

# Table of contents

<b>Introduction</b> _____	7	<b>Brazil</b> _____	115
Trevor Cook		Elisabeth Kasznar Fekete	
Wilmer Cutler Pickering Hale and Dorr LLP		Kasznar Leonardos IP	
<b>An overview of trade secret misappropriation damages</b> _____	13	<b>Canada</b> _____	131
Christopher Gerardi		Donald M Cameron	
Hong Qiao		Bereskin & Parr LLP	
Charles River Associates		Kevin Shipley	
Steven Schwartz		Fogler, Rubinoff LLP	
Intensity LLC		<b>China</b> _____	153
<b>Argentina</b> _____	39	Binxin Li	
Pablo A Palazzi		Jacqueline Wang	
Allende & Brea		Elva Yao	
<b>Australia</b> _____	49	Baker McKenzie FenXun Joint Operation Office	
Matthew Swinn		<b>Czech Republic</b> _____	171
King & Wood Mallesons		Vojtěch Chloupek	
<b>Austria</b> _____	69	Bird & Bird	
Thomas Kainz		<b>Denmark</b> _____	191
LEGAL CHAMBERS Kainz		Johan Løje	
<b>Belgium</b> _____	83	LØJE IP	
Domien Op de Beeck		<b>Finland</b> _____	211
Auriane Schockaert		Tom Vapaavuori	
Bird & Bird		Bird & Bird	

<b>France</b> _____	227	<b>Portugal</b> _____	391
Yves Bizollon		Ana Rita Paínho	
Bird & Bird		SÉRVULO	
Chloé Nicolas			
Bardehle Pagenberg			
<b>Germany</b> _____	249	<b>Russia</b> _____	403
Nastasia Achilles		David A Aylen	
Dentons Europe LLP		Alexander Dovgalyuk	
		Gowling WLG	
<b>Hungary</b> _____	279	<b>Singapore</b> _____	433
Miklós Maráci		Alban Kang	
Egis Pharmaceuticals PLC		Bird & Bird	
József Tálás			
Danubia Legal		<b>South Africa</b> _____	447
		Joanne van Harmelen	
<b>India</b> _____	299	ENSafrica	
Shwetaree Majumder			
Fidus Law Chambers		<b>South Korea</b> _____	467
		Jongmin Lee	
<b>Ireland</b> _____	321	Seok Hee Lee	
Laura Scott		Chun Y Yang	
William Fry		Dong Hyun Yang	
		Kim & Chang	
<b>Italy</b> _____	349	<b>Spain</b> _____	491
Daniele De Angelis		Cristina Duch	
Bird & Bird		Itziar Osinaga	
		Baker McKenzie Barcelona	
<b>Japan</b> _____	369	<b>Sweden</b> _____	507
Kei Matsumoto		Gabriel Lidman	
Baker & McKenzie (Gaikokuho		Bird & Bird	
Joint Enterprise)			
<b>Mexico</b> _____	381	<b>Switzerland</b> _____	523
Ignacio Domínguez-Torrado		Simon Holzer	
Dot Consulting		Kilian Schärli	
		Stefan Schröter	
		MLL Meyerlustenberger	
		Lachenal Frieriep Ltd	

**Turkey** \_\_\_\_\_ 541

Uğur Aktekin

Güldeniz Doğan Alkan

Dilan Sıla Kayalıcı

Gün + Partners

**United Kingdom** \_\_\_\_\_ 557

Trevor Cook

Wilmer Cutler Pickering Hale

and Dorr LLP

**United States** \_\_\_\_\_ 575

Baraa Kahf

Knobbe Martens

Nicole Nance

**About the authors** \_\_\_\_\_ 595

**About Globe Law** \_\_\_\_\_ 611  
**and Business**

# United Kingdom

Trevor Cook

Wilmer Cutler Pickering Hale and Dorr LLP

---

## 1. Substantive aspects of both criminal and civil law

### 1.1 Legal theories and principal sources of law

Until the United Kingdom implemented Directive (EU) 2016/943 of 8 June 2016 ('the Trade Secrets Directive')<sup>1</sup> in 2018, trade secrets as such had not been the subject of any specific legal regime but fell within the scope of actions for breach of confidence – proceedings brought in the civil courts to protect confidential information. Such actions often have a contractual basis (for example, in the context of employment contracts or non-disclosure agreements), in which case they are founded on express or implied terms of such contracts, but it is not necessary that there be a contractual relationship for such an action, and although the precise legal basis in such non-contractual cases is controversial it is generally now characterised as an equitable obligation.<sup>2</sup>

*[An] "equitable obligation of confidence will arise as a result of the acquisition or receipt of confidential information if (but only if) the acquirer or recipient either knows or has notice (objectively assessed by reference to a reasonable person standing in his shoes) that the information is confidential."*<sup>3</sup>

Implementation in the United Kingdom of the Trade Secrets Directive

---

1 Directive (EU) 2016/943 of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJL 157, 15 June 2016, pp1–18) implemented in the United Kingdom by the Trade Secrets (Enforcement, etc) Regulations 2018 (SI 2018 No 597). As retained EU law under the European Union (Withdrawal) Act 2018 this (along with the other EU measures identified in this chapter) has continued to apply in the United Kingdom since 31 December 2020, notwithstanding the expiry then of the transition period that followed the United Kingdom's withdrawal from the European Union, and will continue so to do unless and until UK legislation, or decisions of the UK Supreme Court or the various UK Courts of Appeal, provide otherwise.

2 The non-contractual basis for an action for breach of confidence is generally traced back to the early 19thC case of *Prince Albert v Strange* [1849] EWHC Ch J20, as discussed in *Tchenguiz & Others v Imerman* [2010] EWCA 908 at [54] on. English law treats claims for breach of confidence as arising in equity, not tort (*Kitechnology BV v Unicorn GmbH* [2995] FSR 765).

3 *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch) at [224] and the cases there cited.

did not, however, involve the transposition of all aspects of the Directive. This was because some aspects, including Articles 3, 4 and 5, did not appear to call for any change to UK law. Because these three articles, comprising the entirety of Chapter III of the Directive – “Acquisition, use and disclosure of trade secrets” – set out the substantive law established by the Directive, implementation has in practice had little or no practical impact on the law of the United Kingdom (although in cases concerning ‘trade secrets’ as defined in the Directive – a broader definition than that traditionally applied to trade secrets in UK law in the context of employment relationships, as discussed below – the analysis generally now also takes account of the Directive).<sup>4</sup>

Neither the contractual nor the non-contractual, or equitable, basis for an action for breach of confidence has been codified in statute (except, as to the latter basis, to the limited extent consequential on limited implementation of the Trade Secrets Directive), but their precise scope and the relationship between them has been explored in the case law, which has recognised that the two can co-exist<sup>5</sup> and that “a contract may embrace categories of information within the protection of confidentiality even if, without a contract, equity would not recognise such a duty”.<sup>6</sup> However, “where the parties have specified the information to be treated as confidential and/or the extent and duration of the obligations in respect of it, the court will not ordinarily superimpose additional or more extensive equitable obligations.”<sup>7</sup>

Much UK case law on confidential information, and thus trade secrets, concerns the activities of ex-employees. This can provide a somewhat misleading impression of the law in general, as the UK courts are scrupulous in ensuring that actions for breach of confidence are not used

---

4 See *Trailfinders Ltd v Travel Counsellors Ltd & Others* [2020] EWHC 591 (IPEC) observing, *obiter*, at [9]: “It 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.” (Not discussed on appeal at [2021] EWCA Civ 38 although as noted there at [6]: “[I]t is common ground that the Directive did not apply to the events in question because they occurred in 2016.”) See also *Shenzhen Senior v Celgard* [2020] EWCA Civ 1293 at [20] on and *Fortescue Metals Group Ltd & Another v Argus Media Ltd & Another* [2020] EWHC 1304 at [53]. For an analysis, before its entry into force in the United Kingdom, of the likely effect of such implementation and of those aspects of the Directive that were not implemented, see Tanya F Aplin and Richard Arnold, “UK implementation of the Trade Secrets Directive”, ch 5 in Jens Schvosbo, Timo Minssen and Thomas Riis (eds), *The Harmonisation and Protection of Trade Secrets in the EU – An Appraisal of the EU Directive*, Edward Elgar, 2020, pp65–85.

5 *Robb v Green* [1895] 2 QB 315; *Nichrotherm Electrical Company Ltd and Others v Percy* [1957] RPC 207.

6 *Ministry of Defence v Griffin* [2008] EWHC 1542.

7 *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch) at [131], citing *Vercoe and Pratt v Rutland Fund Management Ltd* [2010] EWHC 424 (Ch) at [329].

as a disguised means of preventing ex-employees from competing or from using for their own benefit, or that of third parties, information that forms part of their own skill, knowledge and experience – even if it is confidential and was learnt during the course of their employment. However, such ex-employees are not entitled to use any ‘trade secrets’ (here using the term in a narrower sense than it is used in the Trade Secrets Directive)<sup>8</sup> of their former employer. In contrast, the law of breach of confidence allows, in other situations, more to be protected than trade secrets as narrowly defined in the context of ex-employees. However, for as long as an employment relationship subsists it is not only the contractual and equitable obligations of confidence that apply to an employee, but also the wider one of good faith.

There is no protection in the United Kingdom under criminal law for trade secrets or other confidential information as such,<sup>9</sup> although certain specific types of trade secret, and certain means of gaining access to them, may in practice be protected by criminal law statutes such as the Official Secrets Act 1911 and the Computer Misuse Act 1990.

## 1.2 Qualification for protection

In *Coco v AN Clark (Engineers) Ltd*, Justice Megarry observed:

*[T]hree elements are normally required if, apart from contract, a case of breach of confidence is to succeed. First, the information itself ... must have the ‘necessary quality of confidence about it’. Secondly, that information must have been imparted in circumstances importing an obligation of confidence. Thirdly, there must be an unauthorised use of that information to the detriment of the party communicating it.*<sup>10</sup>

Moreover, the information in respect of which confidence is asserted must be identified with precision.<sup>11</sup>

Thus, the nature of the information that can be protected by an action

---

8 See *Trailfinders Ltd v Travel Counsellors Ltd & Others* [2020] EWHC 591 (IPEC) at [9] observing, *obiter*, at [14]: “It should be noted that in *Faccenda Chicken* and later judgments ‘trade secrets’ is a term which has been used narrowly to mean information having a high degree of confidentiality. Directive 2016/943 uses the term ‘trade secrets’ broadly, covering any sort of confidential information. ...” (Not discussed on appeal at [2021] EWCA Civ 38 although as noted there at [6]: “It is common ground that the Directive did not apply to the events in question because they occurred in 2016.”)

9 See *Oxford v Moss* (1979) 68 Cr App Rep 183, in which it was held that it was not the criminal act of theft illicitly to remove an examination paper in advance of the examination and to copy it, when it had been replaced where it was found, as there was no intention permanently to deprive the owner of the paper of it.

10 Megarry, J in *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41 (quoting Lord Green in *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203).

11 *CMI-Centres for Medical Innovation and Another v Phytopharm PLC* [1998] EWHC Patents 308 at [25], citing *John Zinc Co Ltd v Wilkinson* [1973] RPC 7170.

for breach of confidence encompasses the concept of a trade secret as defined in the Trade Secrets (Enforcement, etc) Regulations 2018,<sup>12</sup> which tracks the language of the Trade Secrets Directive. According to both, a trade secret is information which:

- 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;
- has commercial value because it is secret; and
- has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

As noted above, this is a broader definition of the term ‘trade secret’ than had been traditional in UK law where, in the context of ex-employees, it was “used narrowly to mean information having a high degree of confidentiality”<sup>13</sup> when distinguishing between trade secrets and other types of confidential information. In the context of the obligations of ex-employees, only the former could in general be protected under the law of breach of confidence, as to which it was held by the English Court of Appeal in *Faccenda Chicken Ltd v Fowler* as follows:<sup>14</sup>

*[T]he obligation not to use or disclose information may cover secret processes of manufacture such as chemical formulae (Amber Size and Chemical Co Ltd v Menzel [1913] 2 Ch 239), or designs or special methods of construction (Reid & Sigrist Ltd v Moss and Mechanism Ltd (1932) 49 RPC 461), and other information which is of a sufficiently high degree of confidentiality as to amount to a trade secret eo nomine.*

The Court of Appeal went on to observe:

*It is clearly impossible to provide a list of matters which will qualify as trade secrets or their equivalent. Secret processes of manufacture provide obvious examples, but innumerable other pieces of information are capable of being trade secrets, though the secrecy of some information may be only short-lived.*

In the same way, there is no limit to the type of information that can be protected by an action for breach of confidence (and thus trade secrets in their broader sense). The law has been prepared to protect matters as

---

12 The Trade Secrets (Enforcement, etc) Regulations 2018 (SI 2018 No 597).

13 See note 8 above.

14 *Faccenda Chicken Ltd v Fowler* [1987] Ch 177 at 135G-138H.

diverse as industrial devices and processes,<sup>15</sup> formulations or recipes,<sup>16</sup> proposals for commercial ventures,<sup>17</sup> customer details<sup>18</sup> and pricing information.<sup>19</sup> The law of confidential information has also been used to protect both private information and government secrets.

### 1.3 Assignment and licensing of trade secrets

There has been controversy in recent years in the UK courts as to whether confidential information (and thus trade secrets) constitutes property. Thus in *Douglas v Hello*<sup>20</sup> the House of Lords differed from the English Court of Appeal in rejecting the proposition that confidential information (in this case personal information) was a property right that could be owned and transferred. However, in *Fairstar Heavy Transport NV v Adkins & Another*<sup>21</sup> the English Court of Appeal, deciding the matter on other grounds, expressed the view that it would be unwise for it to endorse the proposition that there can never be property in information without knowing more about the nature of the information in dispute and the circumstances in which a property right was being asserted, noting that “some kinds of information, such as non-patentable know-how, are more akin to property in their specificity and exclusivity than, say, personal information about private life”.

Thus it is suggested that it would be unwise to rely under UK law on a simple purported assignment of trade secrets and that this ought instead to be effected by an agreement which, at a minimum, obliges the transferor not only to disclose the trade secrets to the transferee, but also to warrant that they have not been disclosed to any third party, and to undertake henceforth to preserve their confidentiality and not to use them. Similarly a licence of trade secrets, if exclusive, should include a warranty on the part of the licensor that the trade secrets have not been disclosed to any third party, and an undertaking henceforth to preserve their confidentiality and not to use them.

Moreover, in order for a technology rights licence that includes

---

15 *Seager v Copydex Ltd* [No 1] [1967] 2 All ER 415.

16 *Vestergaard Frandsen A/S v Bestnet Europe Ltd* [2011] EWHC 424; *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch); *Goldenfry Foods v Austin and Others* [2011] EWHC 137 (QB).

17 *Fraser v Thames TV* [1984] QB 44; *Veroe and Pratt v Rutland Fund Management Ltd* [2010] EWHC 424(Ch); *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch).

18 *First Conferences Services Ltd & Another v Bracchi & Another* [2009] EWHC 2176 (Ch); *JN Dairies Ltd v Johal Dairies Ltd & Another* [2009] EWHC 1331 (Ch) [2010] EWCA Civ 348.

19 *Fortescue Metals Group Ltd & Another v Argus Media Ltd & Another* [2020] EWHC 1304 (interim injunction against publication refused on other grounds).

20 *Douglas v Hello* [2005] EWCA Civ 505, [2007] UKHL 21.

21 *Fairstar Heavy Transport NV v Adkins & Another* [2013] EWCA Civ 886.



otherwise restrictive provisions relating to licensed trade secrets to benefit, where appropriate, from the safe harbour from Article 101 TFEU provided by the technology transfer block exemption, the licensed 'know-how' (as the block exemption describes it) must comply with the definition it provides of 'know-how':<sup>22</sup>

*[A] package of practical information, resulting from experience and testing, which is: (i) secret, that is to say, not generally known or easily accessible, (ii) substantial, that is to say, significant and useful for the production of the contract products, and (iii) identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfills the criteria of secrecy and substantiality.*

#### 1.4 Right to assert misuse or improper dissemination of trade secrets

The claimant must be a person who is entitled to the confidence and to have it respected:<sup>23</sup>

*[T]hat requires the claimant to show that he has a sufficient interest in the information to entitle him to maintain an action to restrain its unauthorised dissemination or use ... [T]he appropriate inquiry should be directed to considering whether the claimant has demonstrated that [it] made a sufficient contribution to the creation of the relevant confidential information, in the furtherance of its own commercial interests, to justify the imposition of a duty, recognised by the courts and owed to [the claimant], to keep that information secret, and entitling them to restrain its unauthorised use.*<sup>24</sup>

Thus it is not necessary that the claimant demonstrate title or ownership.

---

22 Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements (*OJL* 93, 28 March 2014, p17). As retained EU law under the European Union (Withdrawal) Act 2018 this has continued to apply in the United Kingdom (with amendments made to the Competition Act 1998 by the Competition (Amendment etc) (EU Exit) Regulations 2019 and by the Competition (Amendment etc) (EU Exit) Regulations 2020 so that it functions as an exemption from UK competition law) since 31 December 2020 notwithstanding the expiry then of the transition period that followed the United Kingdom's withdrawal from the European Union, and will continue so to do unless and until UK legislation, or decisions of the UK Supreme Court or the various UK Courts of Appeal, provide otherwise.

23 Per Lord Denning in *Fraser v Evans* [1969] 1 QB 349 at 361, holding that a consultant who had, under contract, produced a confidential report for a government, was not entitled to restrain a newspaper from publishing information from that report, and that the government was the only party in a position to object to the information being published as they "were the people entitled to the information ... It follows that they alone have any standing to complain if anyone obtains the information surreptitiously or proposes to publish it ..."

24 *Robert Andrew Jones v IOS (RUK) Ltd (in members' voluntary liquidation) and Another* [2012] EWHC 348 (Ch) at [40].

### 1.5 Threshold for the misuse or improper dissemination of a trade secret

It is a breach of confidence to make unauthorised use of confidential information or a trade secret (and thus to manufacture articles making use of it, subject to the degree to which this is the case) or to make an unauthorised disclosure of it to third parties. Subconscious misuse will suffice. The issue of what activities are authorised can, absent contractual provision, prove problematic in some cases. It has been held that where confidential information developed for a project belonged jointly to several members of a team, then if one member of the team could be excluded from the project, such member could not, after such exclusion, prevent the others from using the information as they pleased.<sup>25</sup>

As to the threshold of confidentiality that is required for an action for breach of confidence to succeed:

*[Confidentiality] does not attach to trivial or useless information: but the measure is not its commercial value; it is whether the preservation of its confidentiality is of substantial concern to the claimant, and the threshold in this regard is not a high one.*<sup>26</sup>

Thus in *Seager v Copydex Ltd*<sup>27</sup> the English Court of Appeal disagreed with the first instance court as to the significance of the confidential information in issue, holding that “it was the springboard which enabled [the defendants] to go on to devise” their product and to apply for a patent for it. Although information cannot be treated as confidential if it is common knowledge or generally accessible and in the public domain, it is not necessary for a claimant to show that no one else knew of or had access to it.<sup>28</sup> Moreover, confidentiality may reside in a particular combination or presentation of information, the individual components of which are not of themselves or individually confidential:

*[I]t is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker on materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.*<sup>29</sup>

The obligation to preserve confidence does not establish a positive

---

25 *Murray v Yorkshire Fund Managers* [1998] 2 All ER 1015.

26 *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch) at [123], citing *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch) at [223].

27 *Seager v Copydex Ltd* [1967] 2 All ER 415.

28 *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch) at [124].

29 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203 at 215.

duty to take care to prevent confidential information or documents from falling into the hands of someone else, an issue that has been explored in the context of data security breaches.<sup>30</sup>

### 1.6 Direct and indirect liability for the misuse or improper dissemination of a trade secret

Generally, the subsequent recipient of confidential information who neither knew, nor ought to have known, of its confidential nature will not be liable for breach of confidence arising from his or her disclosure of it, although once on notice of the confidential nature of such information he or she is potentially liable and can be restrained from continuing to use or rely upon the confidential information (having said which, it is unlikely that he or she would have any liability for damages in respect of activities undertaken while not on notice). As to the position where a recipient becomes aware that information is confidential to another, it has been held as follows:

*If the circumstances are such as to bring it to the notice of a reasonable person in the position of the recipient that the information, or some of it, may be confidential to another, then the reasonable person's response may be to make enquiries. Whether the reasonable person would make enquiries, and if so what enquiries, is inevitably context- and fact-dependent. If the reasonable person would make enquiries, but the recipient abstains from doing so, then an obligation of confidentiality will arise.*<sup>31</sup>

The degree to which common design and joint tortfeasance theories should be applied to breach of confidence actions in a manner analogous to the intellectual property torts of strict liability such as patent infringement has caused difficulty, and the UK Supreme Court has held that an ex-employee who has not received confidential information from his or her employer but unknowingly assists others improperly to use confidential information of that ex-employer is not thereby rendered liable for such misuse.<sup>32</sup>

Normal principles of vicarious liability apply to the acts of employees, so that employers will be liable for the acts of their employees where the employee “was engaged, however misguided, in furthering his employer’s business” as opposed to cases where the employee “is engaged

---

30 *Warren v DSG Retail Ltd* [2021] EWHC 2168, at [18]–[32], leaving a claim for breach of statutory duty in breaching the 7th Data Protection Principle under the Data Protection Act 1998 as the claimant’s only remedy.

31 *Travel Counsellors Ltd v Trailfinders Ltd* [2021] EWCA Civ 38 at [28].

32 *Vestergaard Frandsen A/S (now called mvf3 Apps) v Bestnet Europe Ltd* [2013] UKSC 31 at [44].

solely in pursuing his own interests: on a ‘frolic of his own’, in the language of the time-honoured catch phrase”.<sup>33</sup>

### 1.7 Defences available in trade secret proceedings

Most actions for breach of confidence are defended on the basis that there has been no use of the information in issue or, more usually, that such information lacks the necessary quality of confidence.

An ex-employee may have a defence to allegations of misuse of certain types of confidential information because, as observed above at 1.1 and 1.2, once an employment relationship has ceased an employee has a continuing obligation of confidentiality in respect of information which “can properly be classed as a trade secret or as material which, while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret ...”. However, the obligation does not extend to “all information which is given to or acquired by the employee while in his employment, and in particular may not cover information which is only ‘confidential’ in the sense that an unauthorised disclosure of such information to a third party while the employment subsisted would be a clear breach of the duty of good faith”.<sup>34</sup> This distinction has also been applied to a consultant, although this was by agreement between the parties and the trial judge questioned whether such an approach would apply to all consultants.<sup>35</sup> It should be noted, however, that in the above passages the term ‘trade secret’ is used in the narrow sense of information of a highly confidential nature, rather than as defined in the Trade Secrets Directive, where the definition is broader, and corresponds more closely to the definition of confidential information in UK law.

Reverse engineering a product that one has lawfully acquired, including reverse engineering information encrypted for security, is not a misuse of confidential information.<sup>36</sup>

A statutory duty to use confidential information, or a court order mandating its disclosure,<sup>37</sup> will provide a defence to such use or

---

33 *WM Morrison Supermarkets Plc v Various Claimants* [2020] UKSC 12 at [47], quoting *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48 at [32].

34 *Faccenda Chicken Pty Ltd v Fowler* [1985] 1 All ER 724.

35 *Vestergaard Frandsen A/S v Bestnet Europe Ltd* [2009] EWHC 657 at [648].

36 *Mars v Teknowledge* [2000] FSR 138, but see *Volkswagen v Garcia* [2013] EWHC 1832 (Ch) for an unsuccessful attempt on the facts to rely on this defence in seeking to resist an interim injunction. Note that Article 3(1)(b) of the Trade Secrets Directive expressly excludes information secured through reverse engineering from the scope of the protection conferred by the Directive, although this, together with the remainder of Articles 3, 4 and 5, has not been implemented in the United Kingdom as it was considered already to form part of UK law.

37 *Science Research Council v Nasse* [1980] AC 1028.

disclosure. In the case of the former it has been held, as to information submitted to regulatory authorities when seeking a marketing authorisation for a medicine to allow them to assess the safety, quality and efficacy of such medicine, that although it would have been a breach of confidence for such authorities to disclose such information to third parties, they had the right and duty to make use of such information for the purposes of discharging their statutory duties.<sup>38</sup>

## 1.8 Liability of claimants

Unlike many other areas of intellectual property (namely patents, designs and trademarks) a wrongful threat of proceedings for breach of confidence is not in itself actionable under UK law, although depending on the circumstances it may in extreme cases give rise to liability as an interference with contractual relations.

Commencing an action for breach of confidence without an adequate basis so to do may be penalised by way of an adverse costs order against the claimant being made on an indemnity rather than the standard basis, and an unjustified failure to follow the pre-action protocol may be penalised by way of an adverse costs order against the claimant.

## 2. Remedies under both criminal and civil law for misuse or improper dissemination of a trade secret

### 2.1 Final remedies for misuse or improper dissemination of a trade secret in a civil action

Even though it is not clear whether Directive 2004/48/EC ('the EU Enforcement Directive')<sup>39</sup> applies to trade secrets, the UK courts have on occasion been content to assume that it does,<sup>40</sup> although in practice it has had little practical effect on the remedies available from such courts, which include the grant of an injunction, an award for damages suffered by the claimant or alternatively (at the discretion of the court) an account of the defendant's profits, as well as delivery-up of items which would infringe the injunction, and publicity orders.

---

38 *Smith Kline & French Laboratories Ltd v Attorney General* [1989] FSR 418. Such activity would now be subject to TRIPS Article 39(3).

39 Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (*OJL* 195, 2 June 2004, p16). As to the intellectual property rights to which it relates, see Statement 2005/295/EC by the Commission concerning Article 2 of Directive 2004/48/EC (*OJL* 94, 13 April 2005, p37) setting out a non-exhaustive list of rights but omitting trade secrets from these. This is retained EU law as discussed in note 1 above.

40 *Vestergaard Frandsen A/S (now called mvf3 Apps) v Bestnet Europe Ltd* [2011] EWCA Civ 424 at [56].

Although there is no fetter under English law to imposing, in extreme cases, a constructive trust in favour of the owner of a trade secret over property gained by reason of the misuse of that trade secret, the only cases in which this has occurred have concerned patents in the context of entitlement proceedings, where although trade secrets may have also been in issue it was by virtue of patent law that the patent or the patent application was transferred to the claimant.<sup>41</sup>

## 2.2 Remedies for extraterritorial misuse or improper dissemination of a trade secret

In practice, much trade secrets litigation before the UK courts has concerned activities which have taken place outside the United Kingdom but where personal jurisdiction has been established over the defendants, and the concerns that have historically attended requests of UK courts to adjudicate on foreign intellectual property rights have not arisen. The question of applicable law in such cases has only rarely arisen.<sup>42</sup> Applicable law in relation to the misuse of trade secrets does, however, present difficulties under UK law as it depends on the legal basis for the action. If it is in contract, the Rome I Regulation<sup>43</sup> applies, and applicable law will in general be the law that governs the contract. But if the basis is non-contractual, Rome II Regulation applies,<sup>44</sup> and this has different rules for intellectual property rights, unfair competition and other types of non-contractual claim.<sup>45</sup>

## 2.3 Obtaining a final injunction against misuse or improper dissemination of a trade secret

The case law as to the degree to which a permanent injunction may be appropriate in cases of breach of confidence, and its proper scope, was

---

41 See *Yeda Research and Development Company Ltd v Rhone-Poulenc Rorer International Holdings Inc & Others* [2007] UKHL 43, establishing that it was not necessary, in order to prevail in a patent entitlement claim, to be able to prevail in an action for breach of confidence.

42 See *Vestergaard Frandsen A/S (now called mvf3 Apps) v Bestnet Europe Ltd* [2009] EWHC 657 (Ch), [2009] EWHC 1456 (Ch), [2011] EWCA Civ 424, [2013] UKSC 31 for an example of a case where the jurisdiction of the English court was not called into question and although many of the activities in issue took place outside the United Kingdom, the question of applicable law was not raised by the parties.

43 Regulation (EC) No 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I) (*OJL* 177, 4 July 2008, p6). This is retained EU law as discussed in note 1 above.

44 Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (*OJL* 199, 31 July 2007, p40). This is retained EU law as discussed in note 1 above.

45 See *Shenzhen Senior v Celgard* [2020] EWCA Civ 1293 at [50] on, for a recent discussion of the issue.

reviewed extensively at first instance in *Vestergaard v Bestnet*.<sup>46</sup> Here it was recognised that in contrast to an interim injunction, the role of which was to preserve the status quo pending trial, with a permanent injunction “the court must be careful to ensure that such an injunction does not put the claimant in a better position than if there had been no misuse”, and “the duration of any such injunction should not extend beyond the period for which the defendant’s illegitimate advantage may be expected to continue”. An injunction was ordered in respect of one product, the manufacture and sale of which had been held to amount to misuse of the claimant’s trade secrets, but not in respect of another product whose formulation derived from such misuse. This was in part because such other product was further away from the claimant’s formulations, and in part because the passage of time would have allowed suitable proportions of the principal additives (the identity of which could be obtained from public domain sources) to be worked out by trial and error after the expenditure of a certain amount of time and effort, which time and effort had been saved by misuse of the claimant’s trade secrets.

#### 2.4 Monetary remedies for misuse or improper dissemination of a trade secret

As observed above (at 2.1) it is unclear whether or not the EU Enforcement Directive (Article 13 of which addresses financial remedies) applies to actions for breach of confidence, but UK law will allow the claimant to recover for the damage that it has suffered. Calculation of such damages will depend on the circumstances but aims to establish the value of the information that the defendant took, as between a willing seller and a willing buyer.<sup>47</sup> UK law will, as an alternative (see 2.5 below), permit the successful claimant in exceptional circumstances to seek an account of the profits made by the defendant by reason of the misuse. Punitive damages are not available under UK law.

The successful claimant in an action for misuse of trade secrets may in certain cases, as an alternative to having the financial damage determined, seek an account of the profits made by the defendant by reason of such misuse; although, and in contrast to other intellectual property rights (because the right in issue is not clearly proprietary in

---

46 *Vestergaard Frandsen A/S and Others v Bestnet Europe Ltd and Others* [2009] EWHC 1456 (Ch) at [27]–[96] (upheld on appeal except as to the liability of one co-defendant who had been found to be liable on a common design theory – EWCA Civ 424, [2013] UKSC 31).

47 *Seager v Copydex (No 2)* [1969] 1 WLR 809 at 813; *Force One Team Ltd v Aerolab SRL and Another* [2013] EWCA Civ 780 at first instance at [386]; *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch) at [1182]–[1305] and the other cases cited at [1195].

nature) the court must be satisfied that exceptional circumstances apply so that this is a “just response to the wrong in question”.<sup>48</sup>

## **2.5 Remedies and sanctions available for misuse or improper dissemination of a trade secret under criminal law**

As observed above (at 1.1) the wrongful use or disclosure of a trade secret or other confidential information does not, in and of itself, in general give rise to criminal liability under the law in the United Kingdom.

This is an extract from the chapter ‘United Kingdom’ by Trevor Cook in *Trade Secret Protection: A Global Guide, Second Edition*, published by Globe Law and Business.

---

48 *Vercoe and Pratt v Rutland Fund Management Ltd* [2010] EWHC 424 (Ch) at [339]–[440]; *CF Partners Limited v Barclays Bank plc and Others* [2014] EWHC 3049 (Ch) at [1168]–[1181].