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Protection of Trade Secrets: A Comparative Analysis

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TABLE OF CONTENS

LIST OF ABBRIVIATIONS 3
INTRODUCTION 4
CHAPTER 1. THE PHENOMENON OF TRADE SECRETS: GROUNDS FOR ANALYSIS 8
1.1. The Appearance of trade secrets 8
1.2. Evolution of trade secrets in Ukraine 11
CHAPTER 2. INTERPRETATION OF LEGISLATIVE COVERAGE ON THE TRADE SECRETS 15
2.1 Overview of European Union regulation on trade secrets 15
2.2. Essence of the notion "trade secret" in Ukraine 21
2.3. The Ukrainian legal regime based on comparison of trade secrets regulation: subjects and their rights 27
2.4. Legal measures of protection under different branches of law 31
2.5. Trade secrets and human rights 41
CHAPTER 3.CHALLENGES OF TRADE SECRETS:"TWO SIDES OF ONE COIN" 49
3.1. Cyber protection of trade secrets in EU and Ukraine 49
3.2. The genesis of phenomenon "bad secrets" 52
CONCLUSIONS 59
THE LIST OF REFERENCES 61
SUMMARY 70
Annex 1 71
Annex 2 73
Annex 3 74
Annex 4 75
Annex 5 76
Annex 6 77
Annex 7 78
Annex 8 79
Annex 9 80
Annex 10 81

LIST OF ABBRIVIATIONS

AMCU – Antimonopoly Committee of Ukraine

CCU – The Criminal Code of Ukraine Republic

EC – European Community

EC3 – European Cybercrime Centre

ECHR – European Convention of Human Rights

ECtHR – The European Court of Human Rights

EDA – The European Defense Agency

ENISA – The European Union Agency for Cybersecurity

EPO – The European Patent Office

EU – The European Union

EUROPOL – The European Union Agency for Law Enforcement Cooperation

FAP – The First Additional Protocol of the ECHR

IP – Intellectual Property

IUCN – The International Union for Conservation of Nature

MS – Member State

NAFTA - The North American Free Trade Agreement

NDA – Non-Disclosure Agreement

OECD –The Organization for Economic Co-operation and Development

OJ – Official Journal

TFEU – The Treaty of Functioning of European Union

TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights

UDHR– The Universal Declaration of Human Rights

UMSCA – The United States of America, the United Mexican States, and Canada

UNCAC – The United Nations Convention against Corruption

USSR – The Union of Soviet Socialist Republic

WTO – The World Trade Organization

INTRODUCTION

Nowadays in “the digital” era of development and diversity of propositions for consumers, a business is trying to survive, find various methods, strategies, innovation to differ from other companies. Considering the process of globalization, a lot of enterprises take an aim to spread their business on the international level. That demands to enhance their competitiveness and guard business’s hints in a more advanced manner. Disclosure of the information related to suppliers and clients, advertising, sales and distribution methods, manufacturing processes, formulae etc. could influence their outcome and even reputation. Moreover, such elements must be protected as a result of mental activity, being a part of intellectual property, namely trade secrets. Experts estimate that the total value of trade secrets of international trade companies is five trillion dollars. They lose about $ 250 billion annually as a result of the loss of trade secrets.[1] Despite the development of information technology and different technical capabilities, there are still a lot of facts of cyber espionage, particularly in the context of trade secrecy.

Given the importance of trade secrets, jurisdictions should implement a mechanism preventing the misappropriation of such valuable information. However, in reality not all jurisdictions offer a mature framework for the protection of confidential information.

On the top of that, different jurisdictions understand commercial information in various ways, that provokes disputes and Ukraine is not an exception. Besides, the complexity and, in turn, the uniqueness of the term “trade secret” is that it may apply to different areas of law, whether labor, civil, competition, criminal or commercial law.

The relevance of the topic. Such factors as: a significant role of trade secrets, particularly within the modern period of informatization and the internet; signed Association Agreement between the EU and Ukraine in 2014 and recently adopted 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 are need to be reviewed (hereafter – Trade Secrets Directive) invoked the necessity to make a legal comparative analysis on trade secrets’ protection. In addition, the level of employees’ mobility is increasing each year, particularly from Ukraine to the EU. And workers are bearers of internal companies’ information, including trade secrets. Thus, it would be essential to analyze EU’s legal view on trade secrets protection, moreover discovering possible “spots on the sun”, as Europe

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[1] АНДРОЩУК, Г. О. *Economic espionage: growth and aggressivity (part I)* [interactive]. [reviewed on 17 October 2019]. Available at: <http://nti.ukrintei.ua/wp-content/uploads/2019/07/2018-3-%D0%90%D0%BD%D0%B4%D1%80%D0%BE%D1%89%D1%83%D0%BA.pdf>

is considered a sample with a high level of standards. Furthermore, it is relevant to discover Ukrainian law, because according to the Agreement the EU legislative provisions should be implemented in the state's legislation. Moreover, it is vital to underline Ukrainian adherence to mutual cooperation with the EU. And in order to conduct such a policy of the state it is important to understand both legal orders from the point of their effectiveness.

So, **the aim** of the thesis is to conduct a comparative analysis of 'trade secrets' nature within EU and Ukrainian jurisdictions, and to formulate on this ground possible recommendations for successful business, avoiding disputes, saving time and money.

Consequently, the issues arise to be answered during the research, namely:

- What is the effect of historical background on development the phenomenon of "trade secrets" and its understanding on international, regional and domestic levels?
- How are trade secrets regulated in the EU and Ukraine within different branches of law?
- How effective are existing legal measures for protection of trade secrets?
- What is an effect of the internet on securing valuable information in EU and Ukraine?
- What does the term "bad secrets" mean and whether whistleblowers are protected or not?

The tasks of the paper are to:

- discover the origin of trade secrets (including Ukraine);
- compare the legislative coverage of commercial information within the EU and Ukraine;
- find out possible legal measures for trade secrets' protection under different legal branches;
- analyze a possibility of protection of trade secrets by mean of ECHR through the concept of fundamental rights;
- discover the cyber espionage;
- disclose a notion of 'bad secrets' and regulation for securing whistleblowers.

The object of the thesis is trade secrets' regulation as intersectional phenomenon within EU and Ukrainian jurisdictions.

Originality of the work. The comprehensive legal research in the field of trade secrets was made by Andrushko, G.O. Androshchuk, Bezklubiy I.A., Gershenevich G.F, Helfer, K. Czapracka Kuzminets O. Kalinovsky, Papadopoulou F., V. S., Rochelle C.,

Rosenberg V.V., Schiller A, Tagantsev N.S., Tkachuk T. Arthur Schiller, ect. But analysis of research studies by mentioned scientists shows that their works are dedicated mainly to theoretical legal aspects of trade secrets (rights, its receipt, use, storage and distribution, legal grounds for protection). However, they have not explored issues like protection of business secrecy from the comparative point of view considering European integration of Ukraine, complexity of the trade secrets institute, including inter-branch character and current practical challenges.

So, comparative scientific analysis on the legal nature of commercial secrecy will help to eliminate the contradictions of legal norms and fill the gaps in the relevant legislative regulation; booster adaptation of Ukrainian legislation on commercial secrecy to international and European legal standards in this field; improve the system of legal protection for trade secrets, finding out a proper mechanism in Europe and in Ukraine. Additionally, it would influence development of international trade and even international relations between countries by means of clear legal framework.

Methodological basis of this paper is inter-branch approach to studying the issues of the regulation and functioning of trade secrets under Ukrainian and EU legislation. In addition, analytical methods and common tools such as logic, philosophy and other methods were used in this research. For discovering historical background of formation the institute of “trade secrets” genetic and comparative historical methods are practically valuable. The legal provisions on trade secrets regulation are interpreted using analysis, synthesis and linguistic methods. Moreover, the comparative method was used in order to clarify the phenomenon of trade secrets, using the following comparative criteria, namely: object (discovering functional differences between similar notions: information, know how, patent); branches of law (civil, commercial, criminal, labor, procedural); subjects involved in the process and legal measures.

The structure of work includes three chapters disclosing the origin of trade secrets, legislative coverage and current challenges. The first part contains a historical ground of trade secrets in the world and Ukraine. The second part divided into five subtopics, devoted to general overview of European Union regulation, the essence of the notion in Ukraine, legal regime of trade secrets regulation with subjects and their rights, measures of protection under different branches of law and analysis within the human rights ambit. The third part comprises a cyber espionage and genesis of a phenomenon of “bad secrets” that would be worth regarding within the sustainability concept under such categories: environment, society, economy.

The sources being important tools for the research could be divided on legal acts, doctrine, assisting for their interpretation and case law, accounted objects of compression. The initial international legal definition of trade secrecy was laid down in the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereafter - TRIPS) between all member nations of World Trade Organization (hereafter – WTO), that may affect on its members' legislation. By the same token, Ukraine an EU are parts of the agreement and these provisions shall be reflected in their legal acts. So, the legal basis will be also built on the Ukrainian legislation, for instance: Constitution of Ukraine, civil, commercial, labour, administrative and criminal codes, secondary legislation, case law etc. In addition, the EU legislation must be examined, for example, Trade Secretes Directive, Unfair Commercial Practices Directive etc. The theoretical basis is scientific works in different fields of law and legal history in Ukraine and in the EU. Besides, another level of protection is within the human rights sector. Thus, the case practice of the European Court of Human Rights (hereafter – ECtHR) could also assist to understand the character of the commercial secrecy, whether it could be guaranteed under European Convection of Human Rights. Furthermore, some soft law sources like guidelines, communications, proposals, ect. were used while conducting this research.

CHAPTER 1. THE PHENOMENON OF TRADE SECRETS: GROUNDS FOR ANALYSIS

1.1. The Appearance of trade secrets

The origin of trade secrets is referred to in Roman times. the similar nowadays understandable an action could be found in the text of Digesta in 6th century CE (part of a reduction and codification of Corpus Juris Civilis - Body of Civil Law[2]) under the name *"actio servi corrupti*"- an "action for making a slave worse", that prescribed the remedy against person, in that context slave, who steal information, then spreading it in exchange for money to competitors as example. It mostly concerned as an element of modern unfair competition rules. The roots of the notion were deeply described by the professor of law Abraham Arthur Schiller in his book Studies in Roman law in memory. He indited an Article inferring that private causes of action relating to slaves gave the Roman judiciary a method by which to try commercial trade secret cases.[3] Schiller wrote that "No reason exists for anyone to entice a slave to copy accounts unless he intends to use the copy; accounts are only valuable to a businessman, and that businessman a competitor. Thus it is seen that the Roman law knew 'enticement to communicate business secrets' and that the remedy for such instigation was the "*actio servi corrupti*". There were many critics on his research, in particular, Alan Watson reflected a view in the Article "Trade Secrets and Roman Law: The Myth Exploded"[4]. Analyzing the work of Arthur Schiller, it could be concluded the understanding the phenomena like an action on theft or similar possible but unused, remedies for misappropriation of trade secrets. Thus, relying on scholars, it is difficult to say that the Romans actually had laws to protect trade secrets.

In the medieval period, preindustrial Europe had the craft guilds, that were associations of workers of the same trade for mutual benefit.[5] Masters took on apprentices under a long-term agreement wherein the master promised to teach the apprentice all his secrets informal training, which usually ran for seven years. The law also protected the master's exposure of trade secrets to the apprentice by granting him two causes of action:

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[2] SCOTT, S.P. *The Civil Law* [interactive]. [reviewed on 10 October 2019]. Available at: <https://www.constitution.org/sps/sps.htm>

[3] DOMINICK, S, *A General History of Western Trade Secret Law from the Time of Preliterate Society to Today* - Pt. 1 [interactive]. [reviewed on 10 October 2019]. Available at: <http://students.law.ucdavis.edu/ip/ip_news/posts/tradesecretlawpt1.html.>

[4] WATSON, A, *Trade Secrets and Roman Law: The Myth Exploded*. [interactive]. [reviewed on 10 October 2019]. Available at: <https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1472&context=fac_artchop>

[5] Collins English Dictionary. Complete and Unabridged, 12th Edition. 2014

one against a runaway apprentice who did not finish his committed number of years; another against a competitor trying to entice an apprentice away. Moreover, Guilds enforced compliance with their rules regarding trade secrets through statutory penalties backed up with a combination of compulsory membership and boycott[6].

Modern understanding of trade secrets can be devoted to the beginning of the 19th century. The industrial revolution urged lawmakers to shape the notion of trade secrets as a specific asset deserving the legal protection. Over the decades and until the emergence of the new economy, different sensitivities of legislators determined a heterogeneous and patchy evolutionary path mirroring the local economic context. Besides, the rise of the global information society has given a new boost to the role of trade secrets and has generated the demand for a uniform standard of the protection across national boundaries.[7]

By the same token, also American and England's doctrines made the great influence in the development of notion. It was in the middle of the 19th century under the case *The Peabody v. Norfolk*, a secret manufacturing process is property, protectable against misappropriation; secrecy obligation for an employee outlasts the term of employment; a trade secret can be disclosed confidentially to others who need to practice it and a recipient can be enjoined from using a misappropriated trade secret. This decision anticipates the characteristics of our present trade secret system and by the end of the 19th century, the principal features of contemporary trade secret law were well established[8].

The first explicit treaty reference on the international level to trade secrets was the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)[9], adopted 1995, between all the member nations of the World Trade Organization (WTO). Article 39 described it under broader umbrella of "undisclosed information[10]" – "Members shall protect undisclosed information in accordance with paragraph 2"- that set criteria- "and data submitted to governments or governmental agencies in accordance with paragraph 3". In the pare 1 it gives reference to an Article 10bis of the Paris Convention for Protection

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[6] DOMINICK, S. *A General History of Western Trade Secret Law from the Time of Preliterate Society to Today* - Pt. 1. [interactive]. [reviewed on 10 October 2019]. Available at: <http://students.law.ucdavis.edu/ip/ip_news/posts/tradesecretlawpt1.html>.

[7] Study on Trade Secrets and Confidential Business Information in the Internal Market, Final Study April 2013; Prepared for the European Commission Contract number: MARKT/2011/128/D. [interactive]. [reviewed on 10 October 2019]. Available at: <http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf>

[8] Massachusetts Supreme Judicial Court. Peabody v. Norfolk Joseph Peabody & others, executors, vs. John R. Norfolk & another Joseph Peabody & others, executors, vs. John R. Norfolk & another - *Peabody v. Norfolk*, 98 Mass. 452, (Mass. 1868)

[9]Trade-Related Aspects of Intellectual Property Rights Agreement. *WTO*, 15 April, 1994 [interactive]. [reviewed on 01 October 2019]. Available at: <https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm> (hereafter - TRIPS)

[10] CAENEGEM, W. *Trade Secrets and Intellectual Property: Breach of Confidence, Misappropriation and Unfair Competition*. The Netherlands: Wolters Kluwer Law & Business, 2014, 54 P.

of Industrial Property[11], adopted earlier 1883, reviewed and amended in 1979, but it does not have a direct norm for trade secrets, the provision prescribes prohibition for unfair competition. Some scientists interpret this Article as hidden protection of trade secrets, particularly it was described by Nuno Pires de Carvalho - a worldwide known IP expert, he was the Director of the Intellectual Property and Competition Policy Division of WIPO. Nuno Pires also explained connection the notion "trade secrets" in TRIPS as was noticed there are also no literally mention.

On regional level within European Union, the direct legal fixation of the notion "trade secrets" appeared in the Trade Secrets Directive[12], that enforced Member States to implement it in a national legislation within two years. Article 2 provides certain requirements to consider the information as trade secret: a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) it has commercial value because it is secret; (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret. But analyzing with that prescribed in TRIPS, the content is the same. Although diving in the process of consideration, proposals, and adoption of the directive, it could be noticed, that in the beginning there were used the notion like "unclosed information", which then turned in trade secret. Because some participants believed that a mere reference to the term "trade secrets" might imply the acknowledgment of proprietary or exclusive rights, which are not generally accepted in civil law countries.[13]

One another example of a regional agreement enshrined provision on trade secrets is the North American Free Trade Agreement (hereafter - NAFTA), which came into force in January 1993. Later it was improved with adoption a new agreement - USMCA - the United States of America, the United Mexican States, and Canada in 2018[14]. It includes a similar definition with TRIPS or EU directive, in addition differing "actual or potential" commercial value. Besides, it set quite detailed description about misappropriation of trade secrets, including measures of protection like: civil procedures and remedies, criminal

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[11] Paris Convention for the Protection of Industrial Property. *WIPO Database of Intellectual Property Legislative Texts*, 20 March, 1883.
[12] 15 June 2016. The European Parliament and of the Council Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.
[13] Ibid.9
[14] The United States of America, the United Mexican States, and Canada Agreement 30 November, 2018 [interactive]. [reviewed on 15 October 2019]. Available at: https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between

procedures and penalties, prohibitions against impeding licensing of trade secrets, judicial procedures to prevent disclosure of trade secrets during the litigation process, and penalties for government officials for the unauthorized disclosure of trade secrets.

So, during the time the phenomenon and understanding of "trade secrets" was transforming, referring it to different field of law. Nowadays, *the actio servi corrupti*, therefore addresses both the corruptor and the corrupted, but it should not be a surprise that drawing the line between free and fair competition on the one hand, and breach of trade secrets on the other remains in the eye of the holder. In today's globalized and networked economy, the protection of trade secrets become more relevant. Besides, the context of international trade agreements, great emphasis is placed on the protection of intellectual property and investor confidence. In order to safeguard technology-transfer across borders, harmonization or at least a minimum of convergence of the rules on trade secret protection is key.[15] There could be noticed three levels of coverage the notion nowadays, like International – with TRIPS and Paris Convention; regional level for example EU directive and domestic legislation of countries. The main common feature is the certain information, that has commercial value, can be used to get more advantages in business or profit.

1.2. Evolution of trade secrets in Ukraine

The development of the protection of commercial information could be divided on several stages.[16]

First period is considered the time of maintaining a communal subsistence economy based on collective ownership and the formation of a large church, princely, and boyar property. Also, that period could be characterized like building trade relations between Kyivska Rus and Byzantium, when parties concluded treaties and contracts that allowed to protect as national interests as group of people, proceeding the trade. Agreeing on the terms and conditions of the sale-purchase, the merchants, moneylenders, and masters used the information contained in the trade books, which reflected their activity and financial position. The secrecy of trade books was protected by law. Knowledge of places of purchase of goods, lists of buyers and other information was considered a trade secret.[17]

Second stage could be considered the period of compartmentalization (labor division), the emergence of manufactory production. Appearance of the concept of

[15] Ibid.6
[16] КУЗЬМИНЕЦЬ, О. А. та ін. *Історія держави та права України*: Навч. посіб. Київ: Україна, 2000., 428с.
[17] РОЗЕНБЕРГ, В. В. *Промысловая тайна.* — Санкт -Петербург: М-ва финансов, 1910, 10-24С.

“industrial secrecy” allowed the industrialists to protect their property interests. Then this concept would become the base for further development of the concept, particularly under Russian Empire’s time.

The third stage is industrial revolution (the XIX century), the growth of large enterprises and the emergence of competition, the transition from manufactory to factory, the emergence of the concept of “factory secret”. The comprehensive legislative coverage of the institute “secrecy” was developed during the reign of Alexander II (1855-1881). The rules on the protection of trade secrets appeared in art. 1626 of so-called Penal Code 1845 (edited in 1863)[18]. Later this norm was detailed in art. 1173, 1187, 1192, 1193 of 1885 edition where the criminal liability of employees of industrial and commercial enterprises (merchants' advisers, persons admitted to training), and sometimes employees of credit institutions and officials of public institutions and officials of public institutions, were established. The main objects of penalization were the disclosure of “a secret used for manufacturing something", as well as for the “disclosure of trade book secrets”, which caused “a clear undermining of the owner of the loan”.[19] Thus, it could be noticed the development of the concept trade secrets was in the frame of criminal law.

Fourth period is devoted XX century, continuing consideration of the institute within criminal law, but also references were started to competition law. The Criminal Code of 1903 contained a chapter on the responsibility for disclosing all kinds of secrets. Chapter XXIX included six Articles with subjects of which were factory secrets, trade secrets, and credit secrets. Factory secrecy meant “special, used at a factory establishment, or methods of production accepted for use”. Credit secrecy meant “information that was kept secret by these (credit) institutions, not subject to disclosure”.[20] The concept of trade secrets was not interpreted, but apparently it was about a trade book secret. In any case, the distinction between factory secrets and trade secrets was pursued at the level of the object of criminal defense.

In the beginning of XX century the scientist and lawyer Gabriel Shersenevich viewed the theft of confidential information as a form of unfair competition could be recognized

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[18] Уложение о наказаниях уголовных и исправительных 1845 года (издание 1885 года) [interactive]. [reviewed on 15 October 2019]. Available at: <http://pravo.by/upload/pdf/krim-pravo/ulogenie_o_nakazanijah_ugolovnih_i_ispravitelnih_1845_goda.pdf>

[19] Ibid

[20] ТАГАНЦЕВ, Н. С. Уголовное уложение 22 марта 1903 г.: С мотивами, извлеченными изобъяснительной записки редакционной комиссии представления Мин. Юстиции в Государственном Совете и журналов — особого совещания, особого присутствия департаментов и общего собрания. Государственного Совета. Санкт-Петербург: Издание Н. С. Таганцева, 1904., С.299-301

as the collection of someone else's trade secrets, or bribery of employees, or referral of false workers.[21]

Fifth stage could be associated with Adoption of Decree “On Workers’ Control” 1917 ceased the existence of the institute of “secrecy”, in particular “trade”. There was the binding rule on free dissemination of any achievement obtained at a single enterprise, on the "exchange of experience" on an administrative basis, although the information had a civil commercial character.

Another period of the term’s development started at 1980s-reonstraction time in USSR (“perestroika”), when relations with western counties began and first joint ventures were created. The Law "On Enterprises in the USSR" in art. 33[22] mentioned the notion of trade secrets concerned information related to production, technological information, management, finances and other activities of the enterprise which is not a state secret, disclosure (transmission, leakage) of which may harm its interests.

That affected on the development of the term within Ukrainian legislation, consequently, thus it was adoption the Law on The Enterprise in Ukraine and come in force in 27 March 1991. But it evoked another problem like business entities on various occasions declined to provide necessary information in certain documents to the control bodies. They often unreasonably concealed by the presence of information constituting a trade secrets. This issue was solved by adoption Resolution of the Cabinet of Ministers of Ukraine Republic No. 611 “On the list of information that is not trade secret” as well as by sending as well as by sending the explanatory letter by the Chief State Tax Inspection in 1995 on the trade secrets.

The following references were enshrined in the Law of Ukraine, 16 July 1999 “On Accounting and Financial Reporting in Ukraine” (for example, para 2 Article 14 affirms the financial statements of companies are not trade secret, confidential information and do not belong to information with restricted access, except as required by law)[23]. Subsequently, a number of laws were adopted, which have enshrined the legal status of public authorities and their officials, which specified the procedure for granting them access to commercial secrets.

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[21] ШЕРШЕНЕВИЧ, Г.Ф. *Курс торгового права*, Санкт-Петербург, 1908. С.116.
[22] Закон СРСР. О предприятиях. 4 июня 1990, N 1529-I. [interactive]. [reviewed on 16 October 2019]. Available at: <https://zakon.rada.gov.ua/laws/show/v1529400-90>.
[23] The Law of Ukraine Republic on Accounting and Financial Reporting in Ukraine, *Vidomosti Verhovnoii Rady of Ukraine*, 16 July 1999, No. 996-XIV.

Along with accepting and making changes to the Criminal Code of Ukraine Republic and the Code of Ukraine on Administrative Offenses, prescribed liability for breach of confidentiality and disclosure was introduced.

Significant impact on the institute of trade secrets was made by the Law of Ukraine Republic on Protection from Unfair Competition dated 07 June 1996.[24] Its Chapter 4 enshrined concepts such as misappropriation, disclosure, and inclination to trade secret disclosure.

Last seventh stage of standing modern institute of trade secrets in Ukraine could be considered from 2003 till today. Firstly, there is annulled the Law on Enterprises in Ukraine and also new Civil Code. By the way the previous one did not include any regulations on trade secrets.

The historical formation of the institute of trade secrets begins in ancient times and could be divided on several stage that disclosed particular factors for commercial information regulation and protection. Despite the large amount of time that has elapsed since its inception, trade secrets are still developing. It is worth noting that in today's fierce competition, everyone understands the importance of storing and safeguarding information that has commercial value, since its loss can lead to different losses and sometimes even bankruptcy.

[24] Закон України. Про захист від недобросовісної конкуренції. *Відомості Верховної Ради України,* 07 червня 1996, № 237.96-ВР.

CHAPTER 2. INTERPRETATION OF LEGISLATIVE COVERAGE ON THE TRADE SECRETS

2.1 Overview of European Union regulation on trade secrets

It has already known that the protection of trade secrets in the European Union is regulated by a quite new Directive adopted in 2016, whereby Member States must implement in their laws by 9 June 2018.[25] The need to strengthen innovation to safeguard Europe's future has been articulated over and over again.[26] Before there were many attempts to launch regard on regulation of innovations, in the context of trade secrets. Thereby, the Lisbon Strategy for Growth and Jobs (2000), aimed to make the EU like the "most dynamic and competitive knowledge-based economy in the world" by 2010. However, whilst it was quite clear in 2010 that many of these targets had not been met, the Commission refused to admit defeat and instead re-launched its initiative.

Later on, in 2013 the Study on Trade Secrets and Confidential Business Information in the Internal Market arose the issues regarding problematic cross-border enforcement of MS's court decision, traditional rules on the calculation of damages are often inadequate for trade secret misappropriation cases and alternative methods (e.g. amount of royalties that would have been due under a license agreement) are not available in all Member States; and criminal rules do not address trade secret theft in all Member States. Moreover, many European companies relied on trade secrets as they effectively fill "the gap between copyright and patent protection, the two traditional pillars of intellectual property, for purposes of appropriating the results of investments in innovation. Moreover empirical evidence and stakeholders' opinions converge on the conclusion that an initiative of the EU Commission in creating a sound legal environment to protect trade secrets would contribute to fostering economic growth, competitiveness and innovation in the Single Market."[27] Thus, considering aforesaid and troubles faced with MS, it was obvious to adopt specific regulations for securing trade secrets. There was the initiative based on an evaluation of the importance of trade secrets for innovation and for the competitiveness of companies, the extent to which they are used, their role, and relationship with IPRs, in the

[25] 15 June 2016. The European Parliament and of the Council Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. (hereafter – Trade Secrets Directive)
[26] SANDERS, A.K and PUGATCH, M. P. From the Lisbon Agenda to Horizon 2020 - An Uneasy Journey: Some Thoughts on European Innovation and IP Policy at a Crossroad", in Adam Jolly (ed.), The Handbook of European Intellectual Property Management (4th edn, London/Philadelphia/New Delhi, KoganPage 2015). - 3-9.
[27] Trade Secrets Directive, supra note 19, recital 3.

generation and economic exploitation of knowledge and intangibles assets, and the relevant legal framework. These assessments were carried out with the help of two external studies and with extensive consultations of stakeholders. From 11 December 2012 until 8 March 2013 the services of the Commission carried out an open public consultation, focusing on the possible policy options and their impacts. 386 replies were received, mostly from individual citizens (primarily from one Member State) and businesses. 202 respondents found that the legal protection against the misappropriation of trade secrets should be addressed by the EU. Responding, companies considered trade secrets as highly important for R&D and for their competitiveness. A significant majority regarded existing protection as weak, in particular at the cross-border level, and saw differences between national legal frameworks as having negative impacts such as higher business risk in the Member States with weaker protection, less incentive to undertake cross-border R&D and increased expenditure in preventive measures to protect information. [28]

Consequently, on 28 November 2013, the European Commission proposed a Directive (new text) on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure that become a strong ground for nowadays directive.[29] The main legal element of the proposal was Article 114 of the Treaty of the Functioning of the European Union (hereafter - TFEU) providing harmonization of EU's rules adoption in a national legislation, whenever necessary for the smooth functioning of the Internal Market. The objective of the proposal is to establish a sufficient and comparable level of redress across the Internal Market in case of trade secret misappropriation (while providing sufficient safeguards to prevent abusive behavior). The proposal also was considered with regard of Council Decision concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994).[30] Such acts like Regulation of the European Parliament and of the Council regarding public access to European Parliament, Council and Commission documents[31], Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of

[28] Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed knowhow and business information (trade secrets) against their unlawful acquisition, use and disclosure, COM (2013) 813

[29] Ibid

[30] Council Decision of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) *(OJ L* 336, 23.12.1994, p.1).

[31] Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (*OJ L* 145, 31.5.2001, p.43).

such data [32]. Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights [33] should be also taken into consideration during formation of trade secrets' protection.

So, these aforementioned ambitions were reflected in Trade Secrets Directive. The recitals equally state that in the interest of "collaborative research" and "cross-border cooperation" there is a clear need for harmonizing the protection of trade secrets against unlawful acquisition, use or disclosure.

According to the provisions of Directive 2016/943 (paragraph 14 of the preamble), an object of commercial secret in order to be protected must have actual or potential commercial value. The presence of it may indicate that the illegal acquisition, use or disclosure of an object undermines scientific and technological owner potential, business or financial interests, strategic positions or ability to compete. In this regard, it is determined that the well-known or easily accessible information, as well as experience and skills acquired by employees during their normal activities, cannot be a trade secret. For information constituting trade secrets, reasonable steps must be taken to preserve its secret[34]. Therefore, Directive 2016/943 proceeds that trade secrets are essentially information in respect of which, subject to commercial value requirements may privacy mode to be set.

The more clarification of trade secrets' objects can be discovered through other definition of the Directive like "infringing goods" namely goods, the design, characteristics, functioning, production process or marketing.[35]

Moreover it outlines circle of subjects, who can hold information (any natural or legal person lawfully controlling a trade secret)[36] and infringers (natural or legal person who has unlawfully acquired, used or disclosed a trade secret)[37]. On one hand, the exact definition could not leave the field for uncertainty, that assists for defense. On another hand, excluding other cases with similar nature of object, it could cause some incomprehension for dispute resolution, that may need interpretation.

It should be noted that this Directive does not contain any special provisions regarding confidentiality, giving the owners of commercial secrets a certain freedom of

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[32] 24 October 1995. The European Parliament and of the Council Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data.
[33] 29 April 2004. The European Parliament and of the Council Directive 2004/48/EC on the enforcement of intellectual property rights.
[34] Trade Secrets Directive, para 1 (c), art. 2.
[35] Trade Secrets Directive. para 4, art.2.
[36] Trade Secrets Directive para 2 art.2.
[37] Trade Secrets Directive para 3, art.2.

action to ensure it. By the same token, para 16 of preamble establishes no exclusive rights, giving possibility create similar subjects independently.

Analyzing next Articles like 3 and 4, it may be supposed that the Directive defines "legal secrets" and "unlawful", providing just a description of regime via acquisition. The first one are also considered commercial secrets obtained through reverse engineering of a legally acquired product. However, a ban on such actions can be established in the contract[38]. In this regard, it should be emphasized that the Directive 2016/943 considers only studies of a product accessible to the public or legally owned that are permissible: observation, examination, disassembly or testing in the absence of mentioned contractual restrictions on these actions.

Also the legal acquisition of trade secrets is its receipt in the implementation the rights of workers or their representatives to information and advice in accordance with EU law, national laws and practices, as well as in any other way consistent with a fair commercial practice[39]. On my opinion, the difficulty for understanding and then implementing this line is reference of labor law. Thus, this norm could be considered like "indirect blanket", that shall be interpreted by means of other acts.

Another vague provision, needed additional interpretation is "conformity with honest commercial practices", that could be found explaining by European Court of Justice in disputes or in other legal acts. There is known Directive 2005/29/EC concerning unfair business-to-consumer commercial practices[40], that could help to recognize the notion, though from opposite side. Thus, relying on Article 5, unfair commercial practices are those which: are contrary to the requirements of professional diligence and; are likely to materially distort the economic behavior of the average consumer. Particularly, it defines 2 categories: misleading commercial practices (by action or omission) and aggressive commercial practices, that find extension in Articles 6-9 of this Directive. Moreover, Annex I contains the list of those commercial practices which shall be in all circumstances regarded as unfair. In addition, related and supplement to that Directive can be supplemented by an additional list of documents[41], that could assist in interpretation

[38] Trade Secrets Directive para 1 (b) art.3.
[39] Trade Secrets Directive para 1 (c), (d), art.3.
[40] 11 May 2005. The European Parliament and of the Council Directive 2005/29/EC of concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council (hereafter -Unfair Commercial Practices Directive).
[41] Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the application of the Unfair Commercial Practices Directive; Report on the application of Directive 2005/29/EC from the Commission to the European Parliament, the Council and the European Economic and Social Committee concerning unfair business-to-consumer commercial

provisions of the Directive. Searching for judicial practice, a clarification was found, but in the case regarding trademarks - *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*. Consequently, para 2 says “the use will not be in accordance with honest practices in industrial and commercial matters if, for example: it is done in such a manner as to give the impression that there is a commercial connection between the third party and owner; it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; it entails the discrediting or denigration of that mark, or where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner”.[42] Also in the case *Gerolsteiner Brunnen GmbH & Co. and Putsch GmbH*[43], the issues of “honest commercial practice” was arisen, equating to a duty to act fairly in relation to a legitimate interest of trademark owner. But in my opinion, the trade secrecy category has a specific and needs a particular explanation of the notion.

By the way, such provisions are totally similar like in Article 39 of TRIPS, particularly regarding honest commercial practices. Thus, a scientist Galen Bodenhausen, interpreting the definition, states: “Any act of competition will have to be considered unfair if it is contrary to honest practices in industrial or commercial matters. This criterion is not limited to honest practices existing in the country where protection against unfair competition is sought. The judicial and administrative authorities such country will therefore also have to take into account honest practices established in international trade”[44]. Interestingly, he gives no exact guide on the notion, just a reference to the domestic legislation, like did the European Court of Justice in abovementioned case. So, discovering the issue concerning competition law allows consideration of a wide variety of factors that might not to be taken into account in a purely property-based evaluation of rights, including competitive morality[45]. Such competitive morality is reflected most clearly in the emphasis on “honest commercial practice”. Incorporating this morality

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practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council (‘unfair commercial practices directive’) (COM(2013) 139 final, 14.3.2013); Commission staff working document — Guidance on the implementation/application of Directive 2005/29/EC on unfair commercial practices; the European Economic and Social Committee and the Committee of the Regions — A comprehensive approach to stimulating cross-border e-Commerce for Europe’s citizens and businesses.

42 Court of Justice of the European Union. 17 March 2005. Decision. *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* C-228/03, EU: C: 2005

[43] 11) Court of Justice of the European Union. 7 Jan 2004. Decision *Gerolsteiner Brunnen GmbH & Co. and Putsch GmbH*, C-100/02, EU: C: 2004.

[44] ROCHELLE C. DREYFUSS, KATHERINE J. STRANDBURG. The law and theory of trade secrecy: a handbook of contemporary research, (2011), P.517.

[45] Ibid.p.519.

element into trade secrets' protection on the international level, Article 39 of TRIPS or regional level – Trade Secrets Directive, voids the more "predictable" and yet more narrow strictures of a pure property-based regime. It could make the property a more desirable basis for the protection of proprietary information from business holders, who possess this information. By the way, this property-baes approach could allow make boundaries between traditional knowledge.

As for the use or disclosure of trade secrets obtained in this way, as well as any other of the admissible ones, then paragraph 2 of Article 3 of Directive[46], which prescribes to be governed by EU law or national law, is applicable. These actions may be carried out with the consent of its owner, which gives an exclusive character for that rights, although aforesaid provisions do not empower with exclusive rights.

More by token, Article 4 extends the notion of unlawful acquired secrets and infringer, in particular by unauthorized access, assignment, copying of documents, objects, materials, substances or electronic files, or violated the agreement on confidentiality, or violated a contractual or any other obligation to limit the use of trade secrets. Besides, despite violating Article 3, that provide description of legal acquisition, unlawfulness induces also such terms like "breach of confidentiality agreement or any other duty not to disclose, contractual or any other duty the trade secret". Whereby could be noticed the Directive involved contractual relations, meaning possibility trade secrets to be set, transferred via agreement or contract.

Member States are encouraged to include in legislative application by the judicial authorities against the alleged violator of the following security and preventive measures: 1) the prohibition to use or disclose commercial secret, taking into account specific circumstances for a certain time; 2) to prohibit the production, offer, sell in the market or use counterfeit products, or import, export products, or store it for these purposes; 3) impose seizure or confiscation of alleged counterfeit products, including imported ones[47]. Appropriate measures aim immediately termination of the illegal acquisition, use or disclosure of commercial matters essentially that strives to ensure the efficiency and effectiveness of protecting the rights of the owner. The court functions also are prescribed by provisions of Directive.

The list of measures recommended based on the results consideration of the case on the merits in order to protect the rights of the owner of trade secrets, accounting the principle of proportionality, giving the courts sufficient opportunity to make the most

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[46] Trade Secrets Directive para 2, art.3.
[47] Trade Secrets Directive art.10.

optimal decision. It includes, first of all, prohibitive measures, which are: 1) a ban on the use or disclosure trade secrets; 2) the prohibition to produce, offer for sale, sell in the market, or use counterfeit products or import, export it, or store for these purposes. Courts may apply and so-called remedial measures: recall counterfeit products from the market, or the deprivation of such products of their counterfeit qualities, or the destruction or seizure of counterfeit products. Judgment may prescribe the destruction of all or part document, object, material, substance or electronic file containing trade secrets, or transfer thereof to the applicant.[48]

Besides, there are specified alternatives like monetary compensation to the injured party. However, it is important the violator, above all, was “a bona fide acquirer” of trade secrets. It is further necessary that the application provides measures created a threat to the violator of causing disproportionate harm and replacement their monetary compensation was acceptable[49]. In the case of the appointment of monetary compensation instead of prohibitive measures, it should not exceed the amount of royalties or payments that would be payable, as if the offender had received permission to use trade secrets for a period of time when its use was carried out.[50]

So, analyzing directive it was detected that the regulation of trade secrets is quite complex, and some provisions need additional interpretation, digging in exist legislation or explanation by the Court of Justice. Besides, it deals with contractual and employment relations, also making references to unfair competition. Also, significant emphasis in the Directive is made on the judicial process, distribution of responsibility for proving, establishing facts which are relevant to the application of interim, preventive and other measures [Annex 1].

2.2. Essence of the notion “trade secret” in Ukraine

The juridical nature of protection needs such elements as objects that could be tangible or intangible; subjects, who have certain rights regarding the object; the act of violation and legal ground that prescribe this violation and provide regulation for breaking the norm.

Relying on the evolution of understanding and mentioning the trade secret is noticed that the term has contradictory and unclear intersectional nature. Nowadays Ukrainian

[48] Trade Secrets Directive, para 1, 2 article 12.
[49] Trade Secrets Directive, art.13.
[50] Trade Secrets Directive, para 3, art.13.

legislation considers trade secrets like an institute of intellectual property, referred to civil law, particularly enshrined it in Article 420 of the Civil Code of Ukraine [51] and Article 155 of Commercial Code of Ukraine[52]. But first of all it is the information, that has a certain value.

The definition is provided in Civil Code of Ukraine in Article 505 like “the information that is classified in the sense that it is, in whole or in a particular form and the totality of its components, unknown and not readily available to persons normally dealing with the type of information to which it relates, therefore has commercial value and has been the subject of adequate measures to preserve its secrecy, taken by the person legally controlling this information”[53]. So, the commercial value could be understood as its using affords certain economic advantages to the holder due to the fact that its competitors or other persons do not possess such information. Commercial value can be expressed in obtaining greater profits from the sale of products manufactured using proprietary technologies, from expanding markets, and so on.

Para 2 of the Article distinguishes character of trade secrets as information of technical, organizational, commercial, industrial and other nature, except for those that according to the law cannot be classified as a trade secret. On my opinion, it is worth to discern forms of it, as the notion is wide, that could help also for better protection. But the legislator does not explain, thus this norm needs interpretation.

Besides, the law does not set any requirements for formalization of information. Thus, it could be clues reported as orally, as in writing or graphically.

Outside of Civil Code, Article 36 in Commercial Code of Ukraine enshrines what can be commercial secrets, but formulation of the norm lacks certainty, saying “information relating to the production, technology, management, financial and other activities of a non-State secret entity, disclosure of which may harm the interests of the entity may be recognized as a trade secret”[54].

Also, there are some exceptions that define the information that can not constitute trade secrets and somehow help to understand the notion better. First of all, Article 50 of the Constitution guarantees the right of free access to information on the state of the environment, the quality of food and household items [55]. Thereby it narrows the term, as

[51]Цивільний Кодекс України. *Відомості Верховної Ради України*, 19 червня 2003, № 40-44.
[52] Господарський Кодекс України. *Відомості Верховної Ради України*, 16 січня 2003, 436-IV.
[53] Ibid.49.
[54] Ibid.50.
[55] Constitution of Ukraine Republic. Verkhovna Rada of Ukraine, 28 June 1996, N 2222-IV.

well as in addiction the Law "On Insurance"[56] (for instance, information on insurance policies developed by the insurer shall be open), the Law "On Accounting and Financial Reporting in Ukraine" mentioned above, the Law "On Certified Warehouses and Ordinary and Twofold Warehouse Certificates" of 23 December 2004[57], the Resolution of the Cabinet of Ministers of Ukraine Republic "On List of Non-Confidential Information" of 09 August 1993[58]. Thus, trade secrets cannot be:

- constituent documents, documents that allow to engage in business or economic activity and its certain types;
- information on all established forms of state reporting;
- data, required to verify the calculation and payment of taxes and other mandatory payments;
- information on the number and composition of employees, their wages as a whole and by professions and positions, as well as the availability of vacancies;
- documents on payment of taxes and compulsory payments;
- information on pollution of the natural environment;
- environment, non-compliance with safe working conditions, implementation;
- products that are detrimental to health, as well as other violations of the legislation of Ukraine and the amount of damages caused at the same time;
- solvency documents;
- information on the participation of company officials in cooperatives, small enterprises, unions, associations and other organizations engaged in business activities;
- information that is legally enforceable under applicable law.

Moreover, used term in both Codes is inconsistent in this wording with the traditional classification of information in the legislation, in particular, provided in the Laws of Ukraine on Information and on Access to Public Information. Article 20 of the Law on Information enshrined the important principle of maximum openness, according to which "any information is open, except for that which is referred by law to information with limited access"[59], that gives another regime for getting, using and store this information.

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[56] Закон України. Про страхування. *Відомості Верховної Ради України*. 07 березня 1996, № 86/96-ВР – ст. 79.

[57]Закон України Про сертифіковані товарні склади та прості і подвійні складські свідоцтва. *Відомості Верховної Ради України*, 15 квітня 2014, 2286-IV – ст.136.

[58] Resolution of the Cabinet of Ministers of Ukraine Republic. The list of information that is not trade secret, 9 August 1993, № 611. [interactive]. [reviewed on 06 October 2019]. Available at: <https://zakon.rada.gov.ua/laws/show/611-93-%D0%BF>

[59] Закон України. Про інформацію. *Відомості Верховної Ради України,* 02 жовтня 1996, № 2939-VI - ст. 20.

Thus, it can be attributed to research notion “trade secrets”. Article 21 of the law differs such kinds of information like confidential, secret and proprietary information. However, it gives the definition just for the first term like information about an individual, as well as information that is restricted to an individual or a legal entity, except for the authorities. Confidential information may be disseminated at the request (consent) of the person concerned in the manner prescribed by him or her, following the conditions stipulated by him, as well as in other cases stipulated by law.[60] Regarding secret and proprietary information, it has a blanket norm, saying that “it is regulated by laws”, but without any certain references. In the Law of Ukraine Republic “On access to public information”, there could be found a definition for these types of information, also requirements for the information with limit access under Article 6. The phenomena of trade secret suits to it, like to protect certain disclosure and reputation, maintaining standing and disclosure of this information can cause damages of such interests. In Article 8, defining secret information it divides on, state, professional, bank, prejudicial investigation. Analyzing the nature of these kinds of information, trade secrets could be referred more to confidential information, although is vague, as another one is used to call state or military information.

Besides, some bilateral agreements define the notion of confidential information, with features similar to trade secrets like part of intellectual property. As example, Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Belarus on the mutual protection of the rights to the results of intellectual activity created and provided in the course of bilateral military-technical cooperation on 2 February 2007 means confidential information as information, including know-how, concerning the subject of contracts concluded in the course of bilateral military-technical a collaboration that has a real or potential commercial value, because it is unknown to third parties, to which it is not free access on a legal basis and the owner of which uses it measures to ensure its confidentiality[61]. The same agreement was concluded with Russian Federation on 6 June 2008 including the same definition Agreement between the Cabinet of Ministers of Ukraine Republic and the Government of the Russian Federation on the mutual protection of rights to result used intellectual activities and received in the course of bilateral military-technical cooperation.[62]

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[60] Ibid.ст.21

[61] Угода між Кабінетом Міністрів України та Урядом Республіки Білорусь про взаємну охорону прав на результати інтелектуальної діяльності, що створені та надані в ході двостороннього військово-технічного співробітництва, 07 лютого.2007, N 159.

[62] Угода між Кабінетом Міністрів України та Урядом Російської Федерації про взаємну охорону прав на результати інтелектуальної діяльності, що використовуються та отримані в ході двостороннього військово-технічного співробітництва від 04 червня 2008, N 519.

Trade secrets and know how

Trade secrets shall be differed from know-how. As analyzing the legal practice, it was found out that even courts are puzzled with that notions. For example, in case № 324/13-06 from 13 November 2006, where one entity had invented and had been producing actively a tincture of carotene from carrot in the oil “Karatelka”, that was unlawfully produced by another one. The first company got it under contract of transferring know how, when nobody had a right to make the oil from carrots. And viewing the case, the Commercial Court in Kyiv named know how as commercial secrets.

Generally, know-how is considered as a set of knowledge, experience, skills and abilities that bring some benefit to the owner. For instance, the Law of Ukraine Republic “On Investment Activity”[63] defines know-how as a set of technical, technological, commercial and other knowledge, drawn up in the form of technical documentation, skills and production experience, necessary for the organization of a particular type of production, but not patented. Another example, the Law of Ukraine Republic “On State Regulation of Activity in the Sphere of Transfer of Technologies[64]” enshrines know how as technical, organizational or commercial information obtained through experience and testing of technology and its components, which: is not generally known or readily available on the date of the technology transfer agreement; is essential, that is, important and useful for the production of products, process and / or service; is defined, that is, sufficiently detailed to be able to verify its compliance with the criteria of notoriety and materiality[65]. The following definitions clearly emphasize the categories of "knowledge", "skills" and "experience" as essential components of know-how, whereas the content of a trade secret is only information.

Commercial secrecy and know-how are separate economic and legal categories that cannot fall under the same legal regime due to the divergence of a number of their essential features and different content. Specifically, non-personally identifiable information is usually materialized or even documentary, it may be transmitted from one person to another in the related form. At the same time, the knowledge, experience, skills, and competencies, that make up the content of know-how inseparable from their media, do not have common properties of information, their transfer in unaltered form is practically impossible due to the distortion of their subjective perception by the receiving person.

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[63] Закон України. Про інвестиційну діяльність. *Відомості Верховної Ради України*. 18 вересня 1991, № 1561-XII.

[64] Закон України. Про державне регулювання діяльності у сфері трансферу технологій. *Відомості Верховної Ради України,* 16 вересня 2006, 143-V.

[65] ibid

Knowledge, in this sense, is not documented, because experience, skills, and abilities, can be documented.

So, the main legal regulation of commercial secrecy is defined by the Civil Code of Ukraine, the Laws of Ukraine Republic on Information and on Access to Public Information" as well as the resolution of the Cabinet of Ministers of Ukraine Republic “On List of Non-Confidential Information”. Also the definition can be found in international treaties and agreements. But it needs harmonization as direct definition is provided just in the Code of Ukraine, identifying the legally significant features of the trade secret: a) the information of the trade secret 2); b) confidentiality; c) commercial value; and d) security of information that is commercially confidential. In cases of any disputes between terms, as the major act of civil legislation of Ukraine (Article 4 of the Civil Code of Ukraine), so it is the norm-definition of Article 505 of the Civil Code of Ukraine should have priority application in comparison with conflicting norms of law.

By the same token, the definition given in the Civil Code of Ukraine is formulated taking into account modern international legal approaches for understanding commercial secrets (TRIPS and EU) and at the proper legal and technical level, although it is not devoid of certain shortcomings.[66] Although legislators tried to narrow the notion, clarifying which information cannot be devoted to trade secrets. But the analyze of practice vindicates that the term wants to be improved and elaborated. As the definition provided by the Civil Code, does not clarify the notion like the object of intellectual property, that is similar to just the information with limited access. Also, the scope of notion can be understood through the list, that excludes certain information to be trade secret, adopted by Cabinet of Ministers of Ukraine Republic.

Therefore, because of uncertainty and some fragility, some scientists propose their explanation. Detailed definition of trade secrets was suggested by O. Sergeeva based on Western Europe experience. In her view, commercial secrecy should be understood as confidential information that is directly related to the entrepreneurial activity of the subjects of the right to that activity, both industrial and commercial in nature, or with the activity of providing services having a real or potential economic value and favors competition because of its uncertainty, whose disclosure comes with legal liability and there is a special regime for its protection[67]. But it shall be noticed that the author narrowed

[66] НОСІК, Ю. В. *Права на комерційну таємницю в Україні*: Монографія. Київ: КНТ, 2007, 240 с.
[67] СЕРГЄЄВА, О. Поняття та ознаки комерційної таємниці. *Підприємництво, господарство і право*, 2001, № 2. С.17.

down the scope of trade secrets to business entities only, and replaced such trade secrets as “uncertainty”. Thus, it is difficult to define legal regime for protection.

In addiction the usage of restricted information, often connected with labor relations. The legislator provides a duty of confidence in respect of a certain class of information for some categories of employees (state offices, customs clearance agents, medical staff, etc.). There is found out the notion like “professional secrecy” for advocates, auditors, notaries, medical staff, insurance company staff. Even analyzing the term “professional secrecy”, the nature is complex, it is difficult to say that it may be referred to trade secrets.

For other categories there are no such requirement and legislator left a full discretion for employers to define what would be restricted information, having commercial value considering as trade sectors. It can be reflected in companies’ policy, the employer has to develop a policy, employment manuals into which the employer will include sources and information to be protected, specifying obligations.

2.3. The Ukrainian legal regime based on comparison of trade secrets regulation: subjects and their rights

Beginning from the main law - Constitution of Ukraine, Part 2 of Article 34 provides the right of everyone to freely collect, store, use and disseminate information orally, in writing or otherwise.[68] Thus, the Law guarantees the autonomous right to information. In addition, Article 32 of the Constitution of Ukraine ensures the right to get acquainted with information about yourself that is not a state or other secret protected by law in public authorities, local governments, institutions and organizations. Besides, "the right to information" was recognized ever before, by the Law of Ukraine Republic on Information assigned to "citizens of Ukraine, legal entities and state bodies" and assumed "the possibility of free receipt, use, distribution and storage of information necessary for the realization of their rights, freedoms and legitimate interests, tasks and functions." The Law regulated the procedure for access to information, including by submitting an information request. Thus, in May 2011, the Law of Ukraine Republic on Access to Public Information and the new version of the Law of Ukraine Republic on Information (as amended by Law No. 2938-VI of the manual on the application of “three-part test” 13 January 2011) came into force.

[68] Constitution of Ukraine Republic. Verkhovna Rada of Ukraine, 28 June 1996, N 2222-IV.

But accounting that the object has features of secrecy and is devoted to the information with limited access, mentioned provisions of “openness principle” do not cover the regulation of trade secrets, demanding another legal regime.

So, legal protection of person’s interests in charge of confidential information (trade secret, know-how) may be carried out through: 1) the application of the legislation on unfair competition, or 2) the application of economic and civil law and through the means prescribed by the economic and civil legislation of Ukraine.

The Civil Code is considered as the main sources enshrined the provision of trade secrets, refereed to the institute of intellectual property, thus the legal regime, establishing subjects’ rights and protection shall also be set by civil legislation. Under para 2 Article 506 of the Code, the holder shall legally establish information like commercial – trade secret, if another is not prescribed by contract.[69] At the same time, the Trade Secrets Directive of EU in Article 2 sets a precise definition who could be subjects – “any natural or legal person lawfully controlling a trade secret”, that is exactly the same like under TRIPS[70]. Moreover, defined by Directive ‘infringer’ means any natural or legal person who has unlawfully acquired, used or disclosed a trade secret, that is quite obvious. So, it seems defined clearly and narrower, despite Ukrainian law, that gives “wide field” for interpretation. Thus, provision of Civil Code of Ukraine could be construed regarding the subjects, that it would be all parties listed in the Article 2 of the Civil Code like individuals and legal entities, the state of Ukraine, the Autonomous Republic of Crimea, territorial communities of foreign states and other subjects of public law. Foreigners, stateless persons and foreign legal entities in Ukraine have equal rights to trade secrets with national subjects of such rights.[71] But a distinctive feature has to be the testified will that they intended to retain certain commercially valuable information in the confidential mode and took adequate steps to preserve such a state of information misuse.

The right of a trade secret may not be attributed to a person who has misappropriated the information with a trade secret, that included in the list of that is not considered commercially confidential, adopted by Cabinet of Ministers in Ukraine.[72] Continuing the line about the term "right to business secrecy", it can be considered from two hands: objective, involving the state that provides a system of legal enforceable rules governing

[69] The Civil Code of Ukraine, para.2 of art.506.
[70] TRIPS. Article 39. 2.“Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices”.
[71] Ibid.art.2
[72] Resolution of the Cabinet of Ministers of Ukraine Republic. The list of information that is not trade secret, 9 August 1993, № 611. [interactive]. [reviewed on 06 October 2019]. Available at: <https://zakon.rada.gov.ua/laws/show/611-93-%D0%BF>

the public relations that consist of trade secrets, secured though the concept of legislative, executive and judicial bodies and subjective concerning a person like the holder, who has certain rights related trade its trade secrets.

Particularly, Article 506 of Civil Code of Ukraine set such rights, namely: to use a trade secret; to allow its use to others, to prevent the unauthorized disclosure, collection or use of a trade secret. As it can be noticed from the Article, the list is expended by saying "other intellectual property rights established by law". In addiction the Commercial Code of Ukraine under Article 162 also provides the right for trade secrets' owner to protect the commercial inform from unlawful use by third parties. Analyzing TRIPS, it just gives to the subject "possibility to prevent information from being disclosed to, acquired by, or used by others without their consent. Although the phrase "within their control" could be read like empowering with certain rights to trade secrets. If look into the EU's Directive, that does not mention straightly rights for subjects, but it could be understood interpreting the definition of holder, "controlling trade secrets" and of infringer, who unlawfully acquired, used or disclosed it. Then it provides with particular description in chapter II, with exceptions.

So, relying a gloss of the Civil Code's provision, the right to use a trade secret can be exercised in a permit (positive) form and in the form of negative like ban. For example, in first case, a trade secret is in production or performance on its basis of research work. Another side of the right is the legal ability of a person to prohibit the use of information that belongs to trade secrets for all third parties, when such use is made without due legal grounds. It shall be highlighted that this right is not exclusive, since it may belong not only to the original and derivative owners of confidential information in Ukraine, but also in other cases provided by law (Part 3 of Article 162 of the Commercial Code of Ukraine) - to other persons who independently and in good faith received the information, similar to what is already a trade secret.

Another right like to allow the use of a trade secret is the exclusive, restricted to persons, that have this right. In particular, Commercial Code in part 3 of Article 36 enshrines no requirements for permission to use a trade secret who independently and in good faith received information that is a trade secret and in this connection by law has the right to use such information at his discretion. Legal forms of exercise of the right to allow the use of trade secrets are transactions. Exercising the exclusive right can be performed in two ways: 1) granting authorization to another person, which causes obtaining the right to use or 2) transferring the right. Commercial secrecy as a revolving object of civil rights takes part in the civil turnover in the form of the circulation of property rights to it. Thus,

a trade secret permit may be issued by a license agreement, a commercial concession agreement, and other types of contract, including unnamed contracts, as well as a trade secret license

Exploring the right to prevent the unauthorized disclosure, collection or use of a trade secret is a legally established possibility for particular person to take preventive measures aimed at preventing breaches of the confidentiality of the trade secret and, accordingly, the person's rights to trade secret. This right is also exclusive, but does not constitute an independent subjective right, even though, in paragraph 3 of Part 1 of Art. 506 of the Civil Code of Ukraine it is mentioned separately. As having regulatory character, it is a part a constituent of the content of the right to use the trade secret. And at the same time it drives at the duty of the authorized person, the failure of which may lead to the termination of legal protection of trade secrets.

These rights to trade secrets are proprietary, absolute, and their exercise is based on a dispositive basis, which is indicative of their civil legal nature (particularly in para 1.4 of the Code defines “other proprietary rights of intellectual property, established by law”). Thus, personal non-proprietary intellectual property rights to trade secrets may not arise.

Analyzing that provision, legislator seems to put on the same line of legal regime with objects of intellectual property, that is not in reality, besides, it has also inter-branches connection and regulation. In addition, there is a question as to whether it is advisable to treat trade secrets as intellectual property objects. Since any person who has legitimately obtained information that constitutes a trade secret has the right to use it without any restriction, it is not logical to treat the trade secret as an exclusive right.

By the same token, Article 507 of Civil Code obliged state bodies to protect the information, in particular from unfair commercial usage. Thus, this provision refers the trade secret to competition law with features of administrative character, comparing with norm set in Commercial Code, mentioned above, that gives dispositive choice for the holder of the information.

But also the notion of trade secrets can be accrued in labor relations, where is employer is the main possessor of information and employee, who has access to this information. So there are arise a question of implication of possible rights for these subjects who has access to information, disclosing it may bring losses for employer and business at whole. But the protection on this level relation is weak and need more improvements. It worth noticing the legislator provider some information regarding restrict information accounting specific of professional labor relations.

The main subjects can be classified on holder of information like legal person or entity and third parties on which the information is spreader or who has access to it. From another side the state also involved in that relations reflected through its bodies: legislator, executor, court. Thus, it can be regulated on public or private levels. Also, Civil Code of Ukraine, Commercial Code, TRIPS and Directive provides certain rights for trade secrets' owners. The first one fixed the widest list, that contained an exclusive character of rights, allowing an authorized person to exercise it. In addiction the right to use a trade secret is in a permit (positive) form and in the form of a ban (negative). In turn, norms in Commercial Code of Ukraine, TRIPS and EU concentrate more just on the second form like prohibition.

2.4. Legal measures of protection under different branches of law

Accounting Ukrainian legislation, the trade secret is defined to intellectual property as an institute of Civil law. Thus, the Code like the main source shall have basic provisions for the protection of objects. By the way, it could be noticed hidden references to another branches of law in the Code, that prescribes also different types of liabilities.

Paragraph 2 of Article 16 of the Civil Code of Ukraine and Article 20 sets out common ways to defend civil rights, which obviously concerns intellectual property. However, not all of them can be applied to trade secrets, because the nature of the violated interest of a person and relations itself differ from other subjects of Intellectual protect. In addition Article 431 enshrined that for a violation of intellectual property right, it takes liability prescribed by this Code, another law or contract[73]. Thus, it could be systemized that "protection by law" deals with administrative and criminal regulation, involving the main subject – the state with its powers mentioned above. Also, a state's role may be described from functional aspects like obligatory, prohibitory, recommendatory or permissible.

Securing by contract might be understood civil liability or ever disciplinary, if account employment relations and disclosure of information.

Moreover, the framework for guaranteeing rights and taking responsibility is a list of possible violations, that based in the Commercial Code of Ukraine and also duplicated in Chapter 4 of The Law of Ukraine Republic "On Protection Against Unfair

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[73] The Civil Code of Ukraine, article 431.

Competition". In different branches can be found particular liability for that actions. Namely, it is 1) illegal collection of trade secrets by unlawful ways (Article 16) - analyst of the provision allows to stake out the requirement for this wrongdoing is to cause damage for the entity; 2) disclosure of trade secrets (Article 17); 3) propensity to disclose trade secrets (Article 18); 4) illegal use of trade secrets (Article 19).

The law defines forms of unfair competition and specific consequences of wrongdoing in the field of commercial confidentiality such as fines or compensation for losses (Article 20). If a person controlling commercial confidentiality was inflicted damage by wrongdoing in the form of unfair competition, it can be filed a claim with a court for damages in accordance with the procedure established by the Civil Code of Ukraine (Article 24). One can note that it refers to the civil law when a person is inflicted damage. Thereby, a person who actually controls trade secret should first be applied to the Antimonopoly Committee of Ukraine and not to a court. And only after that, this person can file a claim with a court for compensation for losses.

But the law, particularly in Chapter 5, described responsivities for unfair competition in general, without specialization towards trade secrets[74]. Also, peculiarity for asking the Antimonopoly Committee of Ukraine is subjects, being especially "economic entities - legal persons and their associations", that entails the imposition on them by the Antimonopoly Committee of Ukraine, its territorial offices of fines of up to 3% of the proceeds from the sale of goods, the execution of works, the provision of services of an economic entity for the last reporting year, which preceded the year in which the penalty is imposed. If the calculation of the business entity's revenue is impossible or absent, the penalties referred to in paragraph one of this Article shall be imposed up to five thousand non-taxable minimum incomes (i.e. up to 85 thousand UAH around 3 187 EUR).

If actions were done, "by legal entities, their associations and associations of citizens who are not economic entities" so it entails the imposition on them by the Antimonopoly Committee of Ukraine, its territorial offices of fines in the amount of up to two thousand tax-free minimum incomes (i.e. up to 34 thousand UAH around 1 280 EUR).[75]

Part of Article 164-3 of the Code of Administrative Offenses fixes administrative responsibility for receiving, using, disclosing is provided trade secrets as well as confidential information for the purpose of harming business reputation or property of

[74] Закон України. Про захист від недобросовісної конкуренції. *Відомості Верховної Ради України,* 07 червня 1996, № 237.96-ВР.
[75]Ibid.

another entrepreneur. [76] For such actions, the offender is fined sizes from nine to eighteen tax-free minimum incomes (153 UAH - 6 EUR to 306 UAH-11 EUR). Take administrative responsibility, according to by the said Article, an individual may only do so when he or she commits an act that indicate the direct receipt, use or disclosure of a commercial product secrets. In case of substantial damage there shall refer to Criminal liability.

Thus, the Criminal Code of Ukraine Republic (hereafter - CCU)[77] for unlawful collection for use (commercial espionage) or the use of commercial information secrecy (Article 231 of the CCU), and for disclosing a trade secret (Article 232 of the CCU) criminal liability is provided. Article 231 of the CCU deliberate actions aimed at obtaining information constituting commercial or banking secrecy for the purpose of disclosure or other use of these information, as well as the unlawful use of such information, if it resulted in a material one damages to a business entity - are punishable by a fine of three thousand to eight thousands of tax-free minimum incomes.

Deliberate disclosure of a business or banking secret without the consent of its owner a person who is aware of this secret in connection with a professional or professional activity, if it is for selfish or other personal reasons and has caused substantial harm to the subject economic activity - is punishable by a fine of one thousand to three thousand non-taxable minimum incomes of citizens with deprivation of the right to occupy certain positions or engage in certain activities for up to three years (Article 232 of the CCU) [78]. It should be noted that under Article 232 of the CCU can only be held liable limited circle of persons - subjects who have become aware of such information in relation to theirs professional or professional activity, and who are required by applicable law save. Such entities may include employees of state tax authorities' services, banks, law enforcement, persons who have been entrusted with a trade secret owner, and other entities that are, under applicable law, entitled familiarize themselves with or have access to trade secret information such information. Thus, on the surface, the conclusion is that it is not difficult to hold a person liable for violation of the requirements of commercial secrecy, since this issue is spelled out and regulated by the legislator, but this is not entirely true.

The most pressing issue is the evidence and evidence in the process of any case in such a category. For example, one may consider the decision of one of the courts of the city of Dnepropetrovsk of 06.11.2015 (Case No. 199/13473/13-k). By this decision, the court acquitted two Ukrainian citizens of the lack of evidence of their participation in the

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[76] Кодекс України про адміністративні правопорушення. *Відомості Верховної Ради Української РСР*, 07 грудня 84, № 8074-10, ст.1122.
[77] Кримінальний Кодекс України. *Відомості Верховної Ради України*, 05 квітня 2001, 2341-III, ст.131.
[78] Ibid. Ст. 232.

crimes under Articles 177 and 232 of the Criminal Code of Ukraine, namely the use of commercial information that they became aware of in the course of their work duties, as well as the violation of their rights to invention. Although this decision is largely based on procedural errors made by the investigating authorities in criminal proceedings, it does not in any way exclude the real difficulties encountered in the process of proving.

Even having regulated the base of evidences, the question of compensation for such damage arises, what is the most the information holder interested in. However, disclosure of trade secrets is attributed to nonpecuniary character like moral damages according to paragraph 3 of the resolution of the Supreme Court of Ukraine[79]. Non-pecuniary damage caused to a legal entity, one should understand the non-pecuniary losses incurred in connection by degrading its business reputation, encroaching on its brand name, trademark, trademark, disclosure of trade secrets, as well as taking actions aimed at reducing the prestige or undermining confidence in its activities.

But as well-known the protection of moral damages has really fragility and vogue. Moreover, the main point is complexity of legal protection in labor relations. As according to the provisions of Article 130 of the Labor Code of Ukraine Republic Republic[80]employees are financially responsible for the damage caused to the enterprise, institution, organization as a result of violation of their work responsibilities. In the event of material liability, the rights and legitimate interests of employees are guaranteed by establishing liability only for direct actual harm, only within the limits and in the manner provided by law, and provided that such damage is caused to the enterprise, institution, organization by the guilty unlawful acts (inaction) of the employee. Thus, the amount of damage inflicted is determined according to actual losses based on accounting data. Labor law does not provide for the possibility of imposing a liability on an employee for the disclosure of a trade secret.

Therefore, all issues regarding compensation for non-pecuniary damage caused by an employee must be dealt with in accordance with the general provisions of civil law.

Extra-contractual protection of trade secrets is based on general provisions on tort and the peculiarities of the legal regime of trade secrets as intellectual property. Article 432 of the Code gives each person the right to apply to the court for the protection of his

[79] Пленум Верховного Суду України. 31 березня 1995. Постанова про судову практику в справах про відшкодування моральної (немайнової) шкоди N 4.
[80] Кодекс законів про працю України. *Відомості Верховної Ради Української РСР*, 10 грудня 1971, № 322-VIII.

intellectual property rights in accordance with Article 16 of the Code, which sets out possible ways of protecting civil rights and interests.[81]

The peculiarities of the object of protection of a trade secret and its legal regime give rise to the characteristic features of responsibility for violation of the rights of trade secret. Commercial secrecy as an unformulated result of intellectual activity (as opposed to copyright or patent law) is characterized by the principle of freedom of use and the presumption of fairness of the user of commercial secrecy rights, unless the violation of the protection regime established by law is proved. Whereas copyright and patent law are subject to the presumption of unfair use by third parties (unless otherwise expressly provided for in the contract with the copyright holder), this is the responsibility regardless of fault. Instead, innocence is a mandatory condition for liability for breach of trade secrets.

It is not possible for a trade secret to be protected in such a way as to restore a situation that was in breach. After all, information is disclosed irrevocably, it cannot be removed from the consciousness of a person who illegally got acquainted with it. Accordingly, protection can only be to compensate for the loss and to continue the infringement.

These methods can only be applied to a limited number of actual offenders. The latter can be divided into two groups: persons who have directly tampered with the right holder (the primary offenders); and those who have used the results of the primary violation (secondary offenders). The primary infringer should in any case be responsible for the prohibition of continued use of the object and compensation for damages. The same applies to a secondary infringer who is a "fraudulent" user, that is, who knew or should have been aware of the unlawful transmission of trade secret information. Another situation with a secondary offender is a "conscientious" user who cannot be held liable because the right holder has no absolute protection. Responsibility to him rests solely with the person responsible for the violation (hence, no liability is possible without fault).

By the way, accounting the practice, especially, in the aforementioned decision in Case No. 199/13473/13-k the amount of damage is often equivalent to the amount of profit earned by a competing company that has been secretly disclosed.

In view of the existing problems of proving the amount of damage, it would be appropriate to impose penalties for breach of trade secrets in the company for employees, mentioning this in the employment contracts. This method of protection will not affect the

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[81] Ibid.

determination of the damage caused, but will greatly simplify the procedure for recovering part, and possibly the entire amount of damage.

Also although referring to Labor Code, there could arise disciplinary liability using the employment contract. But I do not think the measures will satisfy the main holder of trade secrets. As disclosure of secrecy may be regarded as a violation of labor discipline, for which a disciplinary sanction is specified in Part 1 of Article 147 of Labor Code like reprimand or dismissal. Moreover, employer cannot fire cannot an employee for a one-time of violation, just in the case of repeated disclosure - release under item 3 of Part 1 of Article 40 Labor Code: the systematic failure of an employee without good reason to perform the duties imposed on him by the employment contract or the rules of internal employment, if the employee has previously been subjected to disciplinary or public enforcement measures. So, the issue is that trade secrets are to be broken for several times in order to drop on "a hangdog",[82] that is inappropriate actually for business leading to possible losses.

However, it should be borne in mind that the employee may disagree with the reprimand and challenge it in court within three months from the day he learned of the violation of his right (Part 1 of Article 233 of the Labor Code). At the same time, the employer is obliged to provide evidence that the information disclosed by the employee is a trade secret and that the information has become known to the employee in connection with the performance of his /her work duties, and he/she has given a subscription for their non-disclosure.[83]

It is worth to mentioned that legislator provided the provision of trade secrets protection for specific categories of employment relations. But there was not found the exact list of these professionals, just discovering the legislation it can be detected. Thus, Article 417 of the Customs Code of Ukraine enshrined that information received from a customs broker and his staff by customs clearance agents from a person represented by a customs broker in the course of completing customs formalities may be used solely for the purpose of completing these formalities. The customs broker and his customs clearance agents shall be liable in accordance with the law for the disclosure of information that is trade secrets or confidential [84].

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[82] "Hangdog" means unhappy or ashamed, especially because of feeling guilty (according to the Cambridge Dictionary). In the context, person, breaching several times law, disclosing commercial information.
[83] How to punish an employee for disclosing a trade secret? [interactive]. [reviewed on 15 October 2019]. Available at: <https://uteka.ua/en/publication/commerce-12-zarplaty-i-kadry-3-kak-nakazat-worker-za-razglasheniekommercheskoj-tajny>
[84] Митний Кодекс України. *Відомості Верховної Ради України*, від 13 березня 2012, 4495-VI. - ст.417.

Also in the Law of Ukraine Republic "On Business Associations", Article 23 set obligations for officials of company (president and members of the executive body, head of the auditing commission etc.) to keep and not disclose commercial secrets and confidential information. [85]

By the way, nowadays some companies, more often in IT field, try to find protection through concluding Non-Disclosure Agreements (hereafter – NDA) with their employees. For the most part, these contracts have US-specific, translated into Ukrainian with some changes, and that's all. However, they do not take into account legal domestic regulation.[86] NDA perform three key functions:

1.Protect sensitive information. By signing it, participants promise not to disclose or disseminate information obtained in the course of their work to third parties. If the information classified as "secret" is leaked, the injured party (the Data Keeper) has the right to claim compensation for breach of contract.

2.When developing a new product or its concept, a non-disclosure agreement can help the inventor retain his patent rights. In many cases, the disclosure of information about a new invention causes the patent to be lost. A properly prepared and legally valid NDA contract allows the original creator to retain the rights to the product or idea.

3.The confidentiality agreements and the NDA clearly describe what information is private and which is public. In many cases, a contract of this type serves as a document that classifies different types of information and defines what can be made public and what should not be made public.

The type of information covered by the NDA is virtually unlimited. In fact, any knowledge exchanged by contractual parties may be considered confidential. Test results, customer lists, software, passwords, system specifications and accessories - this list is not exhaustive.

But as practice shows these agreements do not work and cannot guarantee protection of trade secrets. Thus in Case No. 1355/12, judgment of 10 June 2013, although between Company "Lad" and employee was concluded the non-disclosure agreement regarding production process technology, it did not this did not prevent the defendant from establishing his own business using "trade secrets" of Lad. The appeal court quashing the first-instance judgment and stated that there is no cause and effect, and no damage was

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[85] 10) Закон України. Про господарські товариства. Відомості Верховної Ради України, 19 вересня 1991, № 1577-XII, ст.23.

[86] Protection of business secrecy by review of Law Office Kulchytsky and Partners [interactive]. [reviewed on 15 October 2019]. Available at: <https://advokatura.lviv.ua/nerozholoshennya-komertsiynoyi-tayemnytsi/>

caused to Lad. Analyzing the decision, it should be noted that in accordance with the Constitution of Ukraine, namely Article 42 Everyone has the right to engage in business activities that are not prohibited by law[87]. This is the starting point here. That is, the Respondent can definitely not be prohibited from doing similar business on court's interpretation. However, it is possible to receive compensation for the losses incurred in the case of carrying out completely similar activities. Besides, then even Supreme Court on civil and criminal cases of Ukraine, highlight that recognition of violated NDA is impossible as this mean of protection is no prescribed ion legislative level. Another similar example was Case No. 6-14136CB13, where concluded a tripartite agreement about non-disclosure. The commercial information was considered about the place, date and cost of making the lower specific brand underwear, information on contractors involved in the manufacture of underwear of that trademark, and information on existing civil relations and these contractors, resellers and end users of products, goods and services and other commercial information. In the court's view, the fact that the defendant was acquainted with the plaintiff's provisions on "Trade secrets and the rules of its safekeeping" was not proved, meaning refusing existence NDA as possible alternative for that.

Concerning such agreement in EU, so European Intellectual Property Right Helpdesk recommends to use NDA like a tool for protection of trade secrets in the company[88][89]. Besides, there is proposed to use Non-Solicitation Agreements (hereafter – NSA), in which an employee agrees not to solicit a company's clients or customers, for his or her own benefit or for the benefit of a competitor, after leaving a company. It is particularly useful to use such agreements and clauses in services where the customer pool is limited, for example, in specialized sales. Non-Solicitation Agreements may be also entered into between competitors in order to explicitly agree not to solicit current employees of one or both parties.[90]

But EU legislation does not regulate these kind of agreements, Member States are to adjust it on domestic level. As NDAs are private law contracts and as such their contents entirely depend on the will of the parties. The conditions for the validity of such contracts will on the other hand depend on the national law that governs the agreement - there is no harmonization at EU level here. On the other hand, non-solicitation clauses may be

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[87] Constitution of Ukraine Republic. Verkhovna Rada of Ukraine, 28 June 1996, N 2222-IV. - art. 42

[88] Fact Sheet Non-Disclosure Agreement: a business tool [interactive]. [reviewed on 20 October 2019]. Available at: <https://www.iprhelpdesk.eu/sites/default/files/newsdocuments/Fact-Sheet-Non-Disclosure-Agreement.pdf>

[89] Fact Sheet Trade secrets: An efficient tool for competitiveness / [interactive]. [reviewed on 20 October 2019]. Available at: <https://www.iprhelpdesk.eu/sites/default/files/newsdocuments/Fact-Sheet-Trade-Secrets-Efficient-Tool-Competitiveness-EN.pdf>

[90] Ibid.

regulated by competition laws and by labor laws that are also without EU legal frames. The way in which such clauses are assessed (whether they would be considered valid or abusive, thus void) will depend on national legislations. This topic is not harmonized at EU level and does not relate to intellectual property. However, consumer contracts can enjoy regulation on EU level, for example, Sales and Guarantees Directive 1999/44/EC (CSGD) aimed to harmonies those parts of consumer sales contract law or a new Directive 2019/771 of on certain aspects concerning contracts for the sale of goods, amending Regulation (EU) 2017/2394 and Directive 2009/22/EC and repealing 1999/44/EC. Besides, on doctrine level, there are many studies and principles for EU Private Law harmonization (European Commission on contract law by Lando, Acquis Group, Joint Network on European Private Law, etc.). Thus, I consider, that NDAs or NSAs could have legislative framework within EU legislation, relying on previous experience and research in the private field.

In case of violation trade secrets' provisions, EU regulation provide legal measures in Article 14 of the Trade Secrets Directive. Mostly it deals with financial compensation like damages. It involves labor and competitors' relations where infringement may happen, providing with some factors – economic and moral that shall be accounted by court. As the negative economic consequences include lost profits, which the injured party, has suffered, any unfair profits made by the infringer. Before, the framework principles laid down in its calculation in Article 9. So, remedies will be applied in a manner that (a) is proportionate; (b) avoids the creation of barriers to legitimate trade in the internal market; and (c) provides for safeguards against their abuse. But it does not enshrine exact formula for calculation, refereeing to national law. It is known that EU member states have multiple conception for trade secrets, its securing and relegate to different branch of law [Annex 2]. Thus, on one hand, that directive accounts peculiarities of each country, but from another hand, the sense of wide Article 14 damages may be lost, especially with aim of harmonization.

So, accounting legislative gaps and practice, a business entity shall adopt more instruments for securing its trade secrets like the most interested party. It may include: a statute of the enterprise; foundation agreements; collective agreements; internal work regulations, job instructions, etc., where the provisions on commercial confidentiality are only one of the elements of their content. Besides, it is important to create the appropriate climate in company, in order to employees even could not think to "sell" confidential information of company to others. Regarding local acts, they shall provide a clear framework for trade secrets' regulation, rules for observing a confidentiality, the

provisions on the performers' access to the system of documents and information that constitute a trade secret.

Under legislative cover for violation of rights of business entities as for trade secrets, a guilty person may bear legal responsibility for various types: civil liability in the form of compensation for damage done to an entity in accordance with the Civil Code; disciplinary under the Labor Code of Ukraine Republic; administrative liability established by Part 3 of Article 164-3 of the Code of Ukraine Republic on Administrative Offenses; criminal liability in accordance with Articles 231, 232 of the CCU. In addition, Article 21.22 of the Law of Ukraine Republic "On Protection against Unfair Competition" establishes administrative and economic fines for unfair competition manifested as illegal collection, disclosure, and propensity to disclose and use trade secrets.

Although analyzing legislation, it could be notices some gaps, that shall be filled. Consequently, it reflects on the case law of Ukraine. According to the State Register of Judgments, more than 75% of business secrets are lost. These extras show that trade secrets in Ukraine can be protected, as there are winning cases. However, for this protection to function within the legal field, considerable attention must be paid to it.[91] Discovering the complex nature of trade secrets in Ukraine, it was noticed inter-branch coverage, the providing provisions in civil, commercial, competition, employment, criminal, administrative branches. So, the situation gives arising the conclusion that the legislator rather awkwardly concerns commercial secrets protection as form of restraint of trade. It can be recommended take into consideration EU standards and create a separate law, that included all provisions concerning essence of commercials information and legal means for protection. As example, Sweden adopted The Act on Trade Secrets (2018:558), and repealed the Act on the Protection of Trade Secrets (1990:409).

Summing up, it was noticed that just legal coverage is not enough to protect trade secrets, beside if this legislation needs improvements. Accounting scientific research, in order to secure commercial information, it shall be applied adopt a complex of measures like: technical, organizational and legal [Annex 3].

But trade secrets will not enjoy the protection if it is an independent creation, being already disclosed in the public domain. That means the other party did not take proper efforts to keep the information secret.

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[91] Ibid.

2.5. Trade secrets and human rights

Possibility of "the peaceful enjoyment of possessions"

Continuing an analysis on different trade secrets' margins of regulation, it worth discovering the commercial information within human rights adjustment whether it could pretend for protection as fundamental rights or not.

Main tools on regional level are the European Convention on Human Rights (hereafter - ECHR) and the EU's Charter of Fundamental Rights (hereafter - Charter). Concerning international regulation - the Universal Declaration of Human Rights (hereafter - UDHR), but it is not recognized in the International Covenant on Civil and Political Rights or the International Covenant on Economic, Social and Cultural Rights[92]. On domestic level, countries contain these provision mostly in Constitutions, as example in Ukraine, particularly Article 41 sets that "everyone shall have the right to own, use, or dispose of his property and the results of his intellectual or creative activities."

Both Articles 10 and 8 of the European Convention on Human Right bearing on how trade secrets are dealt with. The same is Article 10 (freedom of thought, conscience and religion) and Articles 15-17 (freedom to conduct a business and the right to property) of the European Charter on Fundamental Rights. Since no one right enjoys presumptive priority over the other, a balance must be struck in terms of protection.

On opposite side, Protocol 1 ECHR enshrines the right to "the peaceful enjoyment of [one's] possessions", which also benefits legal persons, is laid down in Article 1 of the First Additional Protocol of the ECHR (hereafter - FAP). Although it has not yet identified trade secrets as a category of intellectual property rights, it is noteworthy that the court has given a fairly broad and open-ended description of economic interests in intangible knowledge goods that fall under the ECHR's (FAP's) right to property. Thus, in civil law countries (or at least in Europe) a principle of numerus clauses prevails, according to which property rights are strictly defined and only exist if they have been created by statute.[93] It is therefore more of an open question if the ECtHR will define trade secrets as part of intellectual property, and the omission of the EU or its Member States to characterize trade secrets as intellectual property as an interference with an appellant's proprietary right.

[92] DOEBBLER, CURTIS (2006). Introduction to International Human Rights Law. [CD Publishing], pp. 141–142.

[93] CZAPRACKA, K. Antitrust and Trade Secrets: The U.S. and the EU Approach (2008). 24 Santa Clara Computer and High Tech Law Journal 207, 216; Correa, Trade related aspects of intellectual property rights (2007), pp.366–367.

Unlike the EU, the Council of Europe is not a member of the WTO, that means is not bound to follow the characterization of trade secrets in the TRIPS Agreement.[94]

Nonetheless, in my opinion, considering trade secrets within intellectual property institute, it could be related to protection under Article 1 of protocol 1 of ECHR. On one hand it has proprietary features, as has been noticed before, meaning possibility to possess, use and transfer, through with own peculiarities.

On another hand, there are practices of ECtHR and scientific reasoning, assumed objects of intellectual property under the premise Article.[95] [96] In case by *Lenzing Ag against the United Kingdom*, the applicant company has framed its complaint against the United Kingdom Government, the real interference with the applicant company's possession, its patent, was by the European Patent Office (hereafter - EPO). Although the Commission does not enjoy admissibility of the company claim, because of not completed exhaustion of protection on domestic level, but it stipulated that the applicant company's claim is a possession within the meaning of Article 1 of Protocol No. 1.[97]

More recent case is *Anheuser-Busch Inc. v. Portugal*, having heard in Grand Chamber[98]. The court found that trademark applications were also protected. In circumstances of the case, the applicant company produced beer, marketed under the sign Budweiser. In 1981, the company applied to the National Industrial Property Institute for the name's registration as a trademark in Portugal. It opposed this statement a Czech company that registered its place of origin in 1968 Budvaiser Beer under bilateral Lisbon Agreement. In 1995 the applicant company has obtained a court order canceling the registration of the place of origin on the ground that that this registration was ineligible on the protection established by the Lisbon agreement. It was subsequently registered the sign of the applicant company. The Czech company appealed, citing to a bilateral agreement between Portugal and Czechoslovakia, which established the protection of places of origin. The court of first instance is satisfied. But then further the complaint lodged by the applicant company to The Supreme Court was dismissed from that one grounds that the place of origin was protected by a bilateral agreement. Therefore, the registration of the trademark of the applicant company was canceled. The important point of this decision is the greater degree of protection becomes only if this brand does not violate the legal rights

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[94] HELFER, "The New Innovation Frontier? Intellectual Property and the European Court of Human Rights" (2008) 49 Harvard International Law Journal 1, 35–51 (distinguishing in general terms different paradigms the ECHR may follow in adjudicating intellectual property disputes).
[95] Ibid. P.12
[96]European Court of Human Rights *Aral v. Turkey*. No. 24563/94 (1998) (admissibility decision) (copyright).
[97] European Court of Human Rights. Solution. *Lenzing Ag v. the United Kingdom*. Case no. 38817/97.
[98]European Court of Human Rights. Solution *Anheuser-Busch Inc. v. Portugal*. Case no. 73049/01, (Chamber 2007) (judgment 11 October 2005).

of third parties. So in that sense, the rights are associated with applying for a registration subject to a certain condition.

In case of Smith Kline and French Laboratories Ltd, it stated that "under Dutch law the holder of a patent is referred to as the proprietor of a patent and that patents are deemed, subject to the provisions of the Patent Act, to be personal property which is transferable and assignable. The Commission finds that a patent accordingly falls within the scope of the term 'possessions' in Article 1 of Protocol No. 1."[99]

So, under the Court's assessment, the concept of "possessions" referred to the first part of Article 1 of Protocol No. 1 has an autonomous meaning which is not limited to ownership of physical goods and is independent from the formal classification in domestic law. Thus, objects of intellectual property, not only trademarks or abovementioned patents, but also trade secrets may enjoy protection under Article 1 of Protocol 1 ECHR. The point is whether domestic law recognize it like part of IP's institute or not.

Freedom expression vs. other rights protection

First of all, it is worth mentioning a case like *Melnychuk against the Ukraine*[100], which concerned an alleged violation of the applicant's copyright, that was accounted by the Chamber in previous case. But here it is interesting to discover the court's findings regarding two rights like freedom of expression and right to property, without a violation to its possession.

So in that case, the applicant complained about the refusal of local newspaper, which published critical reviews of his book, also his reply to its criticism. Grounding his main point on newspaper's refusal to raise the issue under Article 10 of ECHR (Freedom of expression). Besides, Mr. Melnychuk claimed about violation of his copyright. But he did not explained properly connection how property provisions of Convention could be breached. Therefore, the Court declared the claim like inadmissible (manifestly ill-founded). [101]

However, the Court reiterated that Article 1 of Protocol No. 1 was applicable to intellectual property. It observed, that the fact that the State, through its judicial system, had provided a forum for the determination of the applicant's rights and obligations did not automatically engage its responsibility under that provision, even if, in exceptional circumstances, the State might be held responsible for losses caused by arbitrary

[99] The European Court of Human Rights. Solution *Smith Kline & French Lab. Ltd. v. Netherlands.* Case no. 12633/87 (1990*)*, para 66, 70, 79 (admissibility decision) (patent)
[100] The European Court of Human Rights. Solution *Melnychuk v Ukraine*. Case no. 28743/03 (2005).
[101] Ibid. para 3.

determinations. Thus, their assessment was not flawed by arbitrariness or manifest unreasonableness contrary to Article 1 of Protocol No. 1.[102] Regarding the freedom of expression, the State must ensure that a denial of access to the media is not an arbitrary and disproportionate interference with an individual's freedom of expression, and that any such denial can be challenged before the competent domestic authorities. In addition, it is really important to balance his freedom of expression against the critic's interests.

Thus, in *Dupuis and others v. France* [103] the Court highlighted that it should be discovered whether there was remained any need to prevent the disclosure of documents. Thus, the test regarding necessity of disclosure shall be done. Analyses of case practice allows to understand other approaches for explanation abovementioned statement. Thus, it could be generalized in such criterion: 1) Pressing social need - Does the interference correspond to a pressing social need, accounting the seriousness of the issue and any evidence there is to support that view, time, attitudes, culture and margin of appreciation. 2) Proportionality – Is the interference caused by the measure proportionate to the legitimate aim being pursued? 3)Relevant & Sufficient Reasons – Were the reasons given to justify the interference relevant and sufficient?[104]

Particularly, the foregoing *case Goodwin v. the United Kingdom* [105]could be considered like key, that concerns protection trade secrets within ECHR, disclosing applicable nature of Article 10 (freedom of expression). Original dispute was between Mr. William Goodwin, a British trainee journalist, joined the staff of The Engineer, published by Morgan-Grampian (Publishers) Ltd ("the publishers") and company Tetra Ltd ("Tetra")

On 2 November 1989 the applicant was telephoned by a person who, according to the applicant, had previously supplied him with information on the activities of various companies. The source gave him information about Tetra, whereby the information derived from a draft of company's confidential corporate plan. In order to prove information, the journalist called to the company. It became known there had been eight numbered copies of the most recent draft. Five had been in the possession of senior employees of Tetra, one with its accountants, one with a bank and one with an outside consultant. Each had been in a ring binder and was marked "Strictly Confidential". Then, the company informed all the national newspapers and relevant journals of the injunction on 16 November. Tetra

[102] Ibid.
[103] The European Court of Human Rights. Solution *Dupuis and others v. France*. Case no. 1914/02 (2007).
[104] Opinion 01/2014 on the application of necessity and proportionality concepts and data protection within the law enforcement sector [interactive]. [reviewed on 26 October 2019]. Available at: <https://www.dataprotection.ro/servlet/ViewDocument?id=1081 >
[105] *Goodwin v. the United Kingdom* [1996] [interactive]. [reviewed on 26 October 2019]. Available at: <https://www.ucpi.org.uk/wp-content/uploads/2017/11/Goodwin-v-UK-1996-22-EHRR-123.pdf>

stated that if the plan were to be made public it could result in a complete loss of confidence in the company on the part of its actual and potential creditors, its customers and in particular its suppliers, with a risk of loss of orders and of a refusal to supply the company with goods and services. This would inevitably lead to problems with Tetra's refinancing negotiations. If the company went into liquidation, there would be approximately four hundred redundancies[106].

The European Court of Human Rights found that, because the publication of the confidential information was already prohibited by injunction, the order for disclosure of the source was not "necessary in a democratic society" as required by Article 10 of ECHR. Explaining that the company's legitimate reasons for wishing disclosure, namely to prevent further dissemination of the confidential information (other than by publication) and to take action against the source who was presumed to be an employee, were outweighed by the interest of a free press in a democratic society.[107]

The court held that the protection of sources "is one of the basic conditions for press freedom". Thus, if journalistic sources were not protected, this would deter future whistleblowers from disclosing information on matters of public interest, whilst 'the vital public watchdog role of the press may be undermined'. This, leading to a chilling effect[108], which could only be justified where there is an 'overriding requirement in the public interest' [109] and which would subsequently have both direct and wider consequences. The reasoning in Goodwin has been followed in several subsequent cases and demonstrates that there is an element of some protection for journalistic sources within the law.

In sum, there was not, in the Court's view, a reasonable relationship of proportionality between the legitimate aim pursued by the disclosure order and the means deployed to achieve that aim. The restriction which the disclosure order entailed on the applicant journalist's exercise of his freedom of expression cannot therefore be regarded as having been necessary in a democratic society, within the meaning of paragraph 2 of Article 10, for the protection of Tetra's rights under English law, notwithstanding the margin of appreciation available to the national authorities.

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[106] Ibid. para 13.

[107] Ibid. para 38

[108] 'The chilling effect is the suppression of free speech and legitimate forms of dissent among a population because of fear of repercussion. The effect is often generalized within a demographic as a result of punitive actions taken against others who have exercised their rights.' [interactive]. [reviewed on 26 October 2019]. Available at: <https://whatis.techtarget.com/definition/chilling-effect >

[109] The 'Chilling Effect': Are Journalistic Sources Afforded Legal Protection? By Laura Broome [interactive]. [reviewed on 26 October 2019]. Available at: <https://www.e-ir.info/2019/01/29/the-chilling-effect-are-journalistic-sources-afforded-legal-protection/#_ftn11>

Accordingly, the Court concludes that both the order requiring the applicant to reveal his source and the fine imposed upon him for having refused to do so gave rise to a violation of his right to freedom of expression under Article 10.[110] Thus, they voted eleven to seven.

In my opinion, taking decision was quite difficult, even accounting voting numbers and taking considering from the both sides strong values like protection the future company from possible losses, its employees. But on another hand, securing freedom of expression, avoiding "chilling effect". In addition, the journalist claims exactly to declare that right, besides analyzing his suffering from criminal sanction. Thus, recognizing facts of the case and the Court's assignment, it shall accept that the cup of journalist's protection became weightier. Nonetheless, in order to better understand the nature of protection "whist blowers", other judges' opinions shall be considered.

So, relying on Joint Dissenting Opinion of Judges Ryssdal, Bernhardt, Thór Vilhjálmsson, Matscher, Walsh, Sir John Freeland And Baka[111], "tip the balance of competing interests in favor of the interest of democratic society in securing a free press", asserts that Tetra's interests in securing the additional measures of protection sought through the disclosure order were insufficient to outweigh the vital public interest in the protection of the applicant's source.[112] In turn of Separate Dissenting Opinion of Judge Walsh, it worth distinguishing between the journalist and the ordinary citizen must bring into question the provisions of Article 14 (protection from discrimination) of the Convention. It shall to be noticed that the applicant did not suffer from any prohibition him to speak, just rather he did it himself[113].

Analyzing the case, in my opinion, the right to privacy, including reputation also appeared. Under merits, at the beginning the position of protection just right to property was weak. Morality plays often more important role the pecuniary interests. So, it worth having clashes on based on compression of right to privacy and freedom of expression. First of all, Article 8 of ECHR enshrines "the right of everyone to respect for his private and family life, his home and his correspondence". From first look, it is difficult to recognize the connection with trade secrets, therefore the line needs interpretation. I would like to stress out an attention on the notion "home". Relying on the Guide for Article 8 ECHR[114], so the notion of is an autonomous concept which does not depend on the

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[110] Ibid. 94, para 46.
[111] Ibid.108.
[112] Ibid. 108, para 9.
[113] Ibid.108, para 1.
[114] Guide on Article 8 of the Convention – Right to respect for private and family life [interactive]. [reviewed on 26 October 2019]. Available at: <https://www.refworld.org/pdfid/5a016ebe4.pdf>.

classification under domestic law and not limited to traditional residences. This concept extends to a professional person's office or business premises (*Buck v. Germany*, para 31; *Niemietz v. Germany*, para 29-31), a newspaper's premises (*Saint-Paul Luxembourg S.A. v. Luxembourg*, para 37), a notary's practice *(Popovi v. Bulgaria*, para 103), or a university professor's office (*Steeg v. Germany* (dec.)). It also applies to a registered office, and to the branches or other business premises of a company (*Société Colas Est and Others v. France*, para 41; *Kent Pharmaceuticals Limited and Others v. the United Kingdom* (dec.))[115]. Also it provides with list of exemptions like property on which it is intended to build a house, or to the fact of having roots in a particular area (*Loizidou v. Turkey*, para 66); neither does it extend to a laundry room, jointly owned by the co-owners of a block of flats, designed for occasional use (*Chelu v. Romania*, para 45); land used by the owners for sports purposes or over which the owner permits a sport to be conducted (for example, hunting, *Friend and Others v. the United Kingdom*, para 45); industrial buildings and facilities (mill, bakery or storage facility used exclusively for professional purposes: *Khamidov v. Russia*, para 131).

In its view, the Convention drew a clear distinction between private life and home, on the one hand, and professional and business life and premises, on the other Thus, the company "Tetra" from abovementioned case may ask about protection of right to privacy.

By the same token, regarding freedom of expression, so Article 10(2) provides certain restrictions, accordingly maintaining balance with other rights - in the same time, securing trade secrets. Thus, under a three-part test: 1. The restriction must be prescribed by law. 2. The restriction must protect one of the interests listed in Article 10(2). 3. The restriction must be "necessary in a democratic society" to protect that interest [Annex 4].

The case of *Markt Intern Verlag GmbH and Klaus Beermann v. Germany*, 1989, involved an injunction preventing the applicant trade magazine from repeating its allegations against a certain company. In upholding the ban, the Court referred to the margin of appreciation as follows: Such a margin of appreciation is essential in commercial matters and, in particular, in an area as complex and fluctuating as that of unfair competition[116]. So, considering trade secrets like competitive means, it could enjoy guarantee within Article 10 freedom of expression ECHR, but from the restriction point. Particularly, margin of appreciation is applied, defending legitimate aim – like reputation.

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[115] Ibid.

[116] The European Court of Human Rights. Solution *Markt Intern Verlag GmbH and Klaus Beermann v. Germany*. Case no. 10572/83 (1989), para 33.

In addition, proper protection of intellectual property rights must be ensured property, including judicial, about what the ECtHR's practice of applying Article 6 ECHR “Right to a fair trial” and Article 13 ECHR “Right to effective remedy”.

To sum up, trade secrets within IP concept, can enjoy protection as fundamental right to property, in turn may clash with another right like freedom of expression. Thus, the court shall find balance between these issues, that is complex accounting above cases. There were formed some criterion, that could be useful to weighting on the one hand, the interest of the applicants to facilitate the sharing of the information in question and, on the other, the interest in protecting the rights of the holders [Annex 4, 5]. Besides, commercial secrets have more difficult situation because of its nature and poor practice. Moreover, as it could be devoted to confidential information, the defense in frame of privacy right also could be concerned. Thus, the Court determines the legality of diminutions of intellectual property by applying Article 1’s fair and proportional balance standard. It assesses the legality of expansions of intellectual property under other European Convention provisions, such as freedom of expression and the right of privacy. Adoption of the balancing paradigm would create several interrelated problems, including greater complexity and uncertainty and increased opportunities for forum shopping.[117]

[117] Ibid, para 51.

CHAPTER 3. CHALLENGES OF TRADE SECRETS: "TWO SIDES OF ONE COIN"

3.1. Cyber protection of trade secrets in EU and Ukraine

The development of internet allows easily steal and transfer the valuable commercial information. For instance, through a process known as "spear-phishing[118]", commercial spies send an email using personal information gleaned from Facebook or other social media, leaving the recipient unaware that the message is a hoax. Once the embedded link is clicked, the thief's malicious software, known as "malware", invades the recipient's computer and through it the employer's network. Staying in the computer system for months or sometimes years, this silent invader searches for important confidential files and passwords, and sends all of it back to the hackers who use or sell the information.[119] So, there appears such a new phenomenon like "commercial piracy or cyber espionage" [Annex 7].

Discovering current examples from EU' s Member States, Italy is famous with attempts of cyber-theft in the luxury sector, Spain registered an increase in economic cyber-espionage, in particular chemical and healthcare sectors, UK – financial sector [Annex 8]. Mostly the punishment on it under domestic legislation is within criminal law.[120] But as it is known the field of criminal law has not been harmonized yet, like each state has own peculiarities.

Althoigh the Commission's Communication 2016/410 "Strengthening Europe's Cyber Resilience System and Fostering a Competitive and Innovative Cybersecurity Industry[121]" presented measures aimed at strengthening Europe's cyber resilience system and at fostering a competitive and innovative cybersecurity industry in Europe, with particular reference to the need to protect trade secrets from cyber-intrusions. Also EU has an institutional ground for its securing like

[118] Spear phishing is an email or electronic communications scam targeted towards a specific individual, organization or business. Spear phishing attempts are not typically initiated by random hackers, but are more likely to be conducted by perpetrators out for financial gain, trade secrets or military information. [interactive]. [reviewed on 02 November 2019]. Available at: <https://www.kaspersky.com/resource-center/definitions/spear-phishing>

[119] POOLEY, J. Trade Secrets: the other IP right [interactive]. *WIPO.* [reviewed on 02 November 2019]. Available at: <https://www.wipo.int/wipo_magazine/en/2013/03/Article_0001.html>.

[120] Global impact study 2014 [interactive]. BASCAP. The world business organization [reviewed on 02 November 2019]. Available at: <http://www.iccwbo.org/Advocacy-Codes-and-Rules/BASCAP/BASCAPResearch/Economic-impact/Global-Impacts-Study/>.

121 COM (2016) 410 EUe – Communication, Strengthening Europe's Cyber Resilience System and Fostering a Competitive and Innovative Cybersecurity Industry [interactive]. [reviewed on 03 November 2019]. Available at: <https://www.eumonitor.eu/9353000/1/j9vvik7m1c3gyxp/vk5l6jgrndzm >

- The European Union Agency for Cybersecurity (hereafter - ENISA), supporting with cyber issues, accounting the "EU Cybersecurity Act".

- The European Defense Agency (hereafter -EDA), in moreover cooperates in the area of cyber security and cyber defense;

- EUROPOL European Cybercrime Centre (hereafter - EC3): manages outreach and support for cybersecurity, coordinates prevention and awareness measures and prepares strategic analysis; the formulation of policy and legislation.

Ukraine is known with IT developers around the world. According to the IT Outsourcing News publication, nearly 100,000 Ukrainian programmers serve thousands of companies, as the demand for IT personnel in the world market is constantly growing, in addition being the largest and fastest growing number of IT professionals. Consequently, commercial espionage is easier to be got around. Thus, is important to analyze also situation in Ukraine. Taking into consideration a scientific research for better understanding the essence, under Yuliya Yakubivska the existing notion "economic espionage" is considered on gaining international character, that organized by the government. While industrial and corporate espionage, as I would say "commercial piracy" is carried out nationally and occurs between companies or corporations. Regarding last one is related on the sphere of intellectual property, particularly trade secrets is currently expressed in two main forms:

1. Acquisition of knowledge and acquisition of intellectual property, such as information on industrial production, ideas, methods and processes, recipes, formulas.

2. Obtaining a substantive right to intellectual property objects, information transactions (customer databases, pricing, sales, marketing, projects, research and development, policy, strategic planning and marketing strategies, changes in the composition of production sites).[122]

This aspect includes crimes such as theft of trade secrets, bribery, blackmail and technical surveillance. Not only businesses but also government organizations are subjects of industrial espionage in Ukraine (for example, to determine the terms of a public procurement tender in this way, that other bidders may be able to lower in the future). On legislative level, there was also the concept of "commercial espionage" in Ukrainian legislation just in old version of the Criminal Code, existing until 2004. According to with Article 231 devoted to protection trade secrets, commercial espionage was understood as

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[122]YAKUBIVSKA, Y. The influence of industrial espionage on the intellectual property sphere. [interactive]. [reviewed on 03 November 2019]. Available at: <http://zt.knteu.kiev.ua/files/2013/4(69)/uazt_2013_4_24.pdf>

“deliberate action to obtain commercial secrecy, for the purpose of disclosure, or otherwise use of this information.” But after making the changes to the Article of 16.12.2004 in connection with the expansion of the composition of the crime, to which, except commercial secrecy, bank secrecy also began to be addressed, the legislator removed the concept of “commercial espionage”.

In addition, to is necessary to distinguish between ‘intelligence’, that is used by competitors for shield of “industrial commercial espionage”. They differ in content, although they share a common goal. Thus, the goal of both competitive intelligence and industrial espionage is to obtain information that would allow it to gain a competitive edge in the market. [123] The main difference between competitive intelligence and industrial espionage is the methods of obtaining information. Competitive intelligence only uses open sources, as analytical information, the collection and processing of various data that may affect business development. Espionage consists of unlawful entry into the territory of a competitor, removal of information from communication channels, surveillance, bribery, blackmail, theft of information.

According to experts, for Ukraine, the most common of all technical ways to gather the commercial information removal is a tacit connection to telephone lines, besides the internet[124]. In fact, there are more than 20 companies licensed for the development and manufacture of eavesdropping mortgage devices[125]. These businesses, as well as weapons companies are under state control. Under the Law of Ukraine Republic “On Operational Search Activities”, the staff of the Security Service of Ukraine, the Ministry of Internal Affairs, the Foreign Intelligence Service of Ukraine, the Ministry of Defense, the border guards are entitled to use technical means for unauthorized taking of information.

Therefore, for the effective operation of Ukrainian enterprises in the conditions of advancing technology development, it is necessary to develop a strategy for protection of business information, and in particular the commercial secrecy of enterprises. So, it is highly emphasized the creation of separate legislation for trade secrets in Ukraine, considering such phenomenon as “commercial piracy” and cyber espionage within trade valuable information. As ancient Chinese said: "what is not named does not exist". In addition, there is a good example like Europe, beside accounting Ukrainian intention of development toward it.

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[123] Rationalization of Ukrainian enterprises’ behavior by analysis of advantages and dangers of competitive intelligence and industrial spying / life [interactive]. [reviewed on 03 Noember 2019]. Available at: <http://bses.in.ua/journals/2016/6-2016/41.pdf >

[124] ТКАЧУК, Т. Характерні особливості конкурентної розвідки та промислового шпигунства. *Персонал*. – 2007, № 2, с. 74.

[125] Ibid,75

3.2. The genesis of phenomenon "bad secrets"

From previous points, it is obvious, that trade secrets holders have certain legal protection, like on international, national and local levels. But it happens that subjects can abuse their rights, and use information as means for mercenary aims – mostly to get more profit, infringing rights of others. However, the prerogative to conceal information gives the holder of the trade secrets a strong power that also leads to a certain asymmetry because the only holder of the information determines what should be disclosed or not, to whom and when. [126] Moreover, not all kept secrets are necessarily trade secrets of commercial value but may be information concealing wrongdoing, fraud, and corruption among other concerns. In this dimension, consumer law, human rights, competition law are generally involved, that could provide clarification and protection for violated side. Therefore, individuals who have access to such information and disclose it in the public interest, i.e. whistleblowers, merit legal protection from prosecution as well as any retaliation measures.

Thus, the phenomenon of "bad secrets" could be proposed for consideration. The notion may be interpreted as harmful information, that has commercial value, keeping in secrecy for certain aims, disclosure of which can affect the activity of its holder.

Harmful information within the sustainability concept means data that could negatively affect the environment, public health, society in general. Indeed, also some exceptions from trade secrets provided in the Tist by Cabinet of Ministers of Ukraine Republic can be referred to this notion, like: environment information, non-compliance with safe working conditions, products that are detrimental to health, as well as other violations of the legislation of Ukraine and the amount of damages caused at the same time.

Interoperation of exceptions fixed in EU Directive on Trade Secrets allows also consider which information can be regarded as "bad secrets".[127]

Nowadays the phenomena of bad secrets become more relevant, accounting global context and alimentation of sustainability. Generally talking the concept of sustainability is composed of three pillars: [128]economic, environmental, and social—also known

[126] Trade Secrets and Whistleblower Protection in the European Union [interactive]. [reviewed on 30 October 2019]. Available at: <http://www.europeanpapers.eu/en/europeanforum/trade-secrets-and-whistleblower-protection-in-the-eu >
[127] Trade Secrets Directive. Article 5.
[128] Report of the World Commission on Environment and Development: Our Common Future [interactive]. *United Nations*, 1987. [reviewed on 30 October 2019]. Available at: <http://www.un-documents.net/our-common-future.pdf>.

informally as profits, planet, and people. Considering this dimension, the notion “bad secret” is to violate one of this level.

In my opinion, the environmental pillar is basic, effecting on normal functioning of other pillars. One of the industry that pollute the planet is fashion. Particularly, using “bad secrets” in its production for getting more profit, polluting arounds. For example, dyeing processes usually involve more than 1600 different chemicals, that pollute waters including the world’s rivers and oceans. According to a 2017 IUCN report, 35% of all microplastics in the oceans come from the laundry of synthetic textiles, making it the first source of microplastics before car types.[129] So, legislative protection and executive politics could assist in order to avoid its pollution. But as practice up shows that it is weak and needs more regards as from trade secrets regulation as from environment. The main point is to detect and bring an infringer to responsibility. Besides, another issue appears like applying the principle of proportionality considering punishment for the holder of “bad secrets” that is also difficult to evaluate towards environment.

Moving to level like society, the effect can be regarded within consumer or labor relations. By the last token, conditions of work are mostly considered like a part of business model, and refer to trade secrets. Manifestation of violation can be evaluated via 3 criteria: unsafe terms, harassment and wage unequal to work.

So, it could be notices, possible infringements in labor regulation and human rights. Whereby, workers shall be protected on international level, regional or national, local levels. The ILO as a UN agency is devoted to promoting social justice and labor rights. Through set of standards reflected in Declaration on Fundamental Principles and Rights at Work in 1998[130], it ensures the provision against workplace aggression, bullying, discrimination and gender inequality on the other hands for working diversity, workplace democracy and empowerment. European Union level also play important role, providing with bodies, particular legislation in this field, for example Directive 89/391/EEC - OSH "Framework Directive" of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work - "Framework Directive". Besides, states shall provide legislative and executive and judicial protection.[131] In turn of

[129] Occupational safety and health in the textiles sector [interactive]. [reviewed on 30 October 2019]. Available at: <http://www.osha.mddsz.gov.si/resources/files/pdf/E-fact_30_-_Occupational_safety_and_health_in_the_textiles_sector.pdf >.

[130] Declaration on Fundamental Principles and Rights at Work in 1998 [interactive]. [reviewed on 30 October 2019]. Available at: <https://www.ilo.org/declaration/lang--en/index.htm>

[131] 12 June 1989. Council of the European Union Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work [interactive]. [reviewed on 30 October 2019]. Available at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

employers, they follow these provisions, using also fair contracts and attitude. But nowadays situation is far from standards, especially in fashion industry.

Discovering another aspect like health harmful production. For instance, many companies use synthetic dyes as it is quicker and easier to use, producing more colors. This tendency became more actual from development of "fast fashion", infringing not only worker, but also consumers.

Thus, it is worth analyzing the consumer legislative protection from "hidden secrets" effect. But again, we can find general provisions guarantee its rights and compensation to consumers. And a holder of "bad secrets" will not stop its production because consumers' complaints. Besides, the direct effect of trade secrets is difficult to prove. The bright example of impact by technological methods, receipts or formulas can be noticed in grocery. On other hand, it will be complex to understand exact influence of the product. Another challenge for proving is the request of information, that can ask consumer but the business obviously in reason to secure "trade secrets" will not provide it. From legal the side it would be considered quite legitimate. Besides, it exists well-known legal nihilism when party does not believe in power of law and even do not try to protect the rights, particularly in Ukraine. In contrast, EU has a quite good regulation, being able to recalling products or banning trade to deal with products that pose a serious risk to the health or safety of consumers.

In another cases in in labor relations, a fear of bad secrets' disclosure can occur, ranging from being demoted to being brought to court, losing their places and economic stability and having their good names sullied. Thus, under Special Eurobarometer on corruption 2017 prepared by European Commission[132], 81% of respondents said that they did not report the corruption that they had experienced or witnessed, faring economic or legal consequences. There is need the advocacy of such persons, that can be called "whistleblowers" that is complex instrument bringing together also elements of accountability and freedom of expression. Ukrainian legislation tells any words about it. EU, in particular Trade Secrets Directive, just Article 5 with exceptions can be interpreted in light of securing whistleblowers. So, use or disclosure of the trade secret can be possible in following cases:

(a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media;

[132] Special Eurobarometer on corruption 2017 [interactive]. [reviewed on 08 November 2019]. Available at: <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/yearFrom/2016/yearTo/2019/surveyKy/2176>

(b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest;

(c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise;

(d) for the purpose of protecting a legitimate interest recognized by Union or national law.

Referring b), expression "general public interest", which is a change of text in light of the compromise between the European Parliament and the Commission's initial proposal that referred merely to "public interest". Many questions arise in this regard. What is precisely the scope of general public interest? Anyway, there is not directly separate provision regulating "whistleblowers", that show weak point of the Directive. As brining the information to the competent authority could help to avoid even market abuse, showing possible inside dealing. Also "public interest" principle is reflected in the exemptions from protection of trade secrets in the Trade Secrets Directive.

In addition, "equity" principle in these labor relations is broken, empowering secrets' holder with more rights despite its employers. A separate legal act on whistleblower protection could ensure a working environment that does not discourage individuals from exposing (suspected) wrongdoing, corruption, misconduct, fraud other similar acts, which in turn could make companies more profitable and competitive.

Understanding importance of whistleblowers securing, EU had been starting preparation special regulation for it. Thus, in May, 2016 there was a draft for discussion on Whistleblower protection in the public and private sector in the European Union with draft Directive[133]. It also relies on international standards, but the point is the light of corruption view, that is, different from the nature of "bad secrets" disclosure, on my opinion, - "all or most MS are part of these regulations like Article 9 of the Council of Europe Civil Law Convention on Corruption; Article 22 of the Council of Europe Criminal Law Convention, which stipulates protection for persons who report criminal offences in line with that convention; Article 33 of the United Nations Convention against Corruption (UNCAC), having entered into force in 2005, stipulates that all parties to the Convention shall consider incorporating whistleblower protection into their domestic legal systems and Article 32 of the same convention stresses the need to protect witnesses, experts and

[133] Draft for discussion on Whistleblower protection in the public and private sector in the European Union life [interactive]. [reviewed on 30 October 2019]. Available at: <https://www.greens-efa.eu/legacy/fileadmin/dam/Images/Transparency_campaign/WB_directive_draft_for_consultation_launch_May_2016.pdf>

victims, in 2014 the Council of Europe Committee of Ministers adopted Recommendation CM/Rec (2014) on the protection of whistle-blowers. After communications, analyses and proposal regarding subjects' safeguarding, who noticed unlawful information, on 7 of October 2019 European Parliament adopted a directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law[134].

Having analyzed the Directive, it could be noticed as advantages as points necessary to be improved [Annex 9]. The main elements of the compromise include: creation of channels of reporting within companies/administrations with its hierarchy; a wide scope of application; support and protection measures for whistleblowers; feedback obligations for authorities and companies.[135] The broad material scope includes consumer protection that could relate to "bad secrets" disclosure, without directly coverage of not labor relations and reference to the Article 151-153 TFEU (workers' conditions and rights). Although some scientists interpret this law as cover this issues,[136]provided in personal scope for instance but I think it shall enshrine directly. So, regarding penalties according to Recital no. 104, it could be criminal, civil or administrative. However, the adopted text does not specify which types of sanctions correspond to the different action taken against whistleblowers.

About efficiency of its regulation is early to say because of lack of practice. But I think, Trade Secrets Directive shall be amended with provisions of whistleblowers'' protection like a binding Article. As its Recital 20 acknowledges the role of whistleblowers: "The measures, procedures and remedies provided for in this Directive should not restrict whistleblowing activity. Therefore, the protection of trade secrets should not extend to cases in which disclosure of a trade secret serves the public interest, insofar as directly relevant misconduct, wrongdoing or illegal activity is revealed". But while they reflect the intention of the legislator for the judges to take public interest into account when they interpret the law, recitals are not binding and such positive language is not present in the Articles [Annex 10].

Besides, having noticed before, it could help to maintain the balance with holder and user of trade secrets. Thus, producers may be aware during appointing "bad secrets" and less admit infringements.

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[134] 16 April 2019. The European Parliament and of the Council Directive on the protection of persons who report breaches of union law. [interactive]. [reviewed on 08 November 2019]. Available at: <http://data.consilium.europa.eu/doc/document/PE-78-2019-REV-1/EN/pdf>.

[135] Better protection of whistle-blowers: new EU-wide rules to kick in in 2021 [interactive]. [reviewed on 08 November 2019]. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2019/10/07/better-protection-of-whistle-blowers-new-eu-wide-rules-to-kick-in-in-2021/>

[136] Ibid.145, article 2.

Regarding economic pillar, it means commercial impact on both parties like profitability of bad secret's holder, losses of its consumers then create also influence on whole market. Relying on Ukrainian example, when in March 2015, it was noted that almost every quarter the prices for utilities are changing, but the details of tariff formation for Ukrainians are a mystery. Utilities' monopolists hided information about the tariff formation algorithm from the public, citing trade secrets. An indicative calculation of the subsidy amount without a tariff-setting algorithm was published on the Government's website. "Consumers' losses from the overestimation of prices and tariffs, which we observe from the activity of monopolists, amount to 20%. from the GDP", stated the Chairman of the AMCU in August 2015 (publication dated 27.08.2015).[137] Despite the resonance in the society and the media around the current situation in the area of tariff formation, the AMCU did not take an active position on this issue during the year. In accordance with international best practice, it is recommended that incentive pricing be introduced based on the regulatory asset base. The need for introducing incentive regulation is envisaged in the Association Agreement with the EU and the Protocol on Ukraine's accession to the Energy Community Treaty. Moreover, analyzing fines, so it is really low towards losses. Thus, it shall be improved as legislation as the activity of controlling bodies. I do not consider that a tariff formation shall be devoted to trade secrets, as it can inflict damages and directly important to know for its consumers.

So, the notion "bad secrets" is an another side of protection of trade secrets, meaning harmful information, that has commercial value, keeping in secrecy for certain aims, disclosure of which can affect the activity of its holder. It may appear because of fragile legislative coverage and misbalance between holder and user its information. This issue can be discovering through the sustainable dimension showing environmental impact, social and economic. Thus, on these levels it is necessary to improve legislation in EU and in Ukraine.

Concerning society, it observes consumer and employers' relation who could suffer from "bad secrets" and its disclosure. Thus, the resent EU adopted Directive on the protection of persons who report breaches of union law in October 2019, that must be implemented in MS law by 2021. The nature of it was shown like disputable, needed a deep analysis Generally, the Directive has weak and positive points, not directly concerning protection of whistleblowers knowing as unlawful trade secrets. To follow up,

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[137] Report on the results of the analysis of the Report of the Antimonopoly Committee of Ukraine for 2015 in the part affecting the execution of the state budget [interactive]. The Accounting Chamber of Ukraine Republic, 11 May 2016, No. 10-1 [reviewed on 11 November 2019]. Available at: <https://rp.gov.ua/upload-files/Activity/Collegium/2016/zvit_10-1_2016/Zvit_10-1.pdf>.

I think, it will be more effective to amend Trade Secrets Directive, accounting another “side of coin” and securing persons who report on “bad secrets”.

But some companies did not wait new regulations, and protect whistle blowers by insider company documents. The bright example is the Italian fashion company “Benneton Group”, that consists a list of codes and procedure, for example - Whistleblower Procedure[138]. The subject matter is defined like the process of sending, receiving, analyzing and handling reports as “complaints” relevant for the purposes described above sent or transmitted, also in confidential or anonymous form, by Reporting persons as defined below. The content of complain is gathered in such categories:

a. misappropriation: theft or misuse of corporate goods (e.g. cash, tangible property, data and information, including intellectual property) to the benefit of whoever commits the fraud;

b. corruption and extortion: misuse of one’s influence in a business relationship or business transaction in breach of law or duty of office, in order to obtain a direct or indirect benefit;

c. willful misconduct: deliberate violation of procedures, laws or regulatory guidelines;

d. other violations: any conduct not in line with the principles expressed in the Code of Ethics or significantly different from policy and procedures adopted and circulated by the Benetton Group.

So, the point “a” seems like tries to avoid abasement of Trade secrets rights (bad secrets”), whereby maintaining the balance in employees’ relations. Also it provides a special procedure of reporting with responsible bodies like Control and Risk Committee, the Internal Audit Director and the Watchdog Body and sanctions. But the issue is in uncertainty of prescribed measure, - “the disciplinary sanctions referred to in the Organizational Model are envisaged”. But the point 2.4. proves such kind of penalties are quite efficient and cannot guarantee protection. In my opinion, it would be better directly provide pecuniary fines for employees who breach inside policy, especially in context of trade secrets. As establishments of violations takes a long time even within court procedure, while commercial important information or “bad secrets” will spread, giving profit and losses to for involved parties.

[138] Benetton Group S.r.l. Whistleblower Procedure [interactive]. [reviewed on 11 November 2019]. Available at: <http://assets.benettongroup.com/wp-content/uploads/2018/04/Regolamento_whistleblower_2018-March_en.pdf>

CONCLUSIONS

It was recognized an important role of trade secrets for companies to have leaders' positions and make more profits. Thus, competitors usually seek easy ways of doing business by hunting for commercial valuable information.

I. Roots of issues to secure trade secrets are in ancient Rome, but they were understood more in the context of corruption - *the actio servi corrupti*. Modern concept appeared in 19th century during court practice. Besides, three levels of possible defense were crystalized: international (TRIPS and Paris Convention), regional (e.g. EU directive or UMSCA) and domestic (Ukraine). They are interconnected, affecting countries' relations, trade and development. The evolution of formation of the trade secrets' institute in Ukraine was divided on several stages, disclosing particular factors for regulation and protection of commercial information. In order to better understand the nature of trade secrets' protection, to fill possible gaps, the aim to make comparative analysis within EU's and Ukrainian systems was taken.

II. Due to comparison of legal coverages the essence of trade secrets' protection, was disclosed, accounting such elements as object (discovering what shall be protected), subjects (who are involved in legal relations, their rights) and preventive measures for violation of provisions. The original definition with its features was found in TRIPS, that further was reflected keeping common sense in EU and Ukrainian legislation.

The term of "trade secretes" is wide that on the one hand gives more freedom for companies, but on the other hand induces more disputes. The only possible way to understand the notion of "trade secrets" is to analyze the Trade Secrets Directive and Ukrainian legislation considering various branches of law. So, both jurisdictions do not have a clear list of possible trade secrets, that in my opinion should be fixed. But it is easier to proceed reforms in Ukraine, that in EU, where a consensus shall be found between 28 states with different values, histories and principles. Also, the employers have to identify valuable, non-disclosed information to be protected in particular their sources, agreements specifying obligations for parties.

So, having analyzed EU and Ukrainian law, the main subjects can be divided in two groups like a holder of information (e.g. legal person or entity and third parties on whom the information is spread or who has access to it) and a state through its bodies: legislator, executor, court. Thereby, it can be regulated on public or private levels. Regarding their rights, approaches to their comprehension differ in EU and Ukraine, where the first one concentrates on prohibition form, not ever permission.

Concerning preventive measures for violation, Trade Secrets Directive mostly deals with financial compensation like damages, also involving labor and competitors' relations where infringement may happen, providing with some factors – economic and moral that shall be accounted by court. It could be a useful sample for Ukrainian regulation, as found out non-systematic fixation and interplay of various measures in different branches of law like civil liability, disciplinary; administrative liability with miserable fines; criminal liability, other economic fines under laws are not effective. This fragility and weakness of trade secrets' protection were proven by court practice, where around 75% of cases connected with business secrets' protection were failed.

In addition, the nature of trade secrets was revised referring to ECtHR. So, commercial information can enjoy protection within fundamental rights devoted to the institute of intellectual property and right to possess. Although Ukrainian law admits trade secrets as IP as well, but it was not obviously from the notion, provided in Civil Code. Thus, taking into consideration a scientific research, the amendments were proposed, reflecting the essence of commercial information with features as intellectual creation. It would be better to issue a separate law in Ukraine, clarifying abovementioned peculiarities and gaps (for instance like in EU or from domestic level – Sweden).

Besides, just legal coverage is not enough for protection, a complex of measures (technical, organizational and legal) with involvement of all interested subjects shall be applied.

III. The internet helps to obtain trade secrets in another way, provoking such phenomenon like a cyber-espionage. Comparing EU and Ukrainian regulation, the first one seems more effective, establishing special bodies to detect and prevent such stealing of valuable information. Concerning Ukraine, the situation is worse, as mostly IT specialists located there, and they are potential violators, even working for foreign companies. In addition, it was discovered that the notion of "industrial espionage" was not worth removing from CCU in a new 2004 version.

IV. The diverse package of holders' rights creates an issue of "bad secrets", that was interpreted as harmful information, that has a commercial value, keeping in secrecy for certain aims, disclosure of which can affect the activity of its holder. The impact of their usage shall be evaluated within the sustainability concept including such categories: environment, society, economy – in the light of legal basis.

Summing up, through uncertain legislative coverage it was useful to analyze the practice and rely on current challenges in order to improve its regulation. Thus, law-makers shall follow modern tendency, reflecting it in the legislation.

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SUMMARY

It was recognized an important role of trade secrets for companies to lead and take more profits. But different jurisdictions understand commercial information in various ways, that provokes disputes. Accounting the relevance of the topic – negotiations between EU and Ukraine, their legislation, so the paper's aim is a comparative analysis of 'trade secrets' nature within abovementioned jurisdictions, on that ground to formulate possible recommendations for success doing business, avoiding disputes, saving time and money.

Consequently, for achieving the objective, there were set a number of tasks and identified such research methods like historical, comparative and analytical, systematic, ect. It was found several stages for better recognizing the trade secrets' evolution.

Legal coverage of trade secrets protection was discovered under such elements: objects, subjects with their rights, measures for violation. Having out, found out EU and Ukrainian legislation do not have a clear definition and an exact list of examples, that could be fixed.

The main subjects can be divided in two groups like a holder of information and a state through its bodies: legislator, executor, court. For effective protection of trade secrets, all subjects shall be interested in it and proper exercise their functions.

Concerning legal measures for violation, Trade Secrets Directive could be a useful example for Ukrainian legislator, as state's inter-branch and non-systematic regulation shows weakness of protection, ever accounting Court's practice. Thus, it was recommended legal consolidation, adopting a separate legal act.

Besides, there were discovered modern challenges for trade secrets protection like cyber espionage and phenomenon of "bad secrets". Thus, EU standards shall be a sample for Ukraine. Besides, just a complex of measures (technical, organizational and legal) by all subjects is a solution for potent trade secrets' protection.

Annex 1

The EU Trade Secrets Directive

Aspect	Directive
Trade Secret Definitions	• Covers information that "(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; [and] (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret"
Requirements for Misappropriation	• Wrongful acquisition • Wrongful use or disclosure, including in breach of a confidentiality agreement or other duty not to disclose
Standing	• Owner • Potentially licensee or others who "lawfully control" the trade secret
Lawful Conduct	• Independent development • Reverse engineering • Other honest commercial practices • "Exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices," provided that such disclosure was necessary for that exercise • "Exercise of the right to freedom of expression and information which encompasses media freedom and pluralism," as set out in the Charter of EU Fundamental Rights
Remedies	• Monetary damages (lost profits, unjust enrichment, reasonable royalty) • "Member States may limit the liability for damages of employees towards their employers for the unlawful acquisition, use or disclosure of a trade secret of the employer where they act without intent"
	• Equitable relief, including "lead time" injunctions to eliminate unfair advantage if trade secret is not in public domain through no fault of respondent
	• The destruction of all or part of any document, object, material, substance, or electronic file embodying the misappropriated trade secret
	• Seizure of infringing goods ("goods whose design, characteristics, functioning, manufacturing process or marketing significantly benefits from trade secrets unlawfully acquired, used or disclosed") so as to prevent entry into the market;

Aspect	Directive
	withdrawal of goods from market; silent on whether seizure can be *ex parte* • Orders to preserve evidence may be available in some EU Member States under existing law
	• No enhanced/punitive damages; but Directive requires Member States to ensure that where court finds claim is manifestly unfounded and initiated in bad faith, it may impose sanctions and order publication of the decision, without prejudice to right of respondent to claim damages if permitted by Union or national law
	• Silent on attorney's fees
Confidentiality during Litigation	• Equivalent to sealed filings • Equivalent to protective order • Party representative access
Statute of Limitations	• No more than six years; Member States determine "in a clear and unambiguous manner," when the period begins and under what circumstances it may be interrupted or suspended
Employee Mobility	• Directive provides that it shall not be understood to offer any ground for restricting the mobility of employees, including neither limiting "employees' use of the experience and skills honestly acquired in the normal course of their employment" nor "imposing any additional restrictions on employees in their employment contracts other than in accordance with Union or national law" • Directive articulates other considerations concerning rights of employees, as discussed in Lawful Conduct and Remedies sections above
Whistleblower Protections	• Immunity for "revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest," or in good faith, believing that one's conduct has revealed misconduct, wrongdoing, or illegal activity in furtherance of the public interest • Immunity for "exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media"
Jurisdiction over Extraterritorial Conduct	• Silent on extraterritorial conduct
Criminal Liability and Penalties	• No criminal liability in the Directive

Annex 2

Overview on provisions of the statutory of some European and non-European jurisdictions concerning protection unlawful disclose or use of trade secrets

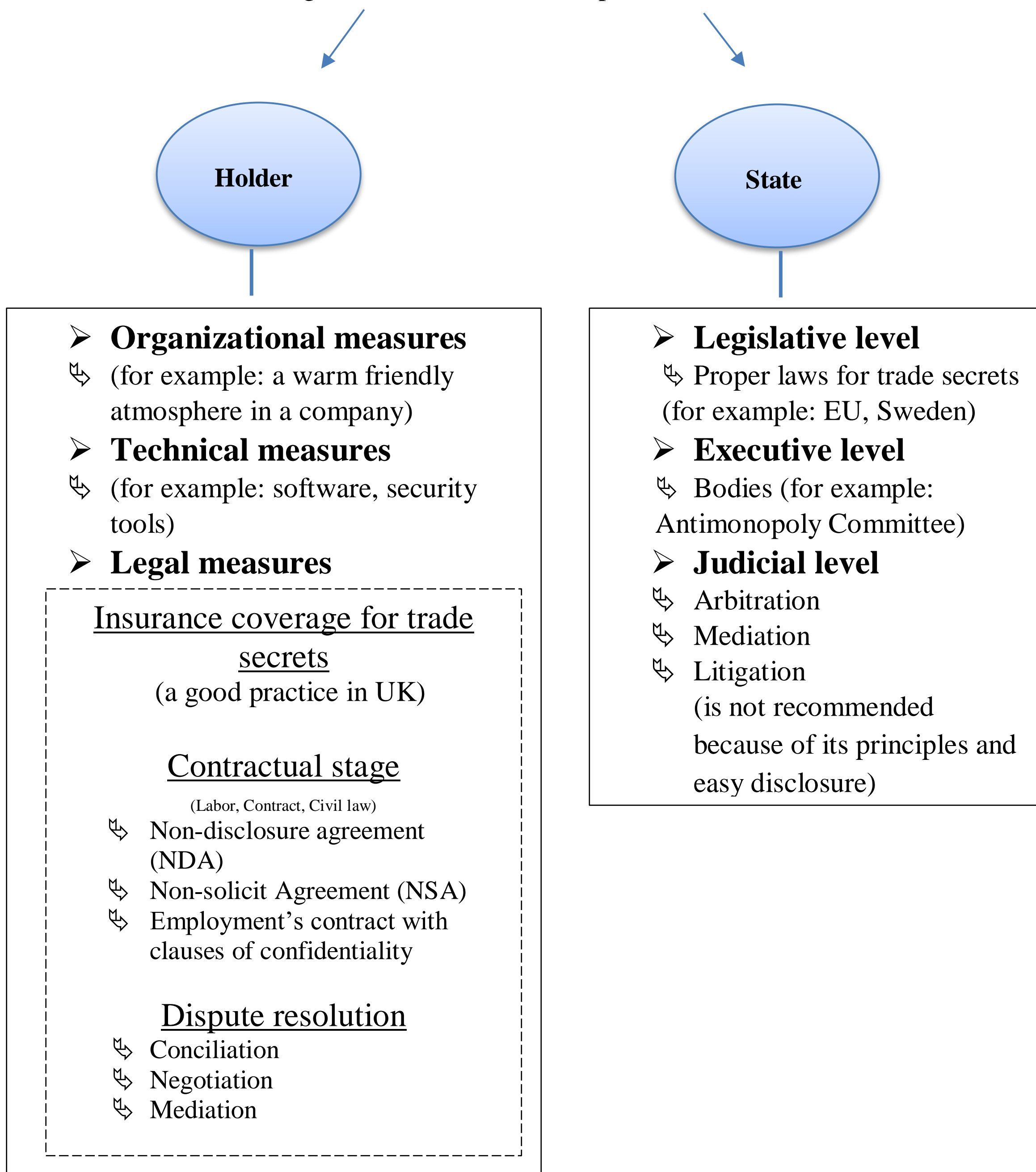
Countries	Specific law on trade secrets	Unfair Competition Law		IP Law	Civil Code	Labour Law	Contract Law	Criminal Law	Tort Law	Common Law of Confidence	Other
		Civil	Crim.								
Austria		X	X	X		X		X			X
Belgium		X			X	X	X	X	X		
Bulgaria		X			X	X					X
Cyprus			X				X	X			X
Czech Republic		X	X					X			
Denmark		X	X			X[17]		X			
Estonia		X				X		X			
Finland		X	X			X		X			X
France				X	X	X	X	X	X		
Germany			X			X		X			X
Greece		X	X	X	X	X		X	X		X
Hungary		X		X	X	X	X				
Republic of Ireland							X		X	X	
Italy		X		X	X	X		X			
Latvia		X	X			X		X	X		X
Lithuania		X			X	X		X			
Luxembourg		X						X	X		
Malta					X		X				
Netherlands			X		X	X		X	X		
Poland		X	X		X	X		X			
Portugal				X		X		X			
Romania		X	X	X	X	X		X			X
Slovakia		X				X		X			
Slovenia		X				X	X	X			
Spain		X		X		X		X			X
Sweden	X							X			X
UK							X		X	X	
Japan		X	X	X				X			
Switzerland		X	X	X	X	X	X	X	X		X
US	X	X		X		X	X	X[18]	X	X	

(X = countries where the law/provision(s) exists)

Countries	Accruing damage (*damnum emergens*)	Loss of revenues (*lucrum cessans*)	Moral damages	Punitive damages	Other monetary compensation	Account of profits	Fair royalty	Unjust enrichment	*Ex aequo et bono* global amount	Are these damage options cumulative?
Austria	X	X				X	X			
Belgium	X	X						X	X	X
Bulgaria	X	X	X						X	X
Cyprus	X	X				X				
Czech Republic	X	X			X[43]	X		X		X
Denmark	X	X					X			X
Estonia	X	X				X		X	X	
Finland	X	X				X		X	X	X
France	X	X	X							
Germany	X	X				X	X			
Greece	X	X	X			X	X	X		X
Hungary	X	X	X			X	X		X	
Republic of Ireland	X	X		X		X				
Italy	X	X	X			X	X		X	X
Latvia	X	X				X		X		X
Lithuania	X	X				X			X	X
Luxembourg	X	X							X	
Malta	X	X							X	X
Netherlands	X	X	X			X	X		X	X
Poland	X	X			X	X		X		X
Portugal	X	X	X					X	X	
Romania	X	X	X					X	X[44]	
Slovakia	X	X	X					X		X
Slovenia	X	X						X		X
Spain	X	X						X		X
Sweden	X	X				X				X
UK	X	X		X		X	X			
Japan	X	X	X			X	X		X	X
Switzerland	X	X				X	X	X		X
US	X	X		X		X	X	X		X

Source: Baker & McKenzie "Study on Trade Secrets and Confidential Business Information in the Internal Market" 2013, prepared for the European Commission"

Annex 3



Annex 4

Article 10(2) establishes a three-part test for assessing restrictions on freedom of expression, as follows:

Prescribed by law

- **Sanoma Uitgevers B.V. v. the Netherlands, 2010**"law" in its "substantive" sense, not its "formal" one;
- it has included both "written law"Law" must be understood to include both statutory law and judge-made "law"
- **S.R.L Di Stefano v. Italy, 2012**
- a rule is "foreseeable"

Protected one of the interest

- **The specific interests listed in Article 10(2) can be broken down as follows:**
- national security and territorial integrity;
- public safety and the prevention of disorder or crime;
- the protection of health;
- the protection of morals;
- the protection of the reputation or rights of others;
- preventing the disclosure of information received in confidence; and
- maintaining the authority and impartiality of the judiciary.
- **Casado Coca v. Spain, 1994**, which involved a prohibition on lawyers posting advertisements
- by spelling out, for example, how advertising would undermine the honesty of lawyers

Necessary in a democretic society

- **Sunday Times (No.1) v. the United Kingdom, 1979**
- is not synonymous with
- "indispensable", neither has it the flexibility of such expressions as "admissible", "ordinary", "useful", "reasonable" or "desirable" and that it implies the existence of a "pressing social need"
- 'proportionate to the legitimate aims pursued'

Annex 5

Principles to be taken into account in balancing freedom of expression and the protection of privacy – public interest

Public interest By case Von Hannover v. Germany (No. 2), 2012	
	the degree of fame of the person involved and the subject of the report (§ 110);
	the prior conduct of the persons involved (§ 111);
	the circumstances in which the photos were taken (§ 113).
	the content, form and consequences of the publication (§ 112);

Axel Springer AG v. Germany, 2012	
	contribution to a debate of general interest (§ 90);
	how well the person is known and the subject of the report (§ 91);
	the prior conduct of the persons involved (§ 92);
	the method of obtaining the information and its veracity (§ 93);
	the content, form, consequences of the publication (§ 94);
	the severity of the sanctions (§ 95)

Annex 6

Analysis of trade secrets, accounting patents

Advantages of trade secrets	Disadvantages
• Trade secret protection has the advantage of not being limited in time (patents last in general for up to 20 years). It may therefore continue indefinitely as long as the secret is not revealed to the public. • Trade secrets involve no registration costs (though there may be high costs related to keeping the information confidential). • Trade secrets have immediate effect. • Trade secret protection does not require compliance with formalities such as disclosure of the information to a Government authority.	➢ If the secret is embodied in an innovative product, others may be able to inspect it, dissect it and analyze it (i.e. "reverse engineer" it) and discover the secret and be thereafter entitled to use it. Trade secret protection of an invention in fact does not provide the exclusive right to exclude third parties from making commercial use of it. Only patents and utility models can provide this type of protection. ➢ Once the secret is made public, anyone may have access to it and use it at will. ➢ A trade secret is more difficult to enforce than a patent. The level of protection granted to trade secrets varies significantly from country to country, but is generally considered weak, particularly when compared with the protection granted by a patent. ➢ A trade secret may be patented by someone else who developed the relevant information by legitimate means.

Source: Trade secrets and patens [interactive]. [reviewed on 03 November 2019]. Available at: <https://www.wipo.int/sme/en/ip_business/trade_secrets/patent_trade.htm>

Annex 7

THE 3 TYPES OF PHISHING EMAILS

CLONE PHISHING

CLONE PHISHING IS WHERE A LEGITIMATE, AND PREVIOUSLY DELIVERED, BIT OF ONLINE CORRESPONDENCE IS USED TO CREATE AN ALMOST IDENTICAL OR "CLONE" EMAIL.

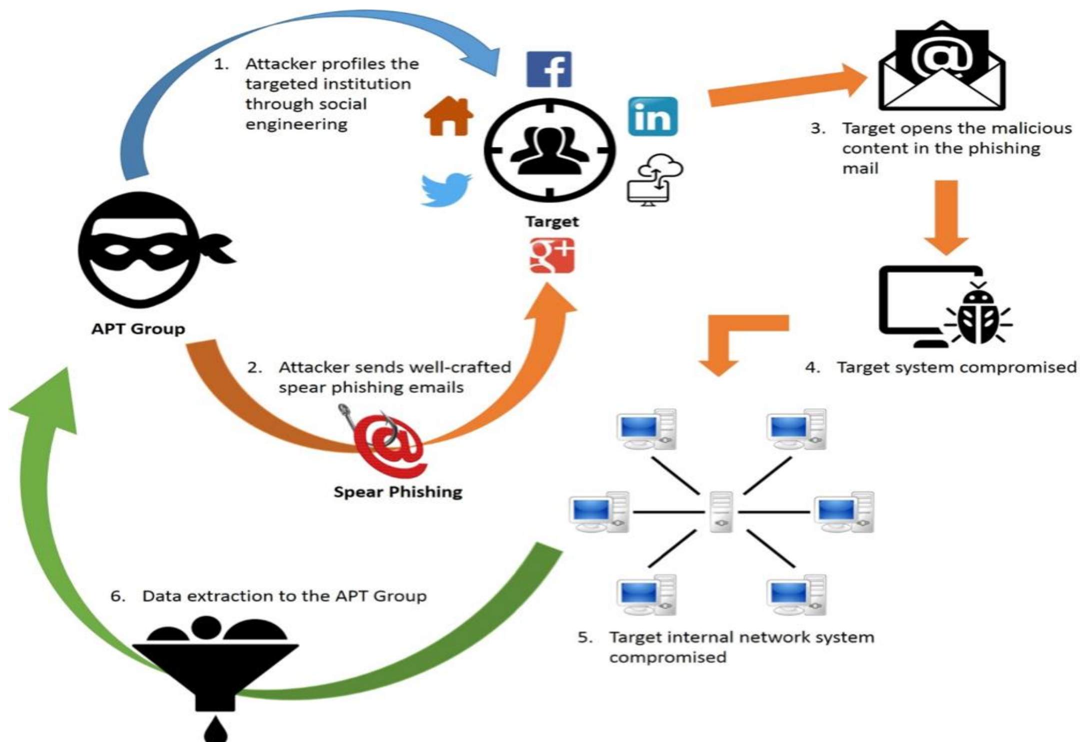
SPEAR PHISHING

SPEAR PHISHING IS A PHISHING ATTEMPT DIRECTED AT A PARTICULAR INDIVIDUAL OR COMPANY.

WHALING

WHALING IS A PHISHING ATTEMPT DIRECTED SPECIFICALLY AT A SENIOR EXECUTIVE OR ANOTHER HIGH-PROFILE TARGET WITHIN A BUSINESS.

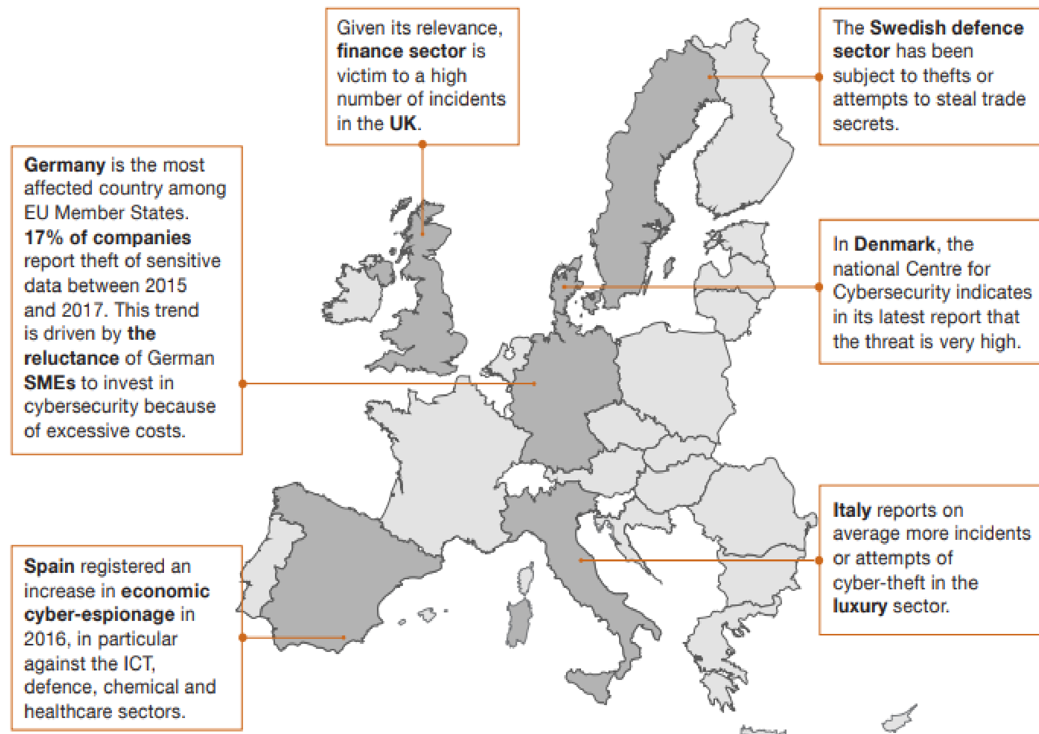
Source: Types of phishing[interactive]. [reviewed on 12 November 2019]. Available at: <https://pixelprivacy.com/resources/phishing-emails/>



Source: Phishing in action[interactive]. [reviewed on 12 November 2019]. Available at: <https://resources.infosecinstitute.com/category/enterprise/phishing/phishing-as-an-attack-vector/phishing-apts-advanced-persistent-threats/#gref>

Annex 8

The geographical distribution of incedents on cyber espionage



Source: Study on the Scale and Impact of Industrial Espionage and Theft of Trade Secrets through Cyber by PwC [interactive]. [reviewed on 05 November 2019]. Available at: <https://www.pwc.com/it/it/publications/docs/study-on-the-scale-and-Impact.pdf>

Annex 9

Analyst of a Directive on the "Protection of persons reporting on breaches of Union law" (Whistleblower Protection Directive)

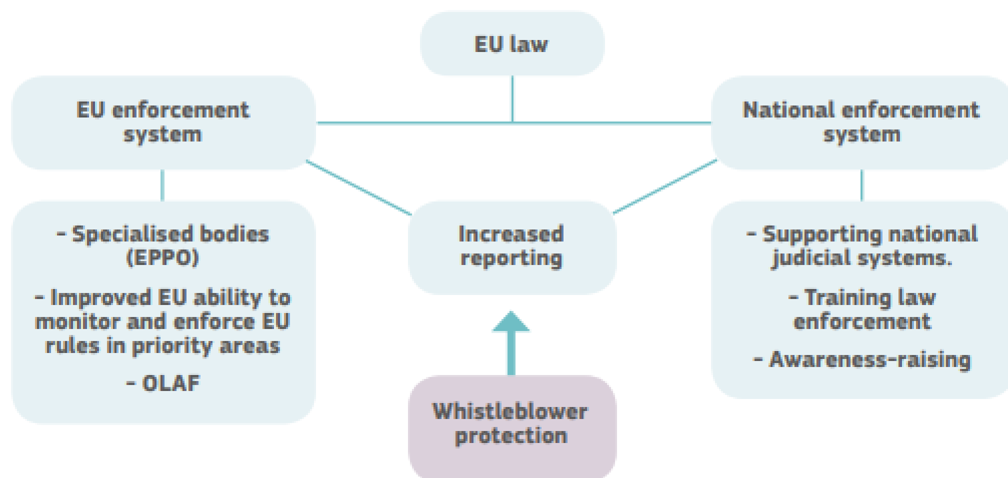
Positive aspects	Improvements
➢ It covers both the public and private sectors. ➢ Breaches of law are defined as acts or omissions that are either unlawful or that defeat the object or the purpose of the rules (Art. 5(1)). ➢ In granting protection, it does not in any way take into account the whistleblowers' motive for reporting. ➢ It grants protection to whistleblowers who have reported or disclosed information anonymously and who have subsequently been identified (Art. 6(3)). ➢ It allows whistleblowers to report breaches of law internally or directly to the authorities (Art. 10). ➢ It allows for public disclosures in certain circumstances (Art.15). ➢ It prohibits "any form of retaliation", threats of retaliation and attempts at retaliation, provides a long, diverse, non-exhaustive list of examples (Art. 19). ➢ It provides for penalties to be applied to persons who hinder or attempt to hinder reporting, retaliate against reporting persons (including by bringing vexatious proceedings), breach the duty of maintaining the confidentiality of the whistleblowers' identity (Art.23). ➢ It provides for interim relief, without which a whistleblower might be unable to maintain professional and financial status until legal proceedings end (Art. 21(6)). ➢ It requires Member States to ensure that easily accessible and free, comprehensive and independent advice is provided to the public (Art.(1)(a)). ➢ It provides that whistleblowers cannot be held liable for breaching restrictions on the acquisition or disclosure of information, including for breaches of trade or other secrets (Art. 21(2)(3)(7)). It also excludes the possibility of contracting out of the right to blow the whistle, though, for example, loyalty clauses or confidentiality or non-disclosure agreements (Art. 24).	➢ A broad material scope covering all breaches of law (whether national or EU law) that threats or harm to the public interest ➢ Not exclude matters relating to defense, security and classified information, but rather provide for specific reporting schemes ➢ Extend protection measures to persons who are believed or suspected to be whistleblowers (even mistakenly), to persons who intended to make a whistleblowing report and to civil society organisations assisting whistleblowers ➢ Not introduce special or additional penalties for persons making knowingly false declarations using whistleblowing channels ➢ Require all public-sector entities without exception, and not-for profit entities with 50 or more workers, to establish internal reporting mechanisms ➢ Stipulate that internal reporting mechanisms should include procedures to protect whistleblowers ➢ Designate an independent whistleblowing authority responsible for the oversight and enforcement of whistleblowing legislation ➢ Require the collection and publication of data on the functioning of the law. ➢ Not reference to "bad secrets" disclosure

➢ It places an obligation on a wide range of public and private entities to establish internal whistleblowing mechanisms (Art. 8). ➢ It establishes an obligation to follow up on reports and to keep the whistleblower informed within a reasonable timeframe (Art. 9 and 11(2)).	

Source: Position paper # 1 / 2019 of Transparency International on Building on the EU directive for whistleblower protection

Annex 10

Whistleblower protection under EU law



Source: Factsheet on Whistleblower protection by European Commission [interactive]. [reviewed on 15 November 2019]. Available at: <https://ec.europa.eu/info/sites/info/files/placeholder_11.pdf>.