

⁸⁵ SOU 2008: 63, cf. Domeij (2016), pp. 388–390.

secrecy is and how much time has passed between the termination of employment and the alleged violation.⁸⁵ Domeij claims that “only when it comes to the key trade secrets or protection against the most opportunistic behaviour should a clause prevent a former employee in more than perhaps five years from using what they have learned during the employment”.⁸⁶

Is there any court practice where the existence of a clause prohibiting the employee from using, in general terms, the principal’s “trade secrets” after the termination of their employment *has actually turned out to be decisive* for the outcome of the case? Are there any cases where, had the agreement not contained such a clause, the former employee would have been acquitted from the previous employer’s claims after a weighing of interests, while they are now held liable because of the clause? Such cases seem hard to find. There are several reasons for this.

Firstly, even if a company has bound its employees to a clause prohibiting them from using company “trade secrets” after termination of their employment, the company will, if the clause is invoked in a court case, usually have to substantiate which concrete trade secrets the former employee has actually misused in their new job. An argument that the ex-employee knows the previous employer so well that they will inevitably use the company’s trade secrets in their new job (known as the “inevitable disclosure doctrine” in the USA) will, in many European jurisdictions, not be sufficient.⁸⁷

Secondly, even though contracts that “expand” the protection of a company’s information compared with the rules on trade secret protection that apply in the absence of a contract may be valid, national rules on *contract interpretation* may reduce the effect of such clauses. Reinhold Fahlbeck writes the following in relation to the aforementioned Sec. 7, second paragraph, of the Swedish Act on Trade Secrets, which establishes that a former employee will be liable for use of their former employer’s trade secrets [only] if there are “special grounds” for this:

As stated above, Sec. 7, second paragraph, establishes a statutory duty of confidentiality. As further stated, it is a non-mandatory provision. This may lead to the conclusion that a confidentiality agreement excludes the application of the second paragraph. Undoubtedly, such agreements *may* be interpreted as putting the Trade Secrets Act out of play. But what if the agreement does not explicitly exclude application of the second paragraph? ... Sec. 7, second paragraph, contains a clear norm of liability ... It appears less likely that the agreement should put Sec. 7, second paragraph, completely out of play unless the agreement explicitly states this and deviates from the liability norm of the Act.⁸⁸

⁸⁶ *Ibid.*

⁸⁷ NZA 1994, 502 (BAG) *Titanoxid* (Germany); Domeij (2016), p. 387 (Sweden); Borgarting Court of Appeal 8 April 2014 (LB-2013-20938) and Agder Court of Appeal 26 September 2006 (LA-2004-60570) (Norway).

⁸⁸ Fahlbeck (2019), p. 599.

The situation in Norway is similar. As mentioned earlier, the Norwegian statute only prohibits “unlawful” use of trade secrets, meaning that a former employee can be held liable for misuse of their former employer’s trade secrets only after a “concrete assessment of the circumstances surrounding the [employee’s] acts”.⁸⁹ The confidentiality agreements that employees sign do not normally contain such “unlawful” reservation.⁹⁰ However, courts have sometimes seemed to regard such a reservation, with its inherent “weighing of interests” as *implied*. They have taken into account the same factors (value of information, extent of use, harm to former employer, etc.) when discussing whether an employee had broken the confidentiality agreement, as they would when assessing whether a defendant had violated statutory trade secret protection.⁹¹ In some other cases, however, the courts seem to have applied the agreed confidentiality clause without the “unlawful” reservation.⁹²

I have not seen many examples of courts in other jurisdictions clearly deciding to interpret a confidentiality clause so that it coincides with the protection provided by the law where there is no contract. However, I have not found any statements saying that, because of the clause, the employee is barred from using information in a way that would have been lawful had there been no contract. In the *Thrombosol* case, the German Federal Labour Court stated that employer and employee may agree that the employee will maintain the secrecy of the employers’ trade secrets, and not exploit them, and that it is not necessary for the employer in such a case to pay the compensation that is mandatory for agreements not to compete. The Court did not render a final judgment in the case but left interpretation of the agreement *in casu* to the lower court. However, the Federal Labour Court clearly indicated that the employee’s conduct had violated the prohibition of unfair practices under Sec. 1 of the Act against Unfair Competition (currently Sec. 3) and Sec. 826 of the German Civil Code. Hence, this decision is not an example of an employment agreement expanding the protection of trade secrets compared with the legal protection afforded in the absence of an agreement. The result of the English case *Balston Ltd. v. Headline Filters Ltd* was that the protection provided by the contract coincided with the protection that followed from “implied” obligations of confidence.⁹³ Some UK courts have, on the other hand, stated that, when interpreting such clauses, one should “not too urgently strive to find” implicit limitations that would save the clauses from invalidity that would otherwise follow from the doctrine of restraint of

⁸⁹ Prop. 5 LS (2019-2020) p. 30 ref. p. 54, *cf. supra* note 62.

⁹⁰ An exception is the case from Frostating Court of Appeal, 12 March 2021, LF-2020-92904.

⁹¹ *See*, for instance, Frostating Court of Appeal 12 March 2021, LF-2020-92904; Borgarting Court of Appeal 8 April 2014, LB-2013-20938; Gulating Court of Appeal 20 January 2006, LG-2004-10668; Kristiansand City Court 9 April 2019, TKISA-2018-15036 and Oslo City Court 14 May 2010. Some support for an interpretation in line with the protection of the Trade Secret Act can also be found in the Supreme Court decision in Rt. 1997 p. 199.

⁹² The clearest example, although the case was about the relationship between a company and its supplier and not between a company and its former employee, is Gulating Court of Appeal’s decision of 15 May 2015, LG-2013-162132.

⁹³ *See also TSB Bank plc v. Connell* [1997] SLT 1254.

⁹⁴ *See the discussion in Gurry (2012)*, pp. 495–497.

trade.⁹⁴

There is a long tradition in Nordic contract law of presuming that a contract clause is in line with applicable statutory contract law, even non-mandatory law. Unless the parties have expressly deviated from a statutory provision, contracts are regularly interpreted to be in accordance with the statute, at least if the statutory rule expresses a “clear political choice” where “key interests are at play”.⁹⁵ The attempts to balance the interests of employers and employees in the Trade Secret Directive are precisely such rules. Applying the said principle of contract interpretation to imply a weighing of interests in contracts that prohibit employees from using any of the company’s “trade secrets” after termination of their employment, at least if there are no limitations on this duty in terms of time or type of business,⁹⁶ would, in my opinion, be a suitable legal technique for keeping national law in compliance with the Directive. The interpretation of a confidentiality clause is a question of national contract law, which, according to recital 39, is not affected by the Directive. Recital 10 further states that the Directive “should be without prejudice to the possibility for Member States of providing for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets”; so national contract law may clearly allow employers to strengthen the protection of trade secrets through contracts. But recital 10 also underlines that such “more far-reaching protection” is allowable only to the extent that “the safeguards explicitly provided for in this Directive for protecting the interests of other parties are respected”. The freedom of occupation and mobility of workers is probably the example of such “interests of other parties” that is most frequently mentioned in the Directive.⁹⁷ It would, thus, contradict the spirit of the Directive if national courts let employers set these values aside by using far-reaching contract clauses.

A contract interpretation as mentioned above is also supported by the principle of protection of the weaker party, although the extent of this principle is somewhat debatable.⁹⁸ As these clauses are often standard terms formulated by the employer’s lawyers and not subject to individual negotiations, the general rule of interpretation *contra stipulatorem* (DCFR II-108:3) will also apply.⁹⁹

We might be going too far to hold that national courts should interpret confidentiality clauses in employment agreements more narrowly or, alternatively, hold them invalid more readily than they have done prior to the Directive. However, the Directive should, on the other hand, not be seen as instructing national courts to apply rules of contract interpretation or contract invalidity that favour previous employers more.

⁹⁵ Høgberg (2012), p. 278.

⁹⁶ Cf. the comments of Justice Scott in *Balston Ltd. v. Headline Filters Ltd* quoted above, *supra* note 93. An example of an agreement where the prohibition was limited to one year is the Polish Supreme Court case referred in GRUR Int. 2021, p. 73.

⁹⁷ Article 1(3)(b), 14; and recitals 3, 13, 21 and 34.

⁹⁸ Reich 2013, pp. 37–56.

⁹⁹ See also UNIDROIT principles Art. 4.6 and PECL Art. 5: 103. For UK case-law, see *Prophet Plc v. Christopher Hugget* [2014] EWCA Civ 103.

4.3 Expanding the Protected “Subject Matter”

As already mentioned, agreements between employers and employees often contain clauses that apparently oblige employees to keep secret and not use for any purpose other than carrying out the work for the principal, more information than that falling under the Directive’s (quite broad) definition of “trade secrets”. The clauses talk about “know-how”, “customer data”, “business-related information”, or simply “information”. How should courts deal with such explicit clauses? Whether the courts, in the absence of an explicit agreement between the parties, would have solved an ex-employee/ex-employer conflict by distinguishing between trade secrets/experience and skill, or by a “weighing of interests”, is of little relevance to the answer to this question.

An agreement prohibiting an employee from using information obtained under previous employment that does not meet the criteria of a trade secret may have the same effect as a non-competition agreement. Recital 13 of the Directive states that it is not “intended to affect the possibility of concluding non-competition agreements between employers and employees, in accordance with applicable law”. The possibility of entering into such agreements is quite restricted in European countries, as we shall see below.

When faced with general clauses as mentioned above that apparently expand the protected “subject matter” to more than trade secrets, courts have (at least) three options: (1) they may “expand” the protection to more than “trade secrets”, in line with the wording of the clause; (2) they may interpret the clause narrowly and limit its application to nothing (or very little) more than “real trade secrets”; (3) they may rule that the clause is not enforceable as being contrary to overriding norms such as the law on non-competition agreements that we mentioned above, or general contract law rules. By “rule not enforceable”, I also mean holding the clause *invalid* in accordance with the various forms of invalidity that can be found in national contract law.

The Norwegian Supreme Court apparently let an agreement widen the scope of trade secret protection in a landmark case in 1964.¹⁰⁰ A former employee had started to work for his former principal’s competitor and revealed the former principal’s production method “in its entirety”. He was sued for trade secret infringement. The Supreme Court found it unnecessary to decide whether the production method was a “trade secret” under the statute in force at the time, since, according to the employment agreement, the employee had accepted that the former employer should “own all methods and ideas that we develop”. Since the method in any case contained valuable “know-how”, the employee had undoubtedly violated this clause by revealing the entire method to the competitor, and he was liable on that basis. Even though the court based its decision on the contract clause and not on the statutory trade secret law, I would claim that the decision did not mean that the clause gave the former employer much wider protection than followed from trade secret law. The revelation of a production method that is not known to competitors in its “entirety” to a competitor would normally amount to a trade secret violation

¹⁰⁰ Rt. 1964 p. 238.

under Norwegian law; the weighing of interests will favour the former employer (under the new regime, however, only provided that the former employer took the necessary “protective steps” to maintain secrecy).

Later court decisions have not challenged this decision. However, when faced with vague and general clauses prohibiting employees from making use of “any information” acquired during employment or the like, Norwegian courts have in most cases interpreted them in a restrictive manner, and thus made the contracts’ ambit of protection coincide with the protection following from statutory trade secret law.¹⁰¹

In Sweden and Denmark, there seems to be a lack of court practice, but, as mentioned above, some Swedish commentators seem to recommend that courts should often interpret non-disclosure agreements restrictively.¹⁰²

When it comes to the possibility of declaring a non-disclosure agreement that encompasses more information than “real trade secrets” *not enforceable*, the *Kantenbänder* and *Titanoxid* cases¹⁰³ in Germany may seem to equate any contract restricting a previous employee’s use of knowledge and experience that do not amount to a “trade secret” with a non-competition clause, which will be held invalid if it does not meet the requirements for such contracts.¹⁰⁴ The main provision is Sec. 74(1) of the German Commercial Code, which deals with clauses that prohibit an ex-employee from exercising certain professional activities for a period after the termination of their employment. The statutory provision obliges the employer to pay compensation for the duration of such prohibition. Furthermore, “catch-all” clauses that oblige the employee to maintain confidentiality in respect of all circumstances related to the business may be held contrary to the general contract law provisions in Sec. 138 and Secs. 305 ff of the German Civil Code.¹⁰⁵ If a non-disclosure agreement that protects more than “real trade secrets” sets

¹⁰¹ Rt. 1997 p. 199; Borgarting Court of Appeal decisions of 16 December 2019 (LB-2018-146824); 8 April 2019 (LB-2018-33687); 3 October 2014 (LB-2012-174330) and 8 April 2014 (LB-2013-20938); Frostating Court of Appeal 18 September 2014, LF-2013-197771; South Trøndelag District Court 12 February 2014 (TSTRO-2013-35317) and Oslo City Court 21 March 2012 (TOSLO-2011-113128). In a somewhat opposite direction, however, *see* Gulating Court of Appeal 15 May 2015, LG-2013-162132, *cf. supra* note 92.

¹⁰² Fahlbeck (2019), p. 599. Domeij (2016), p. 126 claims that an employer cannot bind an employee to maintain secrecy in relation to information that does not meet the criteria of a “trade secret”. It is somewhat unclear whether he means that courts should “reformulate” such a clause so that it only protects trade secrets or whether it should be declared invalid in its entirety.

¹⁰³ NZA 1994, 502 (BAG) *Titanoxid* and NZA 1999, 200 (BAG) *Kantenbänder*.

¹⁰⁴ “After termination of the working relationship, an employer may generally not prevent an employee from using their rightfully obtained knowledge and experience and starting to compete with their previous employer. Only an agreement that meets the requirements of Secs. 74 ff. of the German Commercial Code for prohibiting competition allows employers to prohibit former employees from acts of competition” (“Nach Beendigung des Arbeitsverhältnisses kann der Arbeitgeber den Arbeitnehmer grundsätzlich nicht daran hindern, seine rechtmäßig erlangten beruflichen Kenntnisse und Erfahrungen zu verwerten und zu seinem früheren Arbeitgeber auch in Wettbewerb zu treten. Nur eine den Anforderungen der §§ 74 ff. HGB entsprechende Vereinbarung eines Wettbewerbsverbotes ermöglicht es dem Arbeitgeber, dem früheren Mitarbeiter Wettbewerbshandlungen zu untersagen.” (NZA 1994, 502).

¹⁰⁵ Harte-Bavendamm (2020), pp. 166–175; Kolasa (2018), pp. 165–191.

limitations on the employee's ability to compete that are "insignificant" ("*in unerheblicher Weise*"), it is argued, however, that they should be upheld.¹⁰⁶

The provisions of the Danish Act on Employment Clauses and the Norwegian Employment Act, Ch. 14A, have much in common with Sec. 74 of the German Commercial Code, and confidentiality clauses that are worded so broadly that they effectively equate with a non-compete clause may be scrutinised under those rules.¹⁰⁷ There are also strict statutory limitations in Ch. III, Sec. 5, of the Finnish Employment Agreement Act and Sec. 38 of the Swedish Agreement Act, although there is no mandatory compensation for employees. In Sweden, a claim for compensation is established in a collective agreement from 2015, based on a former agreement from 1969, which binds a large number of Swedish companies.¹⁰⁸ The prevailing Scandinavian view seems to be, however, that an agreement protecting more information than "real trade secrets" should not be held unenforceable per se.¹⁰⁹ However, if the court concludes that the contract unreasonably restricts the employee's freedom to find an acceptable occupation, it may be set aside under general contract law (as with the clauses limiting themselves to actual "trade secrets"; cf. Section 4.2 above), and possibly also as being in conflict with the statutes that implement the Directive.¹¹⁰ However, there is a lack of court practice. A non-competition clause will also be held invalid by French courts on the basis of Art. L 1121-1 of the French Labour Code unless it is "indispensable for protecting the legitimate interests of the business, is limited in time and scope, takes into account the particular circumstances of the employment, and contains economic compensation for the employee".¹¹¹

In the UK, some courts have, as already mentioned, been reluctant to interpret post-employment obligations narrowly, as they do not want to "save" the contracts from the invalidity that would otherwise follow from the doctrine of restraint of trade (a doctrine that has some similarities with the German and Scandinavian rules just mentioned, but that nevertheless seems to give more weight to the interests of the employer¹¹²). However, there are examples of courts choosing the "narrow interpretation" alternative.¹¹³ In *SBJ Stephenson Ld v. Mandy*, the clause read:

¹⁰⁶ NJW 1988, 1686 (BAG) *Kundenlisten* (the clause in question reads "Even after the termination of their contract, employees will not in any way use, for themselves or for a third party, customer names learned during their activity with the company concerned" ("*Der Mitarbeiter wird auch nach Beendigung des Vertrages die Namen der Kunden, die er durch seine Tätigkeit bei der Firma erfahren hat, in keiner Weise für sich oder einen Dritten verwenden*"), cf. Kolasa (2018), p. 177, referring to Bauer and Diller (2015), para 124.

¹⁰⁷ See Lunde (2020), p. 170.

¹⁰⁸ See Domeij (2016), Ch. 4.

¹⁰⁹ An example is Drammen City Court, 29 March 2004, TDRAM-2003-1936.

¹¹⁰ Fahlbeck (2019), pp. 249–250; Irgens-Jensen (2018), p. 533. Contract clauses that aim to override the limitations to trade secret protection in Art. 5(a) to (c) of the Directive, for example a clause prohibiting an employee from "whistleblowing" to reveal illegal conduct, would, on the other hand, generally be held invalid; see Domeij 2019, p. 196.

¹¹¹ Cour de Cassation 8 April 2021, 19-22.097 and 10 July 2002 00-45-387 and 00-45.235.

¹¹² Kolasa (2018), pp. 231–232.

¹¹³ See Gurry (2012), p. 495–539.

“Confidential Information. The Executive shall not either before or after the termination of his employment hereunder disclose to any person or persons *any information in relation to the affairs of the Company*[,] any other Group Company or any client thereof of which he has become or may have become possessed whilst in the service of the Company [...]”. According to the Court, “the ordinary reader [...] would be quite clear in his own mind that its purpose was to protect the sort of information which a man of ordinary honesty and intelligence would recognise to be the property of his old employer and not his own to do as he likes with”.¹¹⁴ In *Quilter Private Client Advisers Ltd v. Emma Falconer Continuum (Financial Services) LLP*, on the other hand, the confidentiality clause defining “confidential information” as “information in whatever form relating to our business, clients, customers, products, affairs and finances which we consider to be confidential” was held to be an unreasonable restraint of trade and unenforceable.¹¹⁵ A well-known textbook recommends to “apply the conventional contractual rules to determine the meaning of the contract, thus avoiding a strict literalism likely to lead to absurdities and the liberal construction [...], which, in truth, involved re-writing the contract.”¹¹⁶ If one, after such an interpretation concludes that the contract prohibits the employee from exploiting other information than ‘trade secrets’ after the termination of employment, it must be ‘scrutinised to establish that they are reasonable as regards scope, geographical coverage and duration’.¹¹⁷ If the clause also prevents the ex-employee from using information that has become accessible to the public, it will generally not be enforceable.¹¹⁸

Will the harmonisation of trade secret law provided by the Directive mean anything for how these clauses should be regarded in the future? As mentioned in Section 4.2 above, recital 10 of the Directive says it is without prejudice to the “possibility for Member States of providing for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets”, but it says nothing about information that does *not* constitute trade secrets. As recital 39 states that the Directive should not affect “the law of contract”, one should presume that the Directive should not affect the national courts’ handling of these clauses. In copyright law, we have examples of the Court of Justice of the European Union (CJEU) holding that some limitations of copyright cannot be excluded by contract even if the directive in question states that it should be “without prejudice” to the law of contract. On the other hand, in C-30/14 *Ryanair*, the Court held that the Database Directive (Directive 96/9/EC) was *not* applicable to a database that did not fulfil the requirements of protection for copyright or by the sui generis right under that directive, so that it did not preclude the author of such a database “from laying down contractual limitations on its use by third parties, without prejudice to the applicable national law”. Thus, it is difficult to foresee how the CJEU would treat

¹¹⁴ *SBJ Stephenson Ltd v. Mandy* [2000] CLC 656. See also *Aquinas Education Ltd v. Miller* [2018] EWHC 404 (QB).

¹¹⁵ [2020] EWHC 3294 (QB).

¹¹⁶ Gurry (2012), p. 496.

¹¹⁷ Gurry (2012), p. 522.

¹¹⁸ *Ibid.*

these clauses. However, there are good reasons for not obliging national courts to deem unenforceable *per se* clauses that protect information that does not meet the criteria for a “trade secret” according to Art. 2 of the Directive. There might be instances where the holder of certain information, for example of certain construction drawings, may have a legitimate need for restricting, by contract, the use that an employee with access to the drawings may make of them, and where no public policy considerations speak against letting the employee accept such restrictions. In particular, if the requirement of “reasonable protective steps” in Art. 2(1)(c) of the Directive proves to exclude so much information from trade secret protection as some commentators seem to understand the requirement to do, there will be an obvious need for agreements to protect more information than the “real” trade secrets. Therefore, national courts should not start deeming invalid *per se* every employment agreement that obliges an employee not to disclose and not to use such information for their own benefit. However, it will clearly be in line with the Directive’s emphasis on the importance of employee mobility for national courts to maintain a sceptical attitude to such agreements, and, by applying national rules of invalidation of contracts or restrictive interpretations, to prevent them from being used as tools to significantly restrict the employee’s ability to compete after termination of their employment.¹¹⁹

What will be the legal *consequence* if a court rules that a particular clause is not enforceable as it is contrary to overriding norms such as the law on non-competition agreements or general contract law rules? This varies between jurisdictions. Under German law the agreement will generally be held to be *invalid* in its entirety.¹²⁰ In the UK it will, subject to certain conditions, be possible to delete only the fragments that are unreasonable under the “doctrine of severance”.¹²¹ In Scandinavian law, the application of Sec. 36 of the Nordic Contracts Act will often lead to a re-writing of the agreement so that the court finds it reasonable.¹²² This is open to criticism: when the risk of making an unfair agreement is limited to having that agreement adjusted back to what is fair, the employer has no incentive to try to formulate the agreement in a reasonable way in the first place.¹²³ However, the same may result

¹¹⁹ Competition law may also affect the validity of contracts that restrict a party’s possibility of exploiting information, as such agreements may be deemed anti-competitive, e.g. under Art. 101 of the Treaty on the Functioning of the European Union. This is important to keep in mind, for instance when assessing licensing agreements between companies with considerable market shares. It would only be in very rare cases, however, that competition law would be relevant for assessing individual employment agreements Kolasa (2018), pp. 233–238.

¹²⁰ If the clause is equated with a non-competition clause, and does not meet the requirements for such a clause to be valid, it will be regarded as “*unwirksam*” [“ineffective”] (NJA 1999, 200 *Kantenbänder*), while it may be declared “*nichtig*” [“null and void”] if found to be against “*gute Sitten*” [“morality”] pursuant to Sec. 138 of the German Civil Code, ref. Kolasa pp. 175–176. The result in both cases is that the former employee will not be bound by the clause.

¹²¹ Gurry (2012), pp. 534–538; Kolasa (2018), pp. 209–210.

¹²² Woxholth (2021), pp. 456–461; Gomard et al. (2015), pp. 168–170; Ramberg pp. 156–157. If the confidentiality obligation is equated with a non-competition clause, *cf. supra* note 104, it may be upheld “to the extent necessary to meet the employer’s specific need for protection against competition”, but for a maximum of one year and subject to the payment of compensation to the employee (Sec. 14A-1–14A-3 of the Norwegian Employment Act).

¹²³ Borch (2016), p. 140.

from a judgment that holds an agreement to be invalid *in toto*, if the result of such invalidity will be that the court, as I understand may happen in, for example, Germany,¹²⁴ will apply the “background norms” to the relationship between the employer and their former employee, thus barring the latter from using the employer’s trade secrets in accordance with the implied duties of confidence that apply when there is no agreement.¹²⁵ Another solution could be to say that, if the agreement is held to be invalid for excessively restricting the ex-employee’s ability to compete, the latter should be *totally* free to use the employer’s trade secrets, even in ways that would be illegal if the employer had made no agreement. This is in line with the main rule under Council Directive 93/13/EEC on unfair terms in consumer contracts. If a clause in a standard agreement is held to be unfair and invalid, the CJEU has stated that, as a general rule, the clause in question should be set aside in its entirety, and the party concerned may not have recourse to the rules of “background law”. For example, if the default interest rate of an agreement is held to be unreasonable, courts should invalidate the relevant contract clause and set the rate at 0. Setting the interest rate to the normal statutory default interest rate applicable in the relevant Member State is regarded as not giving the parties involved sufficient incentive to make their standard agreements reasonable.¹²⁶

However, such a form of invalidity would go too far in relation to the Trade Secret Directive. As pointed out by Kolasa, it is not easy to draw up a good confidentiality clause, and “punishing” companies that have let their non-disclosure agreements cover too much information by giving employees and others who have signed these agreements *carte blanche* to use the company’s trade secrets, would be harsh. While the main purpose of Directive 93/13/EEC is to avoid unfair consumer contracts, the main purpose of the Directive being discussed here is to protect trade secrets. Making a company lose all its trade secret protection if it makes its non-disclosure agreements too broad would run contrary to this.

However, this means that, whether a court takes a “narrow interpretation approach” or an “invalidity approach” to a confidentiality clause that is worded too broadly, the result is the same: the general rules that would apply even when there is no explicit agreement, with their broad weighing of interests, will often be decisive for the question of whether an employee’s use of their former principal’s information was illegal or not. This also means that both the “narrow interpretation approach” and the “invalidity approach” are compatible with the Directive. Courts may follow the approaches that are in line with their own legal traditions.

¹²⁴ This was done, for example in NZA 1999, 200 (BAG) *Kantenbänder*.

¹²⁵ Examples from UK case-law are *Intelec Systems Ltd v. Grech-Cini*, [2000] 1 WLR 1190; *Malden Timber Ltd v. McLeish* [1992] SLT 727; and *TSB Bank plc v. Connell* [1997] SLT 1254.

¹²⁶ See, for instance, the landmark case C-618/10. The CJEU has, however, opened up the possibility of supplementing contracts with provisions of national law in some instances; see cases C-482/13, C-483/13, C-485/13 and C-487/13; as well as C-70/17 and C-179/17.

5 Conclusions

In 2014, the Max Planck Institute for Innovation and Competition published its comments on the draft Directive presented by the European Commission.¹²⁷ The Institute was “of the opinion that harmonisation of trade secret protection will yield positive effects, provided that the content of the proposed Directive is well balanced and sufficiently comprehensive, without jeopardising the necessary flexibility of the legal assessment in each individual case”.¹²⁸ In this author’s opinion, one of the major achievements of the Directive is exactly how it highlights the need to take into account employees’ interests and mobility on the labour market, in line with the signs given by the ECtHR.¹²⁹ When an employee devotes their time, efforts and ingenuity to the service of a company, the company is not the only one who “invests” and has a legitimate interest in getting a return on the investment. The employee has a legitimate interest in using their experience as a basis for new jobs, but at the same time the employer has a legitimate interest in the protection of its trade secrets. National courts have a long tradition of delicately weighing the interests of employers and employees against each other. They have done so when discussing whether the information allegedly “taken” by the former employee meets the criteria of “trade secret”, when making general assessments of whether an employee’s acts all in all stand out as “lawful”, and when adopting proportionate measures against trade secret infringements. In my opinion, national courts should, under the Directive, maintain such a broad approach also when they assess explicit agreements on confidentiality entered into between the employer and the employee. This means that agreements that contain a concrete description of the information to be held confidential will largely be upheld and applied according to their wording, and businesses should be recommended to specify at least the core business secrets in their agreements if they want to be sure of protection.¹³⁰ On the other hand, general clauses that simply prohibit the employee from using “trade secrets” or even such wider terms as “business-related information”, “know-how” or the like, will, in practice, not significantly expand the protection that would follow from the national background norms in the absence of any regulation in the employment agreement, with one important exception: such clauses should provide a strong argument that the employer has taken the necessary “*reasonable protective steps*”, so that they have met the requirement for protection in Art. 2(1)(c) of the Directive.

If we turn back to the two examples I mentioned in the introduction, the employee that took the specifications of the advanced products and used them in a competing business would have clearly violated trade secret law, while a more thorough assessment, taking into account the interests of labour mobility, would have to be carried out before one could reach the same conclusion in relation to the employee in example 2, who had just used information they had in their head. National court practice provides support for this to be done also in cases where the

¹²⁷ Knaak et al. (2014), pp. 953–967.

¹²⁸ *Ibid.*, p. 254.

¹²⁹ *Cf. supra* note 7.

¹³⁰ Richters and Wodtke (2003), p. 287.

former employee has signed an agreement prohibiting any use of “trade secrets”, “business-related information” or the like.

The courts have used different techniques (norms of interpretation, contract invalidity, etc.) to prevent vague, general agreements from expanding the background norms of trade secret protection to any significant extent. The Directive does not, in my opinion, put any limitations on the techniques we have discussed in this article. It would strengthen legal certainty if the national courts could continue to use the techniques that suit their legal systems best, but at the same time seek inspiration from each other in how these difficult cases may be solved. Finally, it is to be hoped that the CJEU, when cases that concern the relationship between the Trade Secret Directive and confidentiality agreements are referred to it, is aware of the need for flexibility for national courts.

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