

Helena ŻAKOWSKA–HENZLER*

CONFIDENTIAL BUSINESS INFORMATION - DEFINITION AND LEGAL CHARACTER OF PROTECTION

Summary

The term “business secret” is one of many terms used in the language of law and the language of lawyers with reference to the information kept secret, concerning such a method of operation used in the activity of an enterprise which brings market success or at least gives hope for success. Despite the expansion of the industrial property rights, that has been observed for decades, the importance of confidential information, referred to, among others as business secrets or trade secrets, is still growing and is accompanied by the development of the rules for their legal protection. Nowadays, many entrepreneurs treat confidentiality of information as a no less important factor, and often even more convenient for acquiring and maintaining market position than industrial property rights. An illustration and confirmation of the growing role of legal protection of confidential information may be, observed in recent years, the development of national legal regulations concerning this matter, while at the EU level the adoption in 2016 of the Directive 2016/943 on protection of secret know-how and confidential commercial information (an enterprise’s secret) against their unlawful acquisition, use and disclosure. The legal protection of trade secret is the subject of numerous discussions on various aspects of this issue. The paper is dedicated only to one of them – identification of information considered to be an enterprise’s protected secret and a model of this protection. In particular, the focus was on analyzing the compliance in this scope with the Polish law for the protection of business secret pursuant to the Act on Combating Unfair Competition with the Directive 2016/943.

Key words: *business secret, directive 2016/943, TRIPS Agreement, unfair competition, confidentiality*

* Helena Żakowska-Henzler, Assistant professor of Bielsko-Biała School of Finance and Law, Department of Law and Social Science,

Introduction

The term “business secret” is one of many terms used in the language of law and the language of lawyers with reference to the information kept secret, concerning such a method of operation used in the activity of an enterprise which brings market success or at least gives hope for success. One of the sources of such a success is to overcome or even overtake the competitors, owing to the use of information they did not have access to, so they could not make use of them.

The secret so understood was, for thousands of years, the basic instrument of competitive battle. In ancient Greece, methods of creating gold alloys and their processing were kept secret, all around the world the architects guarded their ways of constructing towers, constructing vaults, in China the secret surrounded the technology of making porcelain products and production of silk. In Saxony, the regulation of 1698 provided for death penalty for violation of the prohibition to provide apprenticeship to “foreigners or persons coming from abroad”; such a penalty was also established in the General Prussian Landrecht of 1794 for those who “persuaded a factory’s superior or their employee to emigrate and helped them to do so” – for such an action was considered, by posing a threat of revealing a professional secret, “to expose his homeland to an irreparable damage.”¹ These secrets were physically protected by preventing the foreigners from accessing the confidential activities and processes, including those who, contrary to the obstacles, obtained such an access – by preventing their dissemination (e.g. by depriving them of freedom).

These traditional forms of protection against competitive activity have proved to be insufficiently effective in new forms of business activity, including in particular production activities, being shaped in the scope of the so-called industrial revolution. Therefore, the development and dissemination of legal instruments of protection against competition, including in the form of industrial property rights, is associated with this period of economic history. Among these rights, two groups can be distinguished.

The first one – important from the point of view of the subject of the paper, includes the rights that are supposed to protect the exclusivity of

¹ The above information concerning the history as cited in: Beata Giesen, *Protection of business secret on the basis of article 11 ZNKU*, SPP 2013/2.

using the information significant in business activity. These are, for example, patents, protection rights for utility models or industrial designs. In the second group there are rights identifying an entrepreneur (law protecting the name) or indicating the origin of goods (services) from a specific entrepreneur (protection right to the trademark). However, the process of creating and strengthening of such laws, did not weaken the role of secrecy in business activity. Quite the opposite, despite the observed expansion of the industrial property rights, the significance of confidential information, referred to, among others as business secrets or trade secrets, is still growing and is accompanied by development of rules of their legal protection. Its beginning is connected, among other things, with the judgments of the English and American courts, which in the first years of the nineteenth century began to adjudicate damages for the disclosure of a trade secret².

Nowadays many entrepreneurs treat confidentiality of information as a no less important factor, and often even more convenient for acquiring and maintaining the market position than industrial property rights, such as, for instance, a patent³. The prevalence of the former is seen, among others, in the fact that the secret's protection does not require the fulfillment of any formal acts, and thus does not require any additional costs; its actual nature creates at the same time an actual and not only a legal barrier preventing (and at least impeding) an access to confidential content.

An illustration and confirmation of an increasing role of legal protection of confidential information may be, observed in recent years, development of national legal regulations concerning this matter, and at the European Union's level adoption in 2016 of Directive 2016/943 on the protection of secret know-how and confidential commercial information (an enterprise's secret) against their unlawful acquisition, use and disclosure (hereinafter referred to as "Directive 2016/943" or

² As cited in A. Michalak, *Protection of business secrets. Civil law issues*, Zakamycze 2006.

³ Attention is drawn to this in the Recitals to the Directive, and about this phenomenon on a global scale, among others A. Rand, *Patents...*, p. 213 as cited in: C. Błaszczuk, *Libertarianism in view of intellectual property law* ZNUJ 2017/2/133-156.

“Directive”)⁴. Postulates for creation of a global system for protection of this kind of information are also increasingly formulated⁵.

Legal protection of trade secrets is the subject of numerous discussions on various aspects of this issue, including the type of information covered by protection, legal nature of such protection, behavior of the third parties, which should be considered impermissible, as well as the nature and extent of liability in the event of violation of the rules applicable in this scope.

The paper is devoted exclusively to an enterprise’s secret as the subject, protection of which is covered by the Directive and its model of protection. Identification of information whose confidentiality should be respected is important not only from the point of view of the holder of such information, since it is a starting point for both considerations regarding a function and an impact of the existing rules for the protection of confidential information on the innovative character of the economy, and hence also its development, as well as for delimiting the boundaries between lawful behaviors and those that constitute violation of the law. In this context, the model – the legal nature of such protection is no less important.

1. Legal basis for protection of business secret

1.1. Business secret in international law

Although, as mentioned above, there is a great diversity of national regimes for protection of business secrets, some assumptions of such protection have been established in the most important multilateral

⁴ Directive of the European Parliament and of the Council (EU) 2016/943 of 8 June 2016 on protection of secret know-how and non-public commercial information (business secrets) against their unlawful acquisition, use and disclosure – Official Journal UE of 15.06 2016, L.157/1

⁵ E.g. Letter dated 7.11 of current year, directed to government agency - the U.S. Trade Representative by Consortium of Entrepreneurship USA, available at: <http://www.ipo.org/wp-content/uploads/2017/11/2017-11-7-International-Trade-Secrets-Association-Letter-Final.pdf>; Asia-Pacific Economic Cooperation (APEC) published in 2016 the document: *Best Practices in Trade Secret Enforcement and Protection Against Misappropriation*. Initiatives in this regard are also taken by the International Chamber of Commerce (ICC) by organizing the assistance of the lawyers for entrepreneurs and governments in the creation and protection of confidential information.

agreements concerning industrial property rights. According to the dominant view, the first international agreement of such type, the provisions of which may constitute the basis for the obligation to protect the confidentiality of the enterprise, is the Paris Convention on the protection of industrial property of 1883⁶. It is indicated in its article 10 bis, obliging the parties to the Convention to provide the natural and legal persons with the protection against the unfair competition, and of such a character, in accordance with that provision, is any act of competition which fails to comply with the honest customs in the field of industry or trade⁷. As an act of unfair competition, in particular, the unfair use of other people's achievements is recognized, and of such character undoubtedly is the use of someone else's secret against their will⁸.

In turn, the first multilateral international agreement, which explicitly refers to the protection of **the undisclosed information** as one of the forms of protection against the unfair competition, is TRIPS Agreement⁹. Section 7, separated in this document, entitled "Protection of undisclosed information", in accordance with the literal wording of article 39 sec. 1, serves the purpose provided for in article 10 bis of the Paris Convention for protection against the unfair competition.

The parties to this agreement are obliged to provide natural and legal persons with protection against the disclosure, acquisition or use of undisclosed information, i.e. information that meets three premises in total. This is information kept confidential, having commercial value

⁶ Paris Convention for the Protection of Industrial Property of March 20, 1883, repeatedly amended - the last time in Stockholm on July 14, 1967. Poland is a party to the Convention according to the Stockholm act (Journal of Laws of 1975 No. 9, item 51).

⁷ F. Henning-Bodewig, *International Protection Against Unfair Competition - Article 10 bis Paris Convention, TRIPS and WIPO Model Provisions, International Review of Intellectual Property and Competition Law 1999*, vol. 30, no. 2, pp. 168-173; D.E. Long, A. D'Amato, *A Coursebook in International Intellectual Property*, St. Paul, MN 2000, p. 352 – as cited in: M. Sieradzka, M. Zdyb (eds.), *The Act on Combating Unfair Competition. Commentary*, ed. II.: WK 2016.

⁸ E.g. A. Kamperman Sanders, *Unfair Competition Law: the protection of intellectual and industrial creativity*, New York 1997, p. 7 : as cited in E. Nowińska, M. du Vall in: A. Adamczak, A. Szewc, *Paris Convention on the protection of industrial property. Commentary*, 2008, p. 293.

⁹ Agreement on Trade – Related Aspects of Intellectual Property Rights, attachment to Journal of Laws of 1996 No. 32, item 143; the EU is also a party to this agreement (approved by the Council's Decision 94/800 / EC); valid in Poland from 1.01. 2004.

precisely for reasons of confidentiality, and at the same time the holder of such information undertakes the activities aimed at maintaining the confidentiality (article 39 section 2 of TRIPS). The brevity and vagueness of the TRIPS provisions regarding the protection of the undisclosed information means that the parties have retained far-reaching freedom in shaping the model, rules and protection of undisclosed information. It can therefore have (and it has) a form of protection *sui generis* as well as it can be (and sometimes it is) implemented with the aid of civilian instruments, for example as legal protection of the subjective right, protection in tort, contract protection, mixed (tort and contract), as well as on the grounds of the provisions of unjust enrichment¹⁰.

1.2. Business secret in the European Union law

The deep diversification of national systems for the protection of undisclosed information referred to the above occurred, inter alia, in EU countries. However, in principle, in all of Member States they were protected, but the subject of this protection, the scope, as well as the bases and the model of liability for violation of secrets varied¹¹. Due to the importance of such information for the business activity, for shaping economic relations, such situation was perceived as obviously hindering the shape of a single internal market. It was pointed out that the consequence of the existing differences is in particular the difficulty of pursuing claims in cross-border relations. The adoption of the Directive and its implementation¹² is to eliminate or at least to mitigate the most significant differences among national legal orders in this scope. It is to ensure, at the same time, the protection of access to confidential

¹⁰ See e.g. D. Lippoldt, M. Schultz [in:] OECD report: *ENQUIRIES INTO INTELLECTUAL PROPERTY'S ECONOMIC IMPACT*, OECD 2015 p. 210; A. Michalak, *Protection of business secrets. Civil law issues*. Zakamycze 2006.

¹¹ An overview of these regulations is presented by A. Michalak, *Secret's protection...*, p. 27 and the following pages. In some countries there are no separate provisions and rules for the protection of such information e.g. in France protection under civil law, in others there is a separate regulation, in Italy protection of secrecy patterned on the patent protection model; in France, the case law has developed the concept of economic parasitism - W. Van Caenegem, *Trade Secrets and Intellectual Property: Breach of Confidence, Misappropriation and Unfair Competition*, Alphen aan den Rijn: Wolters Kluwer, 2014, p. 147 *et seq.*

¹² It is to take place by 9 June 2018 - article 19 sec. 1 of the Directive.

information against threats coming from two directions: in the first place, against disclosure of information by employees, which is considered the most serious threat to the interests of entrepreneurs, and secondly, against external actions, including the so-called economic espionage.

In the course of works on the Directive, the postulates were reported for shaping the harmonization as complete, envisaged in the Directive. It was considered that it was necessary for the intended implementation of the goal¹³. *Prima facie*, it seems obvious that these suggestions have not been taken into account. According to article 1 the first sentence of the Directive *Member States may adopt a more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets than the protection required by this Directive*. However, further reading of this provision raises doubts as to the accuracy of the above statement, and at least so as to the appropriateness of the categorical formulation of such a statement. Establishing further-reaching protection is permissible only if the law complies with the numerous provisions specified in the second sentence of article 1 section 1 of the Directive¹⁴. In the opinion of some commentators, such editing may justify the conclusion that the harmonization should be complete in the scope covered by the indicated provisions, and thus protection under domestic law shall not be more powerful than the one established in the Directive¹⁵. However, it is pointed out that one cannot exclude only the “educational” nature of this claim, and in face of ambiguity, the settlement in this scope will belong to TSUE¹⁶. When signaling these doubts, it is worth bearing in mind that most of the provisions specified in article 1 point 1 of the Directive

¹³ R. Knaak, A. Kur, M. Hilty, *Comments of the Max Planck Institute for Innovation and Competition of 14 June 2014 on the Proposal of the European Commission for a Directive on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against Their Unlawful Acquisition, Use and Disclosure of 28 November 2013, COM(2013) 813 Final* [in:] *International Review of Intellectual Property and Competition Law*, 2014, p. 956 et seq. – hereinafter referred to as: “the position of the Max Planck Institute”.

¹⁴ These are, according to art. 1 of the directive: articles 3, 5, 6, article 7 sec. 1, article 8, article 9 sec. 1 second paragraph, article 9 sec. 3 and 4, article 10 sec. 2, article 11, article 13 and article 15 sec. 3 of the Directive.

¹⁵ This is pointed out by M. Namysłowska, Article 11 of the Act on Combating Unfair Competition in the Light of Directive 2016/943 on the Protection of Business Secrets, PPH 2016/11/5-11.

¹⁶ As above.

concerns the principles of creating and applying the law in the EU legal order, protecting not only the interests of the plaintiff and the defendant, as the parties to the dispute, but also the interests of the third parties and the public interest (e.g. catalogue of values and assets, whose protection is given priority over the protection of business secret – Article 5). Some of them, however, concern the issues of great importance for the protection model: e.g. article 6 – legal measures necessary to ensure the availability of the investigation, protection provided for in this directive and redressing the damage, and article 9 sec. 1 – obligation to keep company secret confidential in the course of the proceedings). Therefore, it seems that some of the statement’s points cannot be denied, that the harmonization shaped in the Directive is of a compromise nature – between minimum and complete harmonization, and the effects of the harmonization adopted in the Directive shall be determined by the CJEU (the Court of Justice of the European Union).

On account of the fact that certain aspects of the protection of the trade secret, in particular know–how, are covered by other EU laws, it is important to specify in the Directive the relationship between the provisions of these acts. Pursuant to article 39 of the Recitals, the application of the Directive should not affect the application of other provisions, in particular those concerning intellectual property rights and contract law, but in relation to the Directive 2004/48/WE¹⁷ shall be treated as *lex specialis*¹⁸.

1.3. Confidential information in Polish law

The company’s secret is one of the company’s components (article 55¹ point 8 of the Civil Code). The Civil Code does not contain any explanations or guidance regarding the content of this term – the essence of this component of an enterprise. However, the definition of business

¹⁷ Directive 2004/48/We of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Official Journal of 30.04.2004, L. 157/45.

¹⁸ It is worth noting that this type of regulation is defective in the opinion of some commentators, because it proves that undisclosed messages are classified as intellectual property rights, while in accordance with the Directive they are to be protected under unfair competition law, so the Directive 2004/48 shall not be applied to them at all - see Max Planck’s point of view, point 16.

secret is found in the Act on Unfair Competition of 1993 (“a.u.c.”)¹⁹, which also specifies the rules, the scope of its protection, the premises for liability for the infringement and sanctions for such actions. This law has also been repeatedly amended in the part concerning business secrets, e.g. in 2002, in order to harmonize its provisions characterizing the company’s secret and the act of unfair competition from article 39 TRIPS²⁰.

It is worth noting that in literature there was a difference of views concerning the relation between the content of the terms “industrial secret” used in each of the above-mentioned legal acts. The prevailing position is that their content is the same²¹. However, a different view is also presented, according to which on the grounds of a.u.c. the content of the concept of business secret is wider than on the grounds of the Civil Code²². Article 55¹ of the Civil Code covers only such secrets (information), which can be transferred along with the enterprise, and in this view such a possibility exists only in case of secrets significant for long-term projects. On the other hand, the Act on unfair competition provides for the protection of all information that meets the premises set out therein, and therefore those that are of some incidental nature – useful on a one-time basis and which, due to such nature, are not a component of an enterprise within the meaning of article 55¹ of the Civil Code.

By recognizing the reasons that may be in favor of the second of the presented views, I believe, however, that they are not convincing enough in order to consider this view as accurate, for the company’s components are always set for a specific indicated day. If on a given day the information meets the premises set in a.u.c. for its recognition as a company secret, then for its recognition as a component of an

¹⁹ The Act of 16.04. 1993 on combating unfair competition (uniform text: Journal of Laws of 2003 no. 153 item 1503).

²⁰ Act of 5 July 2002 amending the act on combating unfair competition (Journal of Laws No. 126, item 1071).

²¹ Tak M. Pazdan, *Civil Code, supplement vol. I and II, Commentary*, Warsaw 2003, p. 40; E. Skowrońska-Bocian [in:] *Civil Code, vol. I*, K. Pietrzykowski (ed.) Warsaw 2004, p. 187; Z. Radwański, *Civil law - general part*, Warsaw, E. Wojcieszko-Głuszko, *The secret of the enterprise and its civil law protection under the provisions of the law on unfair competition*, PIPWI UJ 2005, p. 89, p. 15. – as cited in A. Michalak, op. cit.

²² E. Traple, *Protection of information constituting a company secret, ZNKU (Act on combating unfair competition) and protection of secrets revealed during negotiations*, MoP 2003, No. 21, p. 9.

enterprise, the durability of such a character is not relevant. It may of course have an impact on its value (price), e.g. in case of disposal of an enterprise.

However, the Act on the prohibition of unfair competition is not the only legal act in which the protection of confidential information essential for shaping and maintaining a market position by entrepreneurs is regulated. By way of example, indicated are the provisions of the Civil Code regarding the protection of confidential information during negotiations (Article 71 of the Civil Code), provisions of the Code of Civil Procedure regarding hearing a case at non-public sitting, provisions concerning banking or lawyer secrecy, or legal advisor' secrecy provisions of the Labor Code regarding the employees' obligations in the area of protection of the employer's secrets²³.

2. Model of protection of business secrets

As mentioned above, the TRIPS Agreement gives the parties freedom to choose the model and measures of legal protection of industrial secrecy. In particular, it does not contain any provisions that would determine in a categorical and unambiguous manner whether the trade secret may be protected as the subject of an exclusive absolute right. One of the main arguments invoked to defend such a concept is an express classification of undisclosed information to intellectual property. According to article 1.2 of TRIPS The term "intellectual property" refers to all categories of intellectual property that are subject to the provisions of Sections 1–7 of Part II and Article 39 is included in section 7²⁴. On account of the fact that this category includes items protected by absolute laws (inventions, trademarks), from such situation of secrecy of undisclosed information, the legitimacy of their protection by law of this kind is derived. Although the accuracy of such a position raises doubts, it would be unjustified to categorically state its groundlessness in view of the ambiguity of TRIPS provisions.

The analysis of views on the model of protection of confidential information admitted by TRIPS, and at the same time corresponding to

²³ Broader write-up, Sieradzka, op. cit and A. Michalak, op. cit.

²⁴ On the subject of this dispute see C.M. Correa, *Trade related aspects of intellectual property rights. A Commentary on the TRIPS Agreement*, Oxford University Press 2008, pp. 367-369.

the purpose of such protection, justifies the conclusion that the bigger tendency to make business secrets the object of the exclusive right is observed in *common-law* countries rather than under continental law systems. This difference is often associated with the rule common in continental law, *numerus clausus* of absolute rights and the lack of clear principle of such type in common law systems²⁵. It should be noted, however, that also on the grounds of continental law, including in Poland, there is a difference in positions in this matter. There exists a discussion on two levels: *de lege lata* and *de lege ferenda* and this dispute can be presented as regarding the answer to the question: whether the object of protection is/should be a specific intangible asset or fair competition.

First of all, it is worth noting that also among the representatives of the continental doctrine, including the Polish one, the principle *numerus clausus* of absolute rights is being questioned²⁶. Such a stance facilitates the defense of the concept of subjective right to the undisclosed information. Its supporters additionally draw attention to the similarity of the situation of a holder of confidential information and the situation of a patent holder or other exclusive rights to intangible assets. In particular, they indicate the possibility of actual exclusion of availability of information to the third parties, as well as entering into contracts for their disclosure²⁷. On the grounds of Polish law, article 11 a.u.c. is additionally referred to, which is sometimes interpreted as creating a subjective right, as evidenced by both the fact that it provides for protection against any unlawful action, and not only against a “dishonest” action, as well as the fact that paragraph 3 a.u.c. refers to the “acquisition” of information constituting the trade secret²⁸.

The supporters of the second concept consider the tort protection model as applicable²⁹, by not treating the business secret as a subject of intellectual property rights. In order to justify this stance, the argument

²⁵ M. Correa, op. cit. pp. 367-369.

²⁶ E.g. B. Giesen, op. cit.

²⁷ E. Wojcieszko-Głuszko, *Protection...*, p. 164, and also A. Michalak, *Protection of secret...*, p. 152 and the following.

²⁸ Discussion of such views was presented by their supporter, B. Giesen, *Secret protection...* op. cit.

²⁹ E.g. B. Gawlik, *Know-how agreement...*, p. 65 and the following; In favor of tort model of protecting the enterprise’s secret is U. Promińska [in:] *Industrial property right*, p. 23.

derived from the situation of the protection of business secrets in the legal system is referred to above all. The protection of trade secrets is part of the right to combat unfair competition, that is, the law that does not protect the information as such, or the exclusivity of its exploitation, but it is aimed exclusively at protection of proper socio-economic relations connected with running a business activity. The protection of secrecy provided for in the act on combating unfair competition constitutes only a protection in such a scope and in such a way as to counteract unfair competition; it is a protection against specific behaviors that have **the characteristics of an act of unfair competition**³⁰.

The accuracy of such a view may be supported by the fact that pursuant to article 3 sec. 2 a.u.c., violation of business secrets is an act of unfair competition. As its additional justification, one can recall (although this is not a strong argument, of course), the constructions of the provision of article 551 of the Civil Code. The company's secret is specified therein separately from intellectual property rights (industrial property rights and copyright and related rights). The view is also presented, which can be described as a compromise, according to which the model of protection of a company's corporate secret does not exclude the construction of a subjective right whose object is such a secret³¹. While signaling this view, it should be pointed out that this compromise approach does not resolve the essence of the dispute presented above.

Prima facie these controversies on the basis of national legal orders of EU countries were settled upon the entry of the Directive into force, for the admissibility of protection of business secrets has been expressly excluded by creating a new right of industrial property (point 16 of the Recitals)³². It has been equally clearly stated that the protection of business secrets is a measure of legal protection of the entrepreneurs' interests different than the use of intellectual property rights by them (point 1 of the Recitals). The statements contained in the Directive are much more categorical in their content than the relevant provisions of the

³⁰ E. Traple, op. cit.

³¹ L. Górnicki, *Unfair competition, in particular by misleading designation of goods or services, and protection measures in Polish law*, 1997, p. 26.

³² C. Wadlow, *Regulatory Data Protection Under TRIPs Article 39(3) and Article 10bis of the Paris Convention: Is There a Doctor in the House?* [in:] *Intellectual Property Quarterly*, 2008, p. 37 *et seq.*

draft of the Directive³³. Therefore, it seems that the views formulated against the draft on the admissibility of creating exclusive rights to the subjects recognized as company secrets lost their foundations at least in part³⁴.

The concept adopted in the Directive is, according to the explanations contained in its Recitals, to exclude the possibility of shaping such a model of protection of business secrets that would hamper the innovative character of the economy and this effect would make the enterprise secret the subject of exclusive rights. This would close the path for other entities to use their independently developed know-how or other type of concept or solution, if it would be the same as previously recognized as a company secret. Such a protection model, according to the widely accepted view, which lay at the basis of the concept of intellectual property rights, is indicated as conducive to innovation, **solely** with reference to specifically determined types of solutions and the premises for including the information in the category of company secrets do not include those features that decide about making the solution the subject of exclusive rights.

3. Business secret – term

3.1. Premises for protection of confidential information against unfair competition

As mentioned above, both in literature and in the international legal acts, EU and national legal acts, different terms are used to denote the information whose confidentiality is important for an entrepreneur employing them in their activity. TRIPS uses the term ‘undisclosed information’ to make its scope as wide as possible³⁵ – for even intuitively it covers in its scope the content of the term: commercial secret,

³³ On 28 November 2013 the European Commission has presented a proposal for a directive of the European Parliament and of the Council on the protection of secret *know-how* and non-public commercial information (trade secrets) against their unlawful acquisition, use and disclosure, COM/2013/0813 final - 2013/0402 (COD).

³⁴ This position was presented, among others in M.Sieradzka, M. Zdyb (eds.) *The Act on Combating Unfair Competition. Commentary, eds II*, WK 2016 and referenced publications, including, among others, T. Cook, *The Proposal for a Directive on the Protection of Trade Secrets in EU Legislation*, *Journal of Intellectual Property Rights* 2014, vol. 19, pp. 54-58.

³⁵ E. Traple, *Protection of information...*, p. 7.

enterprise's secret or business secret. Directive 2016/943 uses the term 'enterprise's secret' (Article 1, first sentence). Despite the distinctness of the term used, its content and scope does not seem to differ from the one used in TRIPS. It is already clear from the title of the directive, as well as from point 1 of the Recitals, that the industrial secret is both the undisclosed know-how and non-public commercial information.

Also the method of characterizing the information, defined as: undisclosed information (TRIPS – Article 39 sec. 2 point a) and the enterprise's secret (Directive – article 2 sec. 1 point a³⁶), despite the distinctness of some expressions, allows to recognize their far-reaching convergence. Both documents set out the obligation to protect, as a part of protection against unfair competition, the information that jointly meets the following premises. This is confidential information, in the sense that, as a whole or in a special set and a set of their elements, they are not generally known to people from circles that normally deal with this type of information, nor are they readily available to such people (article 39 sec. 2 of TRIPS and article 2 of the Directive)³⁷. In addition, it is the information having a commercial value arising from this confidentiality, and their holder takes action to maintain confidentiality.

The content as well as the domain to which the information refers, do not affect whether it is protected or not. Such a view was presented in the context of the TRIPS Agreement, and at present it is clearly stated in Recitals to the Directives, explaining that the information regarded as an enterprise's secret may concern both technical aspects of the production process and the method of reaching the potential recipients of production,

³⁶ Article 2 'an enterprise's secret' denotes the information which meet the following requirements:

a) are confidential in the sense that, as a whole or in a specific set and collection of their elements, they are not generally known or easily accessible to people from circles that usually deal with this type of information; b) have a commercial value because they are covered by a secret; c) have been subjected by a person who in accordance with law exercises control over them, reasonable in given circumstances, actions to keep them secret.

³⁷ The basis for the comments is the English version of TRIPS, when the Polish official translation raises doubts that do not arise from the English text. In the Polish version it cannot be unambiguously determined whether the general knowledge of the information should be in the circles of people dealing with a given type of information or is so specified circle of entities essential only when determining the availability of information. The English text does not arise such doubts - it is known that this circle is generally vital for confidentiality arrangements.

i.e. more generally creating the customer base. This category does not include, however, the irrelevant information as well as experiences and skills acquired by the employees during normal work as well as the information commonly known or readily available to people from circles who usually deal with them³⁸.

By recalling the premises set out in the Directive for recognition of the information as a business secret, it should be stressed that due to the nature of harmonization declared in it (minimum harmonization), Member States may also provide a protection such as that provided for in the Directive for the information, which does not meet the premises indicated in the Directive.

The variety of information protected against unfair competition is also clearly marked in the Polish definition of business secrets. According to article 11 sec. 4 a.u.c., the enterprise's secrets are not disclosed to the public **technical, technological, organizational information of an enterprise or other information having an economic value**, for which the entrepreneur has taken the necessary actions to preserve their confidentiality. So formulated provision eliminates any doubts as to the impact of the content or the subject of information on the possibility and rules of its protection.

3.2. Confidentiality of information

Against both documents, i.e. TRIPS and the Directive, the conclusion is justified that the state of confidentiality arises as a resultant of two premises: objective and subjective. Objective – inaccessibility state for the third parties, subjective – the will of the holder to maintain the confidentiality of information expressed in not disclosing the information and taking actions in order to maintain this state³⁹. Such a requirement

³⁸ Point 14 of Recitals of the Directive.

³⁹ B. Gawlik emphasized this subjective character - the will of the holder. B. Gawlik emphasized that the constitutive feature of the premise of confidentiality is the entrepreneur's will manifested in an express or implicit way, aimed at protecting information ([in:] *Know-how Contract ...*, p. 23); Supreme Court Judgment of 3.10. 2000.

I CKN 304/00 - The use of information by an employee in his own business activity, as to which the entrepreneur (employer) did not take necessary actions to preserve their confidentiality, should be treated as the use of general knowledge to which the entrepreneur does not have any statutory rights.

was also established in the Polish Act on Combating Unfair Competition (article 11 sec. 4).

When analyzing the requirement of objective confidentiality, it should be emphasized that it is not absolute by nature for the objective confidentiality is not equivalent to the secrecy *sensu stricto*, understood as a state in which **only the holder of information** knows and has access to it. So the information available to a group of people does not automatically lose confidentiality⁴⁰. The answer to the question is therefore fundamental: under what circumstances the availability of information to the third parties does not undermine its confidentiality. In particular, this question concerns the employees, potential contractors of the entrepreneur, as well as people completely unrelated to the enterprise. According to the established position both on the basis of Polish law and TRIPS, as well as the Directive, the information is considered confidential also if it is known to people other than the entrepreneur, as long as the latter controls the number and criteria for the selection of people having access to it⁴¹. It should be noted at the same time that the disclosure of information on the basis of an agreement reserving confidentiality and obliging to respect all individuals who have access to the information, does not result in the loss of the attribute of confidentiality.

The doctrine has a difference of views on the geographic scope of confidentiality. According to the view, which seems to be dominant, it should be assessed on a global scale⁴². However, some commentators believe that such arrangements should only be made in relation to the market (in geographical terms) on which an entrepreneur operates⁴³. Although in favor of the second view is the argument of territorially limited economic significance of the given information and the market position obtained owing to it, in the current conditions of information

⁴⁰ C.M. Correa, op. cit. pp. 372-373.

⁴¹ E. Nowińska, M. Du Vail, *Commentary on the Act on Combating Unfair Competition*, Warsaw 2013.

⁴² M. Sieradzka, S. Sołtysiński, S. Gogulski [in:] *The Act on Combating Unfair Competition...*, J. Szwaja (ed.), 2013, p. 471; M. Mozgawa, *Combating the unfair competition with criminal law measures*, Gdańsk 1997, p. 37; on the grounds of TRIPS Agreement - F. Dessemontet, *Protection of Trade Secrets and confidential information* [in:] *Intellectual Property and International Trade: The TRIPS Agreement*, London-Hague-Boston 1998, p. 250.

⁴³ E. Nowińska, M. du Vall, *Commentary to the law on combating...*, 2008, p. 140.

flow, especially with the use of the Internet, this argument seems to be out of date.

As for the subjective approach to confidentiality, it is in accordance with the widely accepted view⁴⁴, that the confidential information in an objective sense, can be considered a secret, as long as the entrepreneur has the will to keep it a secret, and this will must be recognizable by other people. The Act on combating the unfair competition, similarly to the Directive and TRIPS, the type of actions by which the will of the entrepreneur should be expressed was not decided. Such activities may consist in both the efforts to actually maintain confidentiality as well as in imposing on the third parties an obligation to keep the obtained information in confidence. At the same time, it is pointed out that the basis of such an obligation does not have to be a separately concluded agreement with any person gaining access to the information, and e.g. the rules of participation in the conference where the information is disclosed.

The method of defining business secrets does not provide grounds for indicating the unambiguous criteria for distinguishing the information that meets the requirement of confidentiality⁴⁵. This refers to confidentiality in both objective and subjective terms – they are characterized by means of non-incisive terms and often evaluative ones. Therefore, one should take into account doubts and controversies, the resolution of which may significantly affect not only the parties to potential disputes, but also the assessment of correct implementation of the Directive on the grounds of national legal orders. However, this statement, although it seems to be indisputable, is not synonymous with the criticism of the Directive. The specificity of information, which, according to broadly accepted views, should benefit from protection against unfair competition measures, makes it impossible to set these limits more clearly.

⁴⁴ According to some, however, the scarcity of the Directive, which may impede the actual harmonization of the law, is the omission therein of a clear statement of the diversity of actions, taking of which by the holder of the information is deemed to fulfill this premise for being recognized as a company secret - Max Planck's Institute's position - this comment was reported in the context of the draft of the Directive, but also its adopted text does not contain such provisions.

⁴⁵ G. Surblyte, *Enhancing TRIPS: Trade Secrets and Reverse Engineering*, [in:] H. Ullrich, R.M. Hilty, M. Lamping, J. Drexl (eds), *TRIPS 20. From Trade Rules to Market Principles*, Berlin-Heidelberg: Springer, 2016, p. 737 *et seq.*

4. The commercial value of information

The commercial value of the information referred to in art. 39 par. 2 point a and TRIPS and in article 2 sec. 1 of the Directive, is a value determined by confidentiality. According to the explanation contained in Recitals of the Directive, such value of information is evidenced, for example, by the fact that its unlawful acquisition, use or disclosure may cause damage on the side of its holder, by damaging, for example, its scientific or technical potential, economic or financial interests, strategic position or the ability to compete (point 14 of the Recitals). It should be emphasized that it can also be a potential value, and not just the one used in the company's operations.

5. The concept of business secret in Polish law

As mentioned above, indicated in article 11 sec. 4 of u.c.a., the catalogue of premises for considering the information as a business secret coincides with those set out in the Directive (and therefore also in TRIPS⁴⁶). They are: confidentiality, value, taking up actions by the holder of information in order to maintain confidentiality. However, even the analysis of the content of each of the premises makes it possible to see the differences.

First of all, they concern the method of determining – the objective aspect of confidentiality of information. According to the Polish law, the secret of an enterprise is the information that is not disclosed to the public (Article 11 section 4). The Directive, on the other hand, clarifies that the confidentiality of information is understood so that “as a whole or in a specific set and collection of their elements, they are not generally known or easily accessible to people from circles who usually deal with this type of information”.

The comparison of the two texts demonstrates two differences. First of all, the Polish law refers to the information not disclosed to the public, and the Directive on information of the Polish law could suggest that confidentiality is lost only by the information that is not generally known

⁴⁶ S. Sołtysiński, [in:] J. Szwaja (ed.), *The Act on Combating Unfair Competition. Commentary*, Warsaw, 2006, p. 445. Although S. Sołtysiński's statement concerned the act before its subsequent multiple amendment, it remains valid in the current version as well.

or easily accessible. The difference between the literal wording does not seem to entail a different content since the wording of the Polish law includes, in my opinion, both situations specified in the Directive. Each act emphasizes a different aspect of the event resulting in the loss of confidentiality: in the act – the situation in which the information is placed, and in the Directive – the effect of this situation on the third parties.

Business secret can therefore be the information which, as independent, separate, has been disclosed, as long as the confidentiality of this information is kept in a particular set. Although the Polish law does not contain such an explanation, it would be unreasonable to state that it excludes the protection of the trade secret understood in accordance with the explanation provided in the Directive. It is possible to treat such a “special set” of previously disclosed individual information as new information – different from publicly available information. However, the legitimacy of such a conclusion may be demonstrated by the fact that such a position was taken by the Supreme Court already in 2014⁴⁷, however, also a different interpretation – is not excluded under Polish regulations. Therefore, it seems justified to make such an amendment to the law, which will eliminate the grounds for interpretation incompatible with the Directive.

Designation of actions of the holder is also formulated in a different way. Taking actions have been defined above as a subjective aspect of confidentiality. A.u.c. refers to “indispensable” activities for maintaining the confidentiality, and the Directive – to “reasonable actions under given circumstances to keep information secret.” The answer to the question about the compliance of the Polish law with the Directive depends on the relationship between the terms “necessary actions” and “reasonable actions under given circumstances”.

First of all, omitting the wording “under given circumstances” in the Polish law does not mean that the circumstances of a given event are not taken into account, since determining the necessity of certain actions always requires the arrangements in the context of a specific situation, and not *in abstracto*. According to the Dictionary of the Polish Language, indispensable stands for “necessarily needed”. Therefore Polish law

⁴⁷ In this way, the Supreme Court in the judgment of 13 February 2014, V CSK 176/13, LEX no. 1441477.

refers to actions that are necessarily needed, and the Directive to reasonable actions, although in both acts the same goal is indicated – keeping the information secret, confidential. In the light of the above, it seems that also this difference between the text of the Act and the Directive does not imply in an inevitable way the differences in the object of protection.

Also under the Polish law, not every action taken by the holder will be considered a fulfillment of the statutory premise. This should be the action necessary to achieve the goal, and therefore at least close to the reasonable actions taken for the same purpose. However, if one even assumes that the Polish law makes protection conditional on the fulfillment of the weaker requirement, i.e. the subject scope of protection would be broader than the one provided for in the Directive, then again it can be concluded that the minimum nature of harmonization allows such a deviation. A separate issue is the assessment of the legitimacy of broader protection of information than provided for in the Directive; however, it goes beyond the scope of the paper.

Also otherwise than in the Directive, the value of information considered as business secrets is specified in a.u.c., the Polish law refers to the economic value, and the Directive – to the commercial value resulting from the fact that they are kept secret.

Conclusions

The comparison of Polish law with the requirements resulting from the Directive seems to justify the conclusion that the differences between the text of the Directive and the wording of Polish law do not have the character that would inevitably lead to the distinctness of the rules for the protection of trade secrets. These provisions may be interpreted in a way that ensures their full compliance with the Directive, and thus with binding for Poland international treaty – the TRIPS Agreement. However, for the sake of legal certainty, the postulates of its explicit removal by the amendment of the Act seem justified⁴⁸.

⁴⁸ M. Namysłowska, op. cit.

Legal acts

- [1.] The Act of 16.04.1993 on combating unfair competition (uniform text: Journal of Laws of 2003 no. 153 item 1503).
- [2.] Act of 5 July 2002 amending the act on combating unfair competition (Journal of Laws No. 126, item 1071).
- [3.] Directive 2004/48/We of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Official Journal of 30.04.2004, L. 157/45.
- [4.] Directive of the European Parliament and of the Council (EU) 2016/943 of 8 June 2016 on protection of secret know-how and non-public commercial information (business secrets) against their unlawful acquisition, use and disclosure – Official Journal UE of 15.06 2016, L.157/1

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