

Bird & Bird & Trade Secrets

Implementation of the Trade Secrets Directive – Comments from Poland

This is the 8th in a series of articles written by members of our International Trade Secrets Group, highlighting points of note regarding the protection of Trade Secrets in various jurisdictions. In this article we look at Poland where the Trade Secrets Directive (the “**Directive**”) was implemented in September 2018 by the amendment of several legal acts, in particular the Act of 16 April 1993 on Combatting Unfair Competition (the “**ACUC**”). In this article we set out the essential changes to the previous provisions, as well as their impact on case law and practice. We also consider how the introduction of specialist intellectual property courts in Poland on 1 July 2020 will affect enforcement of trade secrets protection.

Trade secrets protection prior to the Directive

In Poland, Article 11 of the ACUC is a core regulation governing the protection of trade secrets. Historically, unlawful use of trade secrets has been considered an act of unfair competition for more than 90 years. Protection against such acts is provided under the same principles as in the case of other unfair competition acts.

Provisions on protection of trade secrets and confidential information also appear in other legal acts, e.g., the Polish Civil Code (*i.e.*, in relation to confidentiality during negotiations), and the Polish Civil Procedure Code, which covers protection of trade secrets in court proceedings or mediation.

Unlawful use or disclosure of trade secrets is penalised in both the ACUC and the Polish Criminal Code. The latter lists particular acts concerning, e.g. unlawful access to documents, breach of telecommunications network, or electronic security measures.

The practice shows that the provisions on trade secrets protection are widely used by administrative bodies and courts, for instance in connection with freedom of information (FOI) requests, public tenders or antitrust matters. In civil cases, they are most often invoked by employers against former employees launching competitive businesses or sharing trade secrets with competitors.

Polish specifics of the Directive’s implementation

The implementation of the Directive introduced several important changes to the provisions pertaining to trade secrets, significantly remodelling Article 11 of the ACUC. However, the new provisions still do not yet constitute a basis for judicial decisions in civil matters.

Some amendments may affect the interpretation of the law also in case of other provisions on unfair competition acts (*i.e.*, the possibility to pursue damages calculated as a lump sum on

the basis of, e.g. the amount of hypothetical royalties or fees). However, most amendments concern introducing provisions and measures which were not present in Polish law before. These are briefly discussed below:

- a) Unlawful *acquisition* of a trade secret has been introduced as a new act of unfair competition.
- b) While the previous Article 11 of the ACUC protected against *passing* of a trade secret, its new wording refers to a *disclosure*. According to the Polish legislator, this is supposed to express a broad understanding of a disclosure, which also includes such passing to another person that does not directly involve its disclosure (e.g., an unauthorised person passing an encrypted data carrier containing trade secrets).
- c) The new law introduces explicit protection against use of goods benefiting from someone’s trade secret (*i.e.* ‘infringing goods’ in the meaning of the Directive).
- d) There is now direct reference to acquisition of a trade secret by reverse engineering in the ACUC. This will likely require trade secret holders to pay more attention to the scope of authorisation granted under trade secret/know-how licensing agreements in order to exclude or limit an independent acquisition of a trade secret by a licensee.
- e) The ACUC now lists exceptions under which acquisition, use or disclosure of a trade secret is not considered an act of unfair competition in line with Article 5 of the Directive.
- f) New measures that may be requested against an infringer are now available, e.g., publication of judicial decisions (this was previously known under the Copyrights Law and Industrial Property Law, but not in the ACUC).
- g) Infringers are now able to request a measure which was not previously available, *i.e.* pecuniary compensation be paid to the trade secret holder in lieu of a prohibition against using the trade secret or destruction/delivery up of any infringing goods - under certain conditions corresponding to those stipulated in Art. 13(3) of the Directive.
- h) As regards the limitation period (normally 3 years from the event that triggers liability), the ACUC now provides that if the act of unfair competition involving the breach of trade secret is at the same time a crime or offense, the limitation period for the claim for damages is twenty years after the crime was committed.
- i) Finally, there is now a possibility to pursue damages calculated as a lump sum on the basis of, e.g. the amount of hypothetical royalties or fees. This measure is widely used in case of copyrights or industrial property rights’

infringement and was often invoked also for unfair competition acts.

New definition of a Trade Secret and new protection threshold

Under the old law, trade secret holders were required to employ 'necessary measures' to maintain secrecy. This concept was interpreted by the Supreme Court as 'taking steps to eliminate the possibility of third parties accessing protected information in the normal course of events, without having to take special efforts'. In two recent judgments of the courts of appeal it has been decided; firstly, that these steps included the need to *inform the employee about the confidential nature of knowledge, technology and equipment. Information becomes a "secret" when the entrepreneur is willing to keep it as unknowable to third parties*; and secondly, an entrepreneur was required to demonstrate that he/she had undertaken particular steps to ensure that information was kept secret, indicating its type and nature. This was necessary to assess whether they could, in reality, be able to achieve this goal.

Instead, the new trade secret definition sets a higher standard, imposing an obligation to 'act with due diligence to keep it secret'. 'Acting with due diligence' is used in other Polish legal acts to describe a particular standard of conduct expected, i.e., from an entrepreneur, which is why the Polish legislator decided to use it instead of 'taking reasonable steps under the circumstances' present in the Directive's wording. This new requirement questions whether and to what extent the previous case law would remain applicable as to the notion of a trade secret. Moreover, it would likely make it more difficult to seek protection of a trade secret in civil proceedings, in which a trade secret holder would be required to demonstrate not only that he/she acted with due diligence to keep it secret, but also that such actions were diligently performed considering the standards of a particular industry.

Secondly, the new definition defines a trade secret by describing it as information which is not known as 'a body or in the precise configuration and assembly of its components'.

Thirdly, while the previous definition required that a trade secret is not known to 'the general public', the new definition refers to 'persons within the circles that normally deal with the kind of information in question', in line with the Directive's wording.

Differences between the old and new definition of a trade secret have already been noted in case law (e.g., judgment of the Regional Administrative Court in Warsaw dated 25 November 2019, pertaining to a FOI request). However, future case law will show whether and to what extent the new

standard actually makes it more difficult for trade secret holders to enforce protection in civil matters.

IP courts and new procedural measures for the protection of Trade Secrets

On 1 July 2020, Poland welcomed the introduction of a new regime for the recognition of intellectual property matters by specialist courts, as well as under new procedural rules and measures. Trade secret matters will also fall under the exclusive competence of the new IP courts, i.e. separate divisions established in regional courts (1st instance cases) in 5 cities (Gdańsk, Katowice, Lublin, Poznań, Warsaw). Cases relating to trade secrets of a *technical nature* will be exclusively heard in the first instance by the IP court at the Regional Court in Warsaw. It is expected that such exclusive competence will contribute to the quality of judgments and increase the level of the court's expertise.

Further, trade secret holders may now benefit from new procedural measures, such as preservation of evidence, and disclosure or request for information concerning the origin and distribution networks of the infringing goods or services, which is necessary to assess the scale of infringement and calculate potential monetary relief. While these measures were previously available (to a certain extent) for copyright or industrial property right holders, they did not exist under the unfair competition regime. Thus, the new provisions are intended to strengthen the procedural position of trade secret holders.

The new rules also emphasise protection of confidential information submitted by defendants in the course of proceedings.

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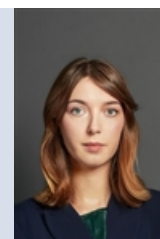
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