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PROTECTION OF TRADE SECRETS AGAINST UNLAWFUL CONDUCT OF EMPLOYEES

The provisions amending the Polish Act on Fair Trading, which introduced a number of significant changes with regards to the issue of protecting trade secrets, came into force on 4 September 2018. The amendment also changed the existing legal regulations regarding the employer's protection against infringement of trade secrets by employees. The amendment implements *Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* (OJ L No. 157, p. 1) (“**Directive**”).

The Directive was adopted following a nearly 5-year period of work carried out by the European Union bodies and it aims to harmonise the provisions on standards for the protection of the undertaking's confidential information. In the light of the provisions of the Directive, new regulations are intended to promote the establishment of a minimum standard in terms of the principles of protection of the undertaking's confidential information as a tool for managing competitiveness and innovation.

The most important change resulting from the implementation of the Directive is the new wording of the provision of Article 11 of the Act on Fair Trading, which defines a “trade secret”. The new regulations extended this concept in relation to the previously applicable regulation. Pursuant to the new wording of Article 11(2) of the Act on Fair Trading: “*a trade secret is understood as technical, technological, organisational or other information having an economic value that is not, as a body or in the precise configuration and assembly of its components, generally known among, or readily accessible to, persons within the circles that normally deal with the kind of information in question as long as the person authorised to use or dispose the information has taken reasonable steps under the circumstances to keep it secret.*” This definition fully reflects the content of Article 2(1) of the Directive.

The amendment to the Act on Fair Trading resulted in the amendment to the provision of Article 11(2), which, under the previous legal regime, explicitly provided for the employee's liability for the infringement of a trade secret, and the employee was required to hold in confidence information constituting a trade secret of his or her employer for a period of three years from the date of termination of the employment relationship with the employer. As per the explanatory memorandum to the bill, by repealing this provision the legislator sought to remove time restrictions relating to the protection of a trade secret due to the fact that the above-mentioned three-year period was considered too short to afford full protection to entrepreneurs. As also indicated in the explanatory memorandum to the bill amending the Act on Fair Trading, the removal of the time restriction relating to the protection of a trade secret also results from

the fact that the Directive imposes no time or subjective limits on the protection of a trade secret.

However, according to some views of the doctrine and practice, the above amendment to Article 11(2) of the Act on Fair Trading has caused an effect contrary to the one the legislator had intended since it removed the only provision of the Act that explicitly provided for employees' liability for the infringement of a trade secret. It should be noted that under the current legal regime, only an entrepreneur could, as a rule, be held liable for an act of unfair competition. The previous content of Article 11(2) of the Act on Fair Trading was explicitly extending the scope of application of the Act to employees (for a period of three years). Certain commentators are of the view that, contrary to the legislator's intentions, the amendment to Article 11(2) of the Act on Fair Trading has led to a situation where, under the current legal regime, employees' liability for the infringement of a trade secret is completely excluded.

However, such an interpretation appears to be too far-reaching and runs counter to the intention of the European legislator and the explicit provisions of the Directive, which does not introduce any subjective limitations of liability for the infringement of a trade secret. Pursuant to Article 2(3) of the Directive, a "*trade secret infringer*" means "*any natural or legal person who has unlawfully acquired, used or disclosed a trade secret.*" The above discrepancy between the content of national provisions and the explicit regulation of the Directive results from a legislative error that should be remedied in another amendment to the Act on Fair Trading so as to remove doubts as to employees' liability for the infringement of the employer's trade secret. Consequently, considering that the new legislation also applies to employees, it is assumed that, under the current legal regime, an employee has an indefinite obligation to hold in confidence information constituting his or her employer's trade secret.

Given the above doubts, it is particularly important that an entrepreneur guarantees contractual protection of its information that has a special economic value for it by entering into confidentiality agreements with employees. Furthermore, an employer should consider amending the existing agreements by introducing an indefinite obligation (instead of a three-year obligation) to hold the employer's trade secret in confidence.

The amendment to the Act on Fair Trading has also introduced legal protection for whistleblowers. Pursuant to the new provision of Article 11(8) of the Act on Fair Trading: disclosure, use or acquisition of information constituting a trade secret does not constitute an act of unfair competition where it occurred in four specifically described cases, i.e.:

- to protect a legitimate interest protected by law,
- to exercise the right to freedom of expression,
- to reveal misconduct, wrongdoing or illegal activity for the purpose of protecting the general public interest, or
- where disclosure of information constituting a trade secret by employees to their representatives as part of the exercise of their functions in accordance with law was necessary for that exercise.

If an employee demonstrates that the trade secret has been infringed in the aforementioned circumstances, he or she will not be held liable for committing an act of unfair competition.