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The Dichotomy between Patent Law and Trade Secrets

The challenge to protect business information without undermining the patent system

The Dichotomie between Patent Law and Trade Secrets

Overview

Introduction

- I. Economic Interests
- II. Current legal situation in the USA
- III. Current legal situation in Germany
- IV. Deficiencies of the current legal situation
- V. Proposals for a modern legislation in Estonia

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Economic Interests

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Trade Secrets:

- Secret information
- Commercial value
- Subject to non-disclosure measures

Different approaches to the protection:

Patents: Exclusive rights

Trade secrets: Prohibition of illegal circumvention of non-disclosure measures

Trade secrets supplement patents and represent an attractive alternative

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Protection in the USA:

- Uniform Trade Secrets Act (UTSA)
- Economic Espionage Act (EEA)

„United States v. Sergey Aleynikov“

- Loophole for intern use
- EEA applied only to use in commerce

Upgrade of Protection:

- ❖ Trade Secret Clarification Act (2012)
- ❖ Economic Espionage Penaly Act Enhacement (2013)

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Protection in Germany:

- Civil Law
- Unfair Competition Law
- Criminal Law

Protection against unauthorized use of trade and business secrets by employees, contractors and other third parties

Legal consequences:

- ❖ Omission of further injury
- ❖ Damages (triple damage calculation)

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Deficiencies

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- Terminological inaccuracies between „trade secrets“ and „know-how“
- Legal uncertainty in relation to employees
- Loss of protection after (illegal) disclosure
- Difficulties to activate know-how in the balance
- Difficulties to transfer/licence know-how
- Difficulties to enforce violations in the process

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Proposals

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Model Law on IP (Prof. Ahrens/Prof. McGuire)

- **Creating of an intellectual property relative position**
 - Protection against unlawful exploitation and imitation
 - Distinction between trade secrets and know-how
- **Commercial exploitation**
 - Admissibility of commercial exploitation
 - Enabling of transfer with the entire business undertaking
- **Protection of trade secrets in proceedings**

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Further ideas to improve the protection

- Rules for the use of trade secrets after termination of employment
- Approval of the accounting of internally generated intangible assets
- Creation of know-how as an intellectual property position according to the not-registered Community Design Right

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Proposal:

In the event of unlawful disclosure of business and trade secrets, the injured party shall be protected against imitations for the duration of six months.

With respect to the infringer that period might be extended up to the duration, which the infringer would likely need to legally discover the secret information.