

Question Q247

National Group: Denmark

Title: Trade secrets: Overlap with restraint of trade, aspects of enforcement

Contributors: Sofie Beiter Arreskov, Andreas Poul Cederholm, Mette Hygum Clausen, Kamilla Kelm Demant, Charlotte Vedel, Jesper Lykkesfeldt, Jakob Krag Nielsen, Mikkel Vittrup

Reporter within Working Committee: Mikkel Vittrup

Date: 19 May 2015

Questions

I. Current law and practice

1. Is trade secret protection viewed as a form of restraint of trade and, if so, under what circumstances and under which legal regimes (e.g. competition law)?

Section 19 of the Danish Marketing Practices Act ("Markedsføringsloven") is the main provision in Danish law with regard to protection of trade secrets. However, section 19 does not provide any formal definition of the concept of trade secrets. It is thus not possible to determine precisely what is comprised by this concept. The core of the concept follows from a general understanding of the term "trade secret" (in Danish: "erhvervshemmelighed"). The term comprises information that is relevant to trade and is kept secret. This would typically be information about a company's internal affairs and which information is significant to the company's position in the market in the broad sense, cf. Jakob Krag Nielsen in *Dansk Immaterialret III – Immaterialretlige aftaleforhold, 1. edition, 2013*, p. 475.

Under Danish law, the holder of a trade secret is granted certain protection against unauthorized use and passing on of its trade secrets under the Danish Marketing Practices Act, please also see our answer to question 2 below. The protection granted under section 19 of the Danish Marketing Practices Act, relates to the unauthorized use and passing on of trade secrets by a party who has otherwise obtained this information on a legal basis. Industrial espionage is prohibited under section 263 of the Danish Criminal Code. In addition to the overlapping possibilities of protection following from section 263, there may also be – to some extent – overlapping possibilities of protection following from section 264 and section 264c of the Danish Criminal Code and the employee's duty of loyalty under Danish employment law. Often, further protection is structured by way of agreements, such as non-disclosure agreements.

In Denmark, trade secret protection may in certain circumstances be viewed as a form of restraint of trade e.g., a company may be precluded from hiring employees to perform certain work to the extent that such work would entail that the employees in question make unauthorized use of their former employer's trade secrets. Danish case law indicates that the Danish courts, when interpreting the scope of the trade secret prohibition following from the Danish Marketing Practices Act, seek to strike a reasonable balance between trade secret protection on one side and undue restraint of trade, e.g. the limitation of an employee's access to finding a new job or starting a competing business, on the other side, see e.g. the Danish Supreme Court's decision "Niro" of 26 January 2006, case no. 433/2004 (cf. U2006.1209 H), which illustrates the conflict between trade secret protection and unreasonable restraint of trade.

In the Niro-case, a company dismissed an engineer (E) who had been in charge of the company's development of steam drying technology for use in relation to industrial drying of e.g. sugar beets and wood chips. The development work had led to several patented inventions and considerable confidential know-how. After his dismissal from the company, E wanted to start up his own consultancy business focusing on the steam drying technology. He therefore set up a meeting with his former employer and asked to be granted a license to the Company's steam drying technology. The company declined this request. Nevertheless, E started up his consultancy business.

Although E in connection with his new business, undoubtedly used trade secrets, including secret know-how, which he had acquired during his former employment with the company, the Danish Supreme Court found that E's consultancy activities, including in relation to the

optimization and restructuring of steam drying machines, was not unauthorized and thus did not constitute a violation of the Danish Marketing Practices Act.

The Supreme Court's decision in the Niro-case seems to indicate that the scope of protection of trade secrets under the Danish Marketing Practices Act may depend on what the Danish courts consider to be a reasonable balance between trade secret protection and undue restraint of trade. This may particularly be the case in situations where highly educated and specialized employees are dismissed and may have difficulties finding new work within their profession without using the technical know-how they have acquired in the course of their former employment.

That the Danish courts seek to strike a reasonable balance between trade secret protection and undue restraint of trade when interpreting the scope of section 19 of the Danish Marketing Practices Act, is also explicitly confirmed by the Danish Maritime and Commercial High Court as the court of first instance in a case from 1980 (U 1980.717 H).

2. How does your law distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets? What protection is extended to each?

Trade Secrets

Please see our answer to question 1 above regarding the understanding of the concept of "trade secrets" under Danish law.

A company's trade secrets are protected against unauthorized use and passing on of trade secrets under section 19 of the Danish Marketing Practices Act.

Trade secrets and technical drawings

19(1) An individual who is under contract of service to or working in cooperation with a business or is carrying out an assignment on its behalf must not obtain or try to obtain knowledge of or access to the trade secrets of the business in an improper manner.

(2) If the individual concerned has obtained knowledge of or access to the trade secrets of the business in a lawful manner, he must not unduly pass on or make use of such secrets. This prohibition is valid for three years after the end of the contract of service, cooperation or assignment.

(3) The rules in subsections (1) and (2) apply correspondingly to other persons who have lawful access to the business.

(4) A person who in the course of work or for another commercial purpose has been entrusted with technical drawings, specifications, formulae, models or the like may not make use of such material or put others in a position to do so without authorization.

(5) Traders may not make use of a trade secret if knowledge of or access to it has been obtained in conflict with the provisions above.

It follows from section 30(4) of the Danish Marketing Practices Act, that infringement of section 19 is a criminal offence and that the infringer is liable to a fine or imprisonment of up to eighteen months, unless a more severe penalty is prescribed under section 299a of the Danish Criminal Code. It follows from section 299a of the Danish Criminal Code, that a person who under particularly aggravating circumstances violates section 19 of the Danish Marketing Practices Act, may be punished by up to 6 years imprisonment. Such particularly aggravating circumstances would in particular be cases where the action has resulted in significant damage, or induced imminent danger thereof.

Section 19 is supplemented by section 1 of the Danish Marketing Practices Act whereby traders subject to this Act (i.e. traders in a very broad sense of the word) shall exercise good marketing practice with reference to consumers, other traders and public interests. This means that in cases where not all criteria are fulfilled for an act to constitute violation of section 19, such act may in certain circumstances still be a violation of section 1, e.g. if an employee or business partner has not complied with his duty of loyalty to the company, but there is no evidence of any unauthorized use or passing on of the company's trade secrets. Violation of section 1 is not considered a criminal offence, but the trade secret holder may be entitled to claim damages and a reasonable compensation from the infringer, see section 20 of the Danish Marketing Practices Act. Such remedy is of course also available to the trade secret holder in relation to violations of section 19.

Other Confidential Information

Other confidential information (i.e. information that is not at the same time regarded as trade secrets) would be the company's confidential information which does not have any relevance to trade as such. This could e.g. be personal information about the company's employees which the human resources department might have in its custody. The handling of such information may be subject to protection under other legal regimes than the Danish Marketing Practices Act, including the Danish Criminal Code, chapter 27, and the employee's duty of loyalty (a Danish employment law principle).

General skills or knowledge

Subject to the above-mentioned restrictions, a company does not enjoy any protection under Danish law against an employee's use of his/her general skills or knowledge acquired during the course of employment when the employment has been terminated.

3. Are employees under a duty of confidence whether or not such a duty is set out in their contract of employment?

Yes.

If yes:

a. are express confidentiality clauses to protect classes of information broader than would anyway be protected by the employee's duty of confidence permitted; and

Yes.

b. how long after the end of employment does an ex-employee's duty of confidence in relation to trade secrets last in the absence of any express confidentiality clause?

The criminal prohibition under section 19(2)(2) of the Danish Marketing Practices Act, where the infringer is subject to a penalty (fine or imprisonment), is applicable for three years after termination of the employment.

In principle, an ex-employee's duty of confidence in relation to trade secrets lasts indefinitely under Danish civil law. However, it is clear from the Danish case law that the Danish courts will not extend the duty of confidence in relation to trade secrets any longer than absolutely necessary to protect the trade secret holder's reasonable commercial interests.

4. If not constrained by an enforceable non-compete agreement, may workers use knowledge acquired in the course of earlier employment in their new employment? If yes, is there any distinction between the types of knowledge they can use?

Yes. If not constrained by an enforceable non-compete agreement, workers can use knowledge acquired in the course of earlier employment in their new employment as long as such use does not entail an unauthorized use of trade secrets.

Please also see our answer to question 1 regarding the balance between trade secret protection and restraint of trade and question 2 regarding use of general skills or knowledge acquired during the former employment.

5. Are certain employees subject to a higher obligation of confidentiality / non-use? If so, which employees, and what is the rationale for any distinction between employees?

The answer to this question may be somewhat speculative as Danish law does not provide any clear principles in relation to the question of whether certain employees are subject to a higher obligation of confidentiality / non-use. However, we anticipate that the Danish courts will in practice – even though this may not be directly stated in the judgment - lay down different standards in different situations depending on the position of the particular employee so that e.g. a director may be subject to a stricter obligation of confidentiality / non-use than e.g. the director's secretary. The rationale for such distinction – if it exists – would probably be that the director's use or passing on of confidential information may be more harmful to the company's business than if the confidential information is used or passed on by the director's secretary.

In the above-mentioned case from 1980 (U 1980.717 H) the Supreme Court as well as the court of first instance, when determining the scope of trade secret protection, seemed to attribute some weight to the fact that the two defendants had occupied management positions with their former employer.

Aspect (ii) - Ensuring confidentiality during Court proceedings

6. What measures or provisions are available to preserve the secrecy of trade secrets during Court proceedings? For example, do trade secret proprietors have access to the following mechanisms to preserve the secrecy of a trade secret during proceedings (subject to the Court's discretion to allow/disallow such access):

a. restricted access to the hearing and / or evidence;

The Danish courts may decide to "close the doors" to the public and restrict access to the hearing, see section 29 of the Danish Administration of Justice Act.

It is also possible to restrict a third party's access to documents, or parts thereof, that contain trade secrets or so that the identity of the trade secret holder is not disclosed, see section 41d(5) and 41e(4) of the Danish Administration of Justice Act.

Under Danish law it is generally not possible to restrict a claimant's or defendant's access to evidence that has been submitted to the court by the other party in connection with the proceedings. However, one Danish Supreme Court decision may indicate that it may be possible under certain circumstances to let particular pieces of evidence be reviewed by independent court-appointed experts only, see the Supreme Court's decision of 17 February 1959 in case no. I 256/1957 (U1959.785/1H).

b. disclosure of evidence only to the legal representatives of the opponent, but not to the opponent themselves;

No

c. non-confidential versions of documents being provided to all except authorized individuals;

No

d. only non-confidential parts of any judgment / decision publicly available?

Yes, see section 41b(3)(5) of the Danish Administration of Justice Act.

7. If such (or similar) measures are available, do they apply by default, or must the trade secret holder submit sufficient evidence to convince the Court that the information merits protection?

In theory, the court may on its own motion apply the remedies. However, in practice the trade secret holder must submit sufficient evidence to convince the court that the information merits protection.

8. Whether or not such measures are available, does the court restrict the defendant's or claimant's use – after the proceedings have terminated - of the information they gain during the proceedings?

No, the court does not restrict the defendant's or claimant's use – after the proceedings have terminated – of the information they gain during the proceedings or order a party to keep such information confidential, see the Eastern High Court's decision of 15 December 2008 in case no. B-850-08 (U 2009.903 Ø).

However, it follows from section 29d of the Danish Administration of Justice Act, that any representation in public of information that a party has gained during a court meeting, where the court has "closed the doors" and restricted access to the court meeting to preserve the secrecy of trade secrets, is prohibited

Aspect (iii) – Valuation of loss

9. Are damages available as a remedy for trade secret violation? If so:

Trade secret violations may be subject to damages in accordance with general Danish tort law or the Danish Marketing Practices Act.

Under section 20(2) of the Danish Marketing Practices Act, any intended or negligent *breach* of the Act, including breach of section 19 regarding trade secrets, incur liability to pay damages under general Danish tort law, according to which damages are awarded if the claimant has suffered an economic loss, and if that loss is a reasonable foreseeable result of a fault-based behaviour (intended or negligent behaviour).

In addition, section 20(3) of the Danish Marketing Practices Act (adopted in 2005) *specifies* that a person who infringes or exploits another person's rights in a way unlawful under the act shall pay a reasonable compensation for the infringement or exploitation. Payment of the reasonable compensation in accordance with subsection 3 is not subject to the infringement or exploitation being intentional or negligent; see section 20(4).

a) How (if at all) is that value diluted by publication?

One of the conditions for information to be considered a trade secret, and thus being protected as such, is that the trade secret is in fact a secret, i.e. unknown to the general public or within the relevant industry.

If the trade secret is published, whether intentionally by the trade secret holder or as a result of a trade secret violation, the damage is irreversible as the trade secret is no longer considered a trade secret and thus the value is diluted.

In the event that trade secret violation only results in the trade secret becoming partially known to the general public or within the relevant industry, the remaining part of the trade secret may, however, still be protected and valuable.

Under certain circumstances, if the information is not or is no longer considered a trade secret, the utilisation of the information may yet constitute disloyal market behaviour in violation of the general clause on fair trading practices; see section 1 of the Danish Marketing Practices Act.

b) How are those damages quantified? Specifically, is allowance made for loss of profits; unjust enrichment; and /or what the trade secret holder would or might have charged as a reasonable royalty fee or licence?

The general principle of Danish tort law is that damages are quantified on the basis of the loss suffered by the claimant, and that the damages awarded cannot exceed the actual loss suffered.

The loss suffered due to trade secret violations are often hard to prove and thus to calculate. The damages awarded in trade secret cases are therefore primarily quantified by the court on a discretionary basis which most frequently results in a lower amount than claimed by the trade secret holder. The following factors may influence the discretionary quantification:

Loss of profits:

Loss of profits is the main basis for the court's discretionary quantification if the trade secret holder is able to render it probable that such loss exists and is a result of the trade secret violation.

The assessment of loss of profits is based on loss of sales suffered and established by the trade secret holder. In addition, it is possible to receive compensation for market disturbance (future economic loss) caused by the infringement or exploitation of the trade secret, e.g. unjust competition or loss of goodwill and reputation.

In some cases, damages have e.g. been awarded for market disturbance with the reasoning that the infringer has gained a time-wise advantage by exploiting the trade secrets and thus being able to enter the market and inflict competition on the trade secret holder more rapidly.

Unjust enrichment:

The unjust enrichment of the infringer is not a loss suffered by the claimant. Thus, in principle, the unjust enrichment cannot influence the damages awarded under Danish law. However, most often the courts do not emphasise the decisive factors in their discretionary quantification. Instead the reasoning is often formulated as some sort of fairness assessment. The

infringer's unjust enrichment may therefore be one of several factors in the court's discretionary quantification of the damages.

Reasonable royalty fee or licence:

As mentioned above, section 20(3) of the Danish Marketing Practices Act provides that a person who infringes or unlawfully exploits another person's rights shall pay a reasonable compensation for the infringement or exploitation.

According to the preparatory works of the Act, this provision is primarily intended for cases relating to product imitation, but may also be used in cases relating to violation of trade secrets.

The provision has not yet been applied in any published trade secret cases and does therefore not appear to have had any serious practical effect.

c) Can damages be awarded for moral prejudice suffered by the trade secret holder? If so, how is moral prejudice defined, and how are such damages quantified?

No, a trade secret holder cannot be awarded damages for any non-economic loss, including moral prejudice.

Aspect (iv) - Proving infringement:

10. What elements must be proved to establish violation of a trade secret?

In order to prove violation of a trade secret, the claimant must establish (i) that the information can be deemed as a trade secret and (ii) that the defendant's acts are unwarranted pursuant to section 19(1), section 19(2) or section 19(5) of the Danish Marketing Practices Act.

Please see our answer to question 2 above regarding the wording of section 19(1), section 19(2) and section 19(5).

11. What additional elements must be proved (if any) for a trade secret violation in comparison to a breach of confidence, to the extent those are different types of violations?

As explained above in our answers to questions 1 and 2, Danish law does not provide for any formal definition of a trade secret and does not as such distinguish between a trade secret and confidential information.

That being said, a trade secret will, as described in our answer to question 1, consist of confidential information of commercial value, i.e. information related to the trade of the business. Therefore, an additional element which would need to be proved in connection with a trade secret violation in comparison to a case regarding breach of confidence is that the claimant must prove that the confidential information is in fact commercial information related to the business (i.e. a trade secret).

12. Can constructive knowledge of a trade secret by an ex-employee or a new employer be imputed, e.g. if the subject-matter of that ex-employee's work was closely linked to the trade secret? Is so, in what circumstances?

Under Danish law, there is as a general rule free access to present evidence and the courts are free in their assessment of the evidence presented to the court. The concept of "constructive knowledge" of a trade secret could probably be comprised within the legal framework concerning the rules of evidence in Danish legal proceedings, however, there does not seem to be any case law in which this concept is used.

In certain cases it is possible to imagine that there will be an assumption for identification between the ex-employee and the new employer regarding knowledge of a trade secret. However, as stated above, this is a question of the courts' free assessment of evidence.

13. Does your jurisdiction provide for discovery? If yes, does it provide for discovery at the pre-action stage; and / or against third parties?

No, Danish law does not provide for discovery.

Instead, Danish law operates with a different set of rules aimed towards disclosure of specific documents in civil court proceedings. Accordingly, a party can request the court to order the other party or a third party to disclose specific documents in their possession which are deemed relevant for the case. However, the request for disclosure presupposes that disclosure of the documents in question does not lead to the disclosure of circumstances which the relevant party or third party would be excluded or exempt from giving testimony about as a witness or cause substantial detriment, including financial detriment, such as disclosure of

trade secrets and other confidential information. Further, the "principle of proportionality" requires the court to consider the overall balance of convenience of the parties.

In addition, there are no punitive consequences (e.g. a fine) if a party does not comply with a court order to disclose certain documents. The consequence for not complying with an order to disclose certain documents relates to the court's assessment of the evidence in the case. In other words, the court will establish some designated facts (usually argued by the party who requested disclosure of the documents) as being actual facts of the case when handing down its decision on the merits.

14. Does the burden of proof switch to the defendant if the applicant is able to demonstrate, to a certain level of probability, that there has been a violation? If yes, what is the threshold?

As described above, the courts are free in their assessment of evidence in legal proceedings in Denmark which is also true for trade secret cases. In a case concerning trade secrets the burden of proof can in accordance with the ordinary principles regarding proof, switch to the defendant if the claimant can demonstrate to a certain level of probability, that there has been a violation of a trade secret.

There are no statutory rules applicable to trade secret cases which stipulate a certain threshold for switching the burden of proof over to the defendant. This is instead governed by the ordinary principles regarding proof. The burden of proof will usually switch to the defendant when the claimant has proved that it is more likely than not (i.e. with more than 50% certainty) that there has been a violation of a trade secret.

15. Does your law provide for any other methods for securing evidence, such as seizures or ex parte measures? If so, what requirements must be fulfilled in order for the measure to be ordered and what safeguards are in place to prevent abuse?

Danish law provides for preservation of evidence in civil matters in order to prove infringement of intellectual property rights, however, trade secrets are not included in these statutory provisions. Thus, preservation of evidence is not applicable to cases regarding trade secrets.

Another option in trade secret cases is to conduct an isolated taking of evidence pursuant to section 343 of the Danish Administration of Justice Act. This rule stipulates that a party can

request the court to take evidence (e.g. witness testimonies or court appointed expert appraisal) even though there is no pending court case. There are no specific requirements stipulated in the statutory provision, but it is up to the court to determine whether it deems such measures appropriate under the specific circumstances. According to Danish case law, a request for an isolated taking of evidence will usually be granted if it can serve as guidance as to whether or not there is basis for initiating legal proceedings.

If the trade secret violation constitutes a criminal offence (industrial espionage), see section 263-264 of the Danish Criminal Code, the police can - subject to certain requirements such as "principle of proportionality" - conduct seizures for various reasons stipulated in the law. This includes securing of evidence. Generally speaking, trade secret cases are subject to a criminal investigation when the alleged infringer has used unlawful means to gain access to the trade secret, e.g. by gaining unauthorized access to the premises of the company (where the trade secret is located).

16. Where seizure is available, for what purposes can it be used? To secure evidence, to prevent items entering into circulation or for other reasons?

Search and seizures are not available in civil proceedings regarding trade secrets but they are, as mentioned above, available in criminal cases. The police can *inter alia* carry out a search and seizure exercise in order to secure evidence.

II. Policy considerations and proposals for improvements of the current law

Aspect (i) - Overlap with restraint of trade

17. Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade? If so, what limits? If not, why?

The Danish group is of the opinion that limits should be placed on the protection of trade secrets to avoid unlawful restraints on trade. In Denmark, such limits already exist in practice as the Danish courts - when interpreting the scope of the trade secret prohibition following from the Danish Marketing Practices Act - seek to strike a reasonable balance between trade secret protection on one side and undue restraint of trade, e.g. the limitation of an employee's access to finding a new job or starting a competing business, on the other side, see our answer to question 1 above.

We find that it should continue to be up to the courts to strike the right balance between trade secret protection and undue restraint of trade based on the circumstances of the individual case.

18. Should different obligations of confidence / non-use apply to different employees? Why/why not?

The Danish group does not see any need to define a set of different obligations of confidence/non-use that shall apply to different employees.

We believe that it should be up to the courts, based on the circumstances of the individual case, to assess to what extent the position of an employee shall have an impact on the obligations of confidence/non-use that apply to the particular employee.

Aspect (ii) - Ensuring confidentiality during Court proceedings

19. Should a defendant, who is sued unsuccessfully for a trade secret violation, and who learns of the trade secret during the course of the litigation, be required to not use the trade secret after the proceedings? Why/why not?

The Danish group is of the opinion that the defendant's use of the claimant's trade secrets which are learned during the course of litigation should not be restricted, if the defendant is sued unsuccessfully. When a claimant decides to sue a defendant for a trade secret violation it must be the claimant's risk that the defendant learns of the trade secret during the course of litigation. Otherwise, there would be a risk that the defendant is being imposed confidentiality obligations in relation to information that the claimant has submitted as part of the litigation, even though the defendant has not requested (or accepted) to receive the information and the claimant is unsuccessful.

20. Should such obligations of confidentiality attach to information that the defendant developed independently prior to the trade secret proceedings, or develops independently after the trade secret proceedings? Why/why not?

No, this would in our view not be desirable, inter alia because it would limit the incentive for innovation.

Aspect (iii) – Valuation of loss

21. Should damages as a remedy be available by default, or only where injunctive relief is (a) not possible, (b) adequate or (c) not necessary? If by default, why?

The Danish group is of the opinion that damages should be available independently of any injunctive relief as the trade secret holder may have suffered a loss due to a trade secret violation even though the requirements for an injunctive relief are not or no longer met.

If the requirements for awarding damages are met, as described in our answer to question 9, damages should thus be available by default.

Aspect (iv) – Proving infringement

22. Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer? If yes, in what circumstances? If no, why not?

No, constructive knowledge of a trade secret by an ex-employee should not as a general rule be imputed to their new employer. The question of whether or not a new employer has knowledge about a trade secret must be a question of proof and it must be up to the court to decide whether or not the burden of proof has been lifted.

23. Should pre-action evidence preservation orders and seizure orders be available? If so, should the hearings to decide whether or not to grant them be able to take place ex parte? Why/why not?

This is a delicate issue. The Danish legislator considered the question about trade secrets when drafting the Danish provisions concerning preservation of evidence in relation to intellectual property rights. According to the preparatory works, the Danish legislator opted not to include trade secrets in the legislation. The reasoning was that trade secrets would relate to the company's production process or production machinery, and that it would be disproportionate for a claimant in this context to gain access to another company's production machinery, etc.

With the above mentioned in mind, we are of the opinion that it may be unsatisfactory under the current system that the trade secret holder does not have appropriate measures for obtaining evidence. Therefore, the Danish group is of the opinion that search and seizure orders should also be available, in appropriate form, in trade secret cases just as it is available

for intellectual property, such as patents and trademarks. This requires that the claimant can render it probable that there is an infringement of a trade secret and that there are reasonable safeguards in place to prevent that the defendant's own trade secrets are exposed. In addition, it should be possible to grant such orders ex parte. Otherwise, it is possible to imagine that the defendant would delete or otherwise relocate the suspected information in order to circumvent the scope of the court order.

24. What if the claimant learns of new trade secrets (of the defendant) during the course of a seizure?

Firstly, the search or seizure should not be granted by the court if there is a considerable risk that the defendant's own trade secrets are exposed. Secondly, the search or seizure should be conducted in a manner to avoid this risk, e.g. by precluding the claimant to go through the seized documentation, products, etc. and the court should instead appoint an independent technical advisor who could assist the court in reviewing the seized material.

However, the court should under certain circumstances be able to order that the claimant may not unduly use or pass on trade secrets if he learns of new trade secrets during the course of a search or seizure.

III. Proposals for harmonisation

25. Is harmonization in this area desirable?

If yes, please respond to the following questions without regard to your national or regional laws.

Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

Yes, harmonization in this area may be desirable, please see our comments below.

Aspect (i) – Overlap with restraint of trade

26. Please propose principles for the circumstances in which trade secret enforcement actions should fail, because such actions would be de facto restraints of trade.

The member states shall ensure that the measures provided for in relation to trade secret enforcement are to be applied by the courts in a manner to ensure a reasonable balance between protection of trade secrets and undue restraint of trade.

27. What relief should courts give when a trade secret violation has occurred or is about to occur, but an enforcement action is barred as a restraint of trade?

In a situation where the court finds that particular enforcement actions – e.g. an injunction – should be barred as an undue restraint of trade, but the court still finds that a trade secret violation has in fact occurred or is about to occur, a possible relief could be to award damages and/or a reasonable compensation to the trade secret holder.

In a situation where the court finds that an enforcement action shall be barred as an undue restraint of trade based on a conclusion that – when balancing the interests of the trade secret holder and the defendant - there is no de facto trade secret violation, no other relief should be given to the trade secret holder.

28. Should employees subject to a stricter obligation of confidentiality be released from that duty in certain circumstances? If so, in what circumstances?

Please see our answer to question 18.

Assuming that stricter obligations of confidence / non-use apply to certain employees, then such employees should be released from that duty if the courts find – based on the principle suggested above under question 27 – that the upholding of such duty would result in undue restraint of trade.

Aspect (ii) – Ensuring confidentiality during court proceedings

29. What protection for trade secrets should be available during court proceedings, and what conditions should be satisfied for that protection to be given?

Upon a duly reasoned application by a party, the court should – depending on the circumstances of the individual case - be able to apply one or more of the following measures to ensure confidentiality during court proceedings:

- Restrict the public's access to the hearing
- Restrict third parties' access to documents, or parts thereof, that contain trade secrets or so that the identity of the trade secret holder is not disclosed

- To make available a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed
- To order a party to not unduly use or pass on a trade secret of which such party has become aware during the proceedings

When assessing whether to apply one or more of the above measures, the court shall among other things take the following into account:

- The legitimate interests of the parties and where appropriate of third parties
- Any potential harm for either of the parties and where appropriate of third parties, resulting from the application of the particular measure
- The proportionality of the particular measure relative to the circumstances of the case

30. If an enforcement action fails (e.g. because the defendant had independently developed the secret information and did not misappropriate it), what type(s) of confidentiality or non-use obligation, if any, should continue or cease to apply?

If an enforcement action fails (e.g. because the defendant had independently developed the secret information and did not misappropriate it), but the information in question nevertheless still qualifies as a trade secret, then the trade secret holder should continue to enjoy protection against a party's unduly use or passing on of the trade secret holder's trade secret.

A party that has independently developed the information in question shall not be subject to any non-use obligation.

Aspect (iii) – Valuation of loss

31. Please propose the principles for quantifying damages for trade secret violations.

The current quantification of damages based on actual loss suffered and established by the trade secret holder, including the principles described in our answer to question 9(b), should still apply. In addition hereto, the following principles will most likely or should in our opinion apply to the quantification of damages:

Unjust enrichment:

As a result of the Directive (EC) 2004/48 of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, the Danish intellectual property

right laws specifically state that the infringer's unjust enrichment must be taken into consideration when awarding damages.

The unjust enrichment of the defendant will in many cases be a factual amount which the rights holder may establish e.g. via a court order to disclosure specific documents or a procedural request, and the addition of unjust enrichment as a factor to be taken into consideration may therefore lighten the rights holder's burden of proof in respect of the loss suffered. In our opinion, the same considerations apply in respect of trade secret violations.

A similar amendment of the Danish Marketing Practices Act will, however, already be required if the proposed EU Trade Secrets Directive, including the requirement of the infringer's unjust enrichment to influence the damages awarded for trade secret violations in art. 13(2), is adopted.

Reasonable compensation

According to Danish case law on trademark violations in respect of medicinal products, the trademark holder is generally awarded a reasonable (minimum) compensation calculated as 5% of the defendant's unjust enrichment.

As described in our answer to question 9(b), the loss suffered due to trade secret violations are often hard to prove and to calculate. Therefore, we believe that it would be preferable and act as a possible deterrent if similar principles on minimum compensation were applied in trade secret cases. In our opinion, the amount of the compensation need however be of a certain level in order to actually act as a deterrent.

32. Should courts award moral damages? If so, how should they be quantified?

As the proposed EU Trade Secrets Directive also requires the member states to allow for moral prejudice to be taken into consideration as a basis for damages awarded for trade secret violations, courts will most likely get the possibility to award moral damages.

In our opinion, such possibility may act as a deterrent as the risk of the court imposing a large amount for moral damages on the defendant, or generally raising the level for damages awarded with reference to moral damages, may prevent the person considering to exploit a trade secret from actually doing so.

The Danish group propose that the quantification of moral damages is influenced by the extend of the defendants disloyalty / the character and extend of the violation and the general negative impact on the trade secret holder's business, e.g. worsened working environment, , damages to reputation, etc.

Aspect (iv) – Proving infringement

33. What measures to secure or preserve evidence should be available?

The Danish group is of the opinion that seizure should be available in order to secure or preserve evidence in order to prove a violation of a trade secret. However, it is important that seizure is only available in cases where the claimant has rendered it probable that there has been a violation of a trade secret and that appropriate safeguards are in place to prevent that the defendant's own trade secrets are exposed. Furthermore, the court must balance the parties' interests before a seizure order should be available which means that the reasons for a seizure to be conducted must make up for the potential harm or inconvenience to the other party.

In order to balance the parties' interests, the court could appoint an independent expert to manage the seizure. This could prevent the defendant's own trade secrets from being exposed.

The possibility of obtaining a seizure ex parte should also be available in particular where any delay is likely to cause irreparable harm to the holder of the trade secret.

34. What restrictions should apply to the use of seized evidence by the claimant?

The Danish group is of the opinion that there should be some appropriate restrictions to the use of seized evidence by the claimant. In this regard, the claimant could under certain circumstances be under a confidentiality obligation and could be under an obligation not to use or disclose to any third party trade secrets that the claimant has become aware of during a seizure.

Summary:

In Denmark, the holder of a trade secret is offered protection under the Danish Marketing Practices Act. There is no formal definition of the concept of trade secrets which are, thus, assessed on a case by case basis. There is no discovery or strict confidentiality, such as 'confidentiality clubs', in Danish court proceedings, and preservation of evidence is not available

in relation to trade secrets. Accordingly, it can be quite difficult for the holder of a trade secret to prove or substantiate infringement. As a matter of policy, the Danish Group finds that there is room for improvement so that holders of trade secrets are offered better protection than under the current legal scheme, in particular with respect to the possibility of obtaining seizure of evidence for trade secret infringements.