Several Aspects of the Protection of Trade Secrets

Dr. iur. Lauris Rasnačs
Faculty of Law, University of Latvia
Docent in the Civil Law Department
E-mail: lauris.rasnacs@lu.lv

The present article contains a discussion of several aspects important for the protection of trade secrets. It provides analysis of certain facets of trade secret, definition, for instance, the meaning of commercial value of keeping the information secret. This article also views the scope of the duty of an employer to inform his employees about the trade secret status of the respective information and provides a suggestion about interpretation and exemption from this duty. In addition, this article also examines the mental element of infringer as precondition of his liability, as well as the meaning of non-competition agreements between the employers and employees as a tool for protection from trade secret infringements.

Keywords: trade secrets, intellectual property, know-how, tort, employment relationship, employer, employee, restriction of competition, non-competition agreement.

Introduction

On 8 June, 2016, the Directive (EU) 2016/943 of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (hereinafter the “Trade Secret Directive”) was adopted.¹ It emphasized the role of trade secrets as

“the currency of the knowledge economy” on account of them providing a competitive advantage, and elaborated on the value of trade secrets, envisioning them as equal to patents and other intellectual property rights.

According to the requirements of the Trade Secret Directive, EU Member States have adopted new laws or amended the existing ones in order to implement the said directive. Latvia has decided to adopt entirely new Trade Secret Protection Law (in Latvian – Komercnoslēpuma aizsardzības likums), which came into effect on 1 April, 2019. Although it was not applied in a large of cases, to a certain degree, it has been the matter of analysis of legal scholars. The Trade Secret Directive has also been analysed from several aspects, even before it was adopted. This analysis and discussions, together with some other thoughts, which inevitably occur to nearly anyone after repeatedly revisiting certain questions, inspired the author of the present paper to contribute his share to the some of these discussions and to offer a slightly different approach to some matters.

Of course, the present paper does not intend to cover all aspects, issues and discussions related to the protection of the trade secrets. It would comprise a fairly large scope, fit for a book, perhaps in several volumes, instead of a mere article. The current article is mainly dedicated to the aspects pertaining to the protection of trade secrets in Latvia. The analysis contained in the present article mainly concerns the duty of trade secret holder to describe the trade secret, and the scope of the duty of an employer to inform his employees about the trade secret status of the respective information. In addition, the author emphasises an interesting detail, provided in the Trade Secret Protection Law, that certain type of information is per se considered as a trade secret. Such approach has certain reasons, however, in the view of the author, the scope of this information should be broader. The author of the present paper also enters into discussion with other legal scholars about the meaning of commercial value as a prerequisite for information to be considered as a trade secret and examines the particularity of the legal provisions of Germany, which, unlike the provision of the law of Latvia and several other EU Member States, speaks about intent or negligence as of one of the preconditions to held a person liable for the unauthorised acquisition, use or disclosure of trade secrets (hereinafter – the “trade secret infringement”). Last, but not least, the author takes a look on non-competition agreements between the employers and employees as a tool for protection from trade secret infringements.

Of course, the opinion, provided in the present paper is not meant to be the final truth about the respective topics. It is rather intended as an encouragement for discussion, which, as the author sincerely hopes, at least in some degree will follow after the publication of this article.

1. Duty to describe a trade secret

At first glance, one may say that there is nothing to be added regarding the definition of a trade secret, because the Trade Secret Directive and the Trade Secret Protection Law already provide rather extensive definitions. However, the first impression may be misleading. It would be more accurate to say that the comprehensive definition of a trade secret is, in a sense, the Holy Grail of contemporary jurisprudence. Something that numerous legal scholars and practitioners may try to reach, but it is at least dubious, whether someone has succeeded and ever will succeed to complete this task.

---

The author of the present paper is not in opinion that he will be the one to reach this target. However, the author would like to add and emphasize some aspects of the existing definitions. After all, the question about components of this definition is important not only as the scholastic debate, but also because one of the difficulties mentioned by entrepreneurs, which prevents them from commencing the civil litigation in order to protect their trade secrets, is the difficulty to prove that certain information, which has been disclosed, acquired or used without authorisation, should be considered as a trade secret. Hence, the question what should be and what should not be considered as a trade secret is of an utmost importance in disputes, related to the trade secrets’ infringements.

Article 2 (1) of the Trade Secret Directive provides:

‘trade secret’ means information which meets all of the following requirements:

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”.

Article 2 (1) of the Trade Secret Protection Law provides slightly different definition, stipulating that

(1) A trade secret is undisclosed information of an economic nature, technological knowledge, and scientific or any other information which conforms to all of the following requirements:

1) it is secret in the sense that it is not generally known among or available to persons who normally use such kind of information;

2) it has actual or potential commercial value because it is secret;

3) the trade secret holder, under the circumstances, has taken appropriate and reasonable steps to maintain secrecy of the trade secret.

The author suggests taking closer look at the differences between both definitions. First of all, in contrast to the Directive, the definition provided in the Trade Secret Protection Law stipulates non-comprehensive list of types of an information, which may be considered as a trade secret. It is an “information of an economic nature, technological knowledge, and scientific or any other information”. However, as Dr. iur. Rihibs has indicated, these particularities are of a merely descriptive nature and shall not be treated as comprehensive, particularly because the list ends with the wording “any other information”. However, it does include literally “any other information”. Namely, this other information shall be related to the competition of any sort. It should not be separated from the private information. It may overlap with private information, if it is at the same time related to the competition.

3 Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, nelikumīga iegūšana, izmantošana un izpaušana [Preconditions of Trade Secret Protection, Illegal Acquisition, Use and Disclosure], Jurista Vārds, Nr. 41 (1203), 12.10.2021, p. 7
4 Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, p. 9.
6 Ibid.
This wording of “any other information” indirectly emphasizes a duty of a trade secret holder to define, which information shall be classified as the trade secret. Such classification is amongst the measures to be taken by the trade secret holder in order to keep the respective information secret. Other measures are (a) categorization of the information according to the degree of its importance and (b) organizational, physical (technical) and legal (contractual) measures, which shall be taken in order to keep the respective information secret. Organisational measures may include, *inter alia*, the measures taken in order to ensure that every employee has access only to those trade secrets, which are necessary for the performance of his duties. Physical and technical measures usually relate to the access to the respective information. Legal measures do include the conclusion of contracts with relevant confidentiality requirements, instructions for employees whose work involves trade secrets, etc. As these organisational, physical (technical) and legal measures shall be in line with the classification of the information made by the trade secret holder, it may be said, that the classification of the information reflects, itself, and shall be reflected in the other measures, which shall be taken by the trade secret holder in order to keep the relevant information secret.

Therefore, it is important for the trade secret holder to properly describe the information, which shall be kept as trade secret. In relations with employees it is important in order to properly instruct the employees, which information shall be kept secret and shall not be disclosed even after the termination of labour relations. However, the requirement to describe the trade secret is accompanied with the issue, that in a lot of cases it may be difficult to give a comprehensive description for the exact piece of information, which shall be considered as a trade secret. This aspect is particularly relevant in a case, which is explicitly mentioned in Article 2 (1) a) of Trade Secret Directive, but not in the definition, given in the Trade Secret Protection Law. Namely, it is a case, if a trade secret is not comprised from particular information as such, but from a particular combination of information. An example may be the recipe of a dish, which in general is widely-known, such as risotto or Wiener schnitzel, but which has been enhanced with some specific twist or ingredients by the particular restaurant. In such case, this recipe with that particular twist or ingredients could be considered as a trade secret. Generally, the restaurant, *inter alia*, acting as employer shall describe and most precisely instruct the employee, what exactly shall be treated as a trade secret. However, what if in the given example the restaurant has failed to precisely describe the combination of ingredients, methods or other features, which make the recipe so enjoyed by guests of the restaurant? Should it therefore not be considered as a trade secret and should the restaurant be deprived from the protection of the recipe? The author would say that the answer should not be overly strict and should provide the fair balance between the interests of employers and employees, maintain the competition and provide the customers with a possibility to receive the benefit from intense competition on merits.

Recital 13 of the preamble of the Trade Secret Directive emphasizes that this directive should not be understood as restricting the freedom of establishment, the free movement of workers, or the mobility of workers as provided for in Union law. Also, it should be kept in mind that in several jurisdictions of Continental

---

7 Gulbis, R. Komercnoslēpuma aizsardzības priekšsēdējumī, pp. 11, 12.
8 Ibid., p. 10.
Europe, for instance, Germany and Netherlands, the main principle is that a former employee is free to use all the acquired knowledge, including real trade secrets of the previous employer, and it may be limited only in a very narrow group of cases.\textsuperscript{10} Therefore, any deviations from the requirement to the trade secret holder to provide detailed description of his trade secrets and to precisely inform his employees about this description shall be interpreted in a narrow sense. At the same time, the requirement for precise description of trade secrets shall not be underestimated as it may prevent entrepreneurs from innovations and it may lead to the decrease of competition and negative impact on the well-being of customers. In this context, one must also bear in mind the aspect, which is rightly emphasized in legal doctrine, that “[p]roperty owners are not required to erect a fence in order to later sue an unwelcome visitor for trespass”.\textsuperscript{11} Namely, there could be cases, when in the light of circumstances of the case, if may be expected from the employee, taking into account his position, remuneration, qualification, experience and other factors, to understand that certain information shall be treated as trade secret, even if it was not precisely indicated by the employer as a trade secret. Similar approach could be applied towards other persons, to whom the trade secret was disclosed, if it could be reasonably expected from these persons, that they should understand that this information was a trade secret. Such conclusion may be made in dispute dealing with a trade secret infringement by the court \textit{ex officio}, if the circumstances of particular cases justify such conclusion. In the light of such considerations, the author of the present paper suggests amending the Trade Secret Protection Law with a provision stating that the court is entitled to conclude that the defendant had to treat the particular information as trade secret, if, according to the circumstances of the case, he should reasonably come to such conclusion.

2. Information always to be treated as a trade secret

Other difference between the provisions of the Trade Secret Directive and the Trade Secret Protection Law is that the Trade Secret Protection Law does mention several types of the information, which in any case shall be considered as a trade secret and several other types of information, which in any case shall not be considered as a trade secret.\textsuperscript{12} Namely, Article 3 (1) Trade Secret Protection Law provides, that the information which is related to the implementation of State administration functions or tasks and also – in the cases specified in laws and regulations – actions with State or local government financial resources or property cannot be regarded as a trade secret. The first sentence of the sub-article (2) of the same article does add, that in accounting, information and data which in accordance with laws and regulations are subject to inclusion in the reports of natural or legal persons performing economic activity cannot be regarded as a trade secret. The first sentence of the sub-article (2) of the same article does add, that in accounting, information and data which in accordance with laws and regulations are subject to inclusion in the reports of natural or legal persons performing economic activity cannot be regarded as a trade secret. In its turn, the second sentence of the same sub-article provides that all remaining information in accounting shall be regarded as a trade secret and shall be only available to auditors, tax administration, law enforcement authorities, courts and other authorities in the cases specified in laws and regulations.

\begin{thebibliography}{9}
\bibitem{Gulbis} Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, p. 12.
\end{thebibliography}
Such provisions specifying the information, which in any case shall be treated as trade secret and that which cannot be considered as a trade secret, are rather plausible, since they ensure a substantial legal certainty. However, the scope of this information, particularly the scope of information, which in any case shall be considered as a trade secret, gives rise to some questions and, in the author's opinion, could be subject of debates. These provisions were already included in the very first draft of the Trade Secret Protection Law.\textsuperscript{13} The annotation of the draft Trade Secret Protection Law does mention these provisions, however, without giving any further grounds, why the scope of the information at any time shall be treated as the trade secret, it should not be broader.\textsuperscript{14}

Notably, the findings made in the cases regarding agreements, decisions by associations of undertakings and concerted practices that are restrictive for competition, support the opinion that the list of information, which at any case shall be treated as trade secret, should be broader and could not be limited with accounting information, not included in the public reports. For instance, in one case, examined by the Latvian Competition Council (Latvian – \textit{Konkurences Padome}), it was found that competitors had exchanged the information regarding their plans to participate in the public procurements and prices, offered in these procurements. From the decision of competition authority it could be concluded that such information should have been treated as trade secret and not disclosed to other persons, especially competitors.\textsuperscript{15} This decision was later upheld by the court. Similar approach suggesting that the information regarding the plans to participate in the public procurements and prices, offered in these procurements, shall be considered as trade secret in any case, was applied also in later cases and was not challenged by the Supreme Court.\textsuperscript{16}

Legal doctrine of the competition law provides examples, when such data as information about future projects, views of competitors regarding the price trends and future strategies were considered to be secret and the exchange of this information amounted to the competition law infringement.\textsuperscript{17} Article 78 of the guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements do provide that, for example, information about prices, demand, output and costs shall be considered strategic and its disclosure may reduce the uncertainty of competitors and hence adversely affect the competition in the market.\textsuperscript{18} Hence, it leads to the conclusion that this information shall be kept secret and most likely considered as a trade secret.

\textsuperscript{13} Annotation of the draft Trade Secret Protection Law. Available: http://tap.mk.gov.lv/lv/mk/tap/?dateFrom=2018-03-22&dateTo=2022-03-22&text=Komercnosl%C4%93puma&org=0&area=0&type=0 [last viewed 22.03.2022].
\textsuperscript{14} Ibid.
Perhaps one may argue that the approach, adopted in competition law, could not be simply borrowed in the law dealing with protection of trade secrets as both areas of law have different objectives. Nevertheless, the approach adopted in competition law clearly demonstrates that the list of information, which shall be considered as a trade secret, could be broader. Therefore, the author suggests to commence the discussion about amending the Trade Secret Protection Law regarding the list of information, which in any case shall be considered as a trade secret.

3. Commercial value of a trade secret

One of the properties of a trade secret, indicated in both the Trade Secret Directive and the Trade Secret Protection Law is that the respective information, in order to be treated as a trade secret, has to have commercial value, because it is secret, or, as it is written in the said Latvian law, it has actual or potential commercial value by virtue of its being secret. However, what should be understood with actual or potential commercial value of a trade secret?

Legal doctrine provides several substantial aspects and examples, how this commercial value may manifest itself. First of all, this commercial value is caused by the secrecy of the information, i.e., there shall be a causal link between the value of the information and its secrecy.19 Secondly, the conclusions about this value shall be based on objective assessments, not merely on the view of the trade secret holder. At the same time, it shall be noted that there is a commercial value in keeping the respective information secret, if the disclosure of this information may infringe the scientific or technical potential of the holder of the respective information, his business or financial interests, strategic positions or competitiveness. If a disclosure of the information does not affect either its value in the market (including also its value in potential purchase or licence agreement) or financial interests of the holder of this information, most likely, this information does not have a value because of its secrecy.20

This statement may lead to an impression that the commercial value, including the potential one, of a trade secret, is quite certain. General or overly hypothetical value may not be sufficient. However, this question is a matter of debate.

Some of the authors hold an opinion that it is necessary for the information to have actual value for maintaining its secrecy.21 Other authors assert that the potential value is sufficient.22 The author of the present paper is of the opinion that potential value is sufficient due to the following reasons.

Already regarding the proposal of the Trade Secret directive it was commented that this proposal stipulates just de minimis requirement, stating that it would be enough to demonstrate that the information had a minimum value resulting from secrecy, giving the holder a competitive advantage. Thus, the mere fact that someone is trying to enforce the trade secret is generally considered sufficient (prima facie evidence) to show the value of trade secrecy. The value of a trade secret should be treated separately from the matter of calculation of damages, caused by trade secret

20 Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, p. 11
21 Suosa e Silva, N. What exactly is a trade secret, p. 929
infringement. Recital 14 of the preamble of the Trade Secret Directive confirms such conclusion, stating:

> information should be considered to have a commercial value, for example, where its unlawful acquisition, use or disclosure is likely [emphasis added] to harm the interests of the person lawfully controlling it, in that it undermines that person’s scientific and technical potential, business or financial interests, strategic positions or ability to compete.

Moreover, Recital 2 of the preamble of the Trade Secret Directive emphasizes the importance of the trade secrets for businesses. If the threshold of value of trade secrets will be high and will stick to the requirement of proving the actual value of maintaining the secrecy, it will lead to the situation when businesses would not be able to obtain the protection of their trade secrets more frequently. Therefore, sticking to the said actual value could be interpreted as contradictory to the objectives of the Trade Secrets Directive.

For the sake of comparison, para. 2 (1) of the German Trade Secret Protection Law (German – Gesetz zum Schutz von Geschäftsgeheimnissen), which has been adopted in order to implement the Trade Secret Directive, does provide several criteria for the information to be treated as the trade secret. The notion about commercial value is not among these criteria. Instead, there is the criteria of “a lawful interest to keep [the information] secret” (German – ein berechtigtes Interesse an der Geheimhaltung) or, as it is also called – “interest in maintaining secrecy” (German – Geheimhaltungsinteresse). Under the German law, the threshold of this interest is rather low. If the maintaining the secrecy of the information has a quantifiable impact on the firm’s competitiveness, a legitimate interest will usually be presumed. Hence, the German law also rather supports the idea that the potential value of secrecy of the respective information is sufficient.

Last but not least, the question could be asked about criteria for evaluation of the trade secrets. Case law and legal doctrine do suggest several criteria, which could be taken into account in order to determine, whether the respective information has a commercial value:

a) the value of the information to the owner and its competitors;

b) the amount of effort and/or money invested in developing the information;

c) the level and amount of effort invested into keeping the information secret;

d) the level of difficulty faced by others when acquiring or replicating the information; and

e) the accessibility of the information to the public, including whether any portion of this information is in the public domain or is made obtainable through prior patent application(s) or marketing.

f) reasonable measures have been taken by the owner to keep the information secret. The point to be noted here is that the steps taken/effort invested by the owner must be “reasonable” in amount.26

---

23 Suosa e Silva, N. What exactly is a trade secret, p. 930.
The author of the present paper will not delve into the analysis of these criteria. Nevertheless, it goes without saying that these criteria are quite broad and hence they do require a sophisticated analysis in the light of the circumstances of each separate case. Such analysis is appropriate in order to calculate or evaluate the amount of damages, compensated to the trade secret holder. However, such analysis would be exaggerated, if from the result of this analysis will determine the answer on a very question, whether the particular information should be considered as a trade secret. As mentioned above, it will lead to the protection of trade secrets in rather limited number of cases, which would be contradictive to the objectives of the Trade Secret Directive.

4. Mental aspect of infringer

One of the basic general remedies, available for different infringements in private law, is compensation of damage. No surprise, that Article 14 (1) Trade Secret Directive and Article 11 (1) Trade Secret Protection Law also do provide the trade secret holder with such remedy in case of a trade secret infringement. However, these provisions stipulate several other preconditions, which shall be met, in order that the trade secret holder could claim the compensation of damage. One of these preconditions – that the defendant knew or ought to have known that he, she or it was engaging in unlawful acquisition, use or disclosure of a trade secret. This criterion is provided also in the law of other EU Member States, for example, in the Article 8 (1) of Dutch Trade Secret Law (Dutch – Wet bescherming bedrijfsgeheime[27]), and Article L. 151-6 of the French Commercial Code.[28] It leads to the thought, that there could be no such thing as “innocent infringement of a trade secret”. Moreover, apart from this aspect, what is the role of this criterion and how could the existence (or absence) of this criteria be established?

Legal doctrine emphasizes that this aspect, which may be called a “mental aspect of infringer”.

[It] is helpful in the common situation where, for example, an ex-employee takes a trade secret with him and then uses it within a new business that he has set up, or provides it to his new employer company. When the new business does not know or have grounds to suspect the provenance of the confidential information at the time of its use or disclosure, it may have some protection and a limited defence. [...] However, once it is put on notice or has reason to suspect the information is a third party’s trade secret and it continues to use or disclose it, it will apparently be equally liable along with, in this case, the ex-employee.[29]

In other words, this “mental aspect” is the key element, which helps to distribute liability in a case of trade secret infringement.

This concept of “mental aspect” has not “come out of the blue” to land into the Trade Secret Directive. It is familiar in the English law, which does illustrate the threshold of proof to be met in order to prove that someone knew or ought to have known that he is infringing a trade secret. Usually this awareness of infringement

---


does focus on the fact whether the defendant at the moment of infringement knew or ought to have known that the respective information is a trade secret and/or confidential. United Kingdom Supreme Court has examined the case, where the claim was brought against ex-employee for the alleged trade secret infringement. The plaintiff, an ex-employer, tried to prove the awareness of the defendant by stating that she has “turned a blind eye” to certain facts, which actually signalled that there was or at least might have been a trade secret infringement. The plaintiff emphasized that knowledge (or awareness) that the respective information was a trade secret would not be limited to the actual knowledge of the defendant, and it would include what is sometimes called “blind-eye knowledge”, hence requiring to further analyse whether the secret nature of the information should be understood by the defendant. In this context, in the opinion of the plaintiff, the defendant was “playing with the fire” by turning a blind eye on certain relevant facts. However, the Supreme Court rejected such argument and found that these arguments were not sufficient in order to prove that the defendant was certainly aware of a possible infringement and considerations. As it is explained in commentaries, the approach of the Supreme Court does concur with the approach of the English courts and hence does not cause a surprise. If the Supreme Court would accept the said argument of the plaintiff, it would mean a rather substantial change in the English law and amount to the strict liability for the trade secret infringements. From this statement, it may be concluded that currently the liability of a trade secret infringement is something opposite to the strict liability and hence most likely it is fault based liability, requiring intent or negligence as one of the mandatory preconditions of liability for a trade secret infringement.

It appears to be confirmed by the manner in which Germany has implemented the Trade Secret Directive in the German law. Namely, Article 10 (1) of the German Trade Secret Protection Law requires intent or negligence as the said mandatory preconditions. Of course, such provision to a certain degree is made with a purpose to bring the respective provision closer to the German legal tradition, where the criterion of fault in the form of intent or negligence is generally accepted as a necessary requirement for the establishment of liability for tort or breach of contract. However, it is not a mere question of wording.

Fault in the form of intent (Latin – dolus) or negligence (Latin – negligentia) has been known as a precondition of liability in jurisprudence since Roman law. Intent is constructed from the elements of awareness of the actual circumstances and will. The precondition of will does not require an exact will to cause an instance of injury or infringement. Instead, it is sufficient that the injuring party recognizes the risk that he may create, but nevertheless proceeds with the respective course of action. It goes without saying, that such meaning of intent is covered by a broader scope of awareness and therefore the intentional trade secret infringement shall

32 Ibid., paras 40–43.
33 Turner, S. Knowledge a key factor, p. 761
36 Ibid., Rn. 46–50.
be understood as a situation, when the infringer has been aware of a trade secret infringement and hence shall be held liable for damages of the trade secret holder.

Awareness also plays a certain role in the evaluation of possible negligence, although it is less important than in establishing of intent. Instead, when evaluating negligence, the attention is rather paid to whether the alleged infringer has acted with a necessary general, objective and individual diligence.\(^{37}\) These criteria have been attributed to the evaluation of negligence at least since the Justinian era of Roman law, which (with later amendments from Pandect law) divided negligence into \textit{culpa levis}, which is a failure to act as a \textit{bonus pater familias} or a reasonable person, and \textit{culpa lata}, which is a lack of any reasonable diligence or care, and \textit{culpa (levis) in concreto} – the failure to act with the same care or diligence as one ordinarily would about his own affairs (an evaluation of a person’s actions from his own subjective perspective).\(^{38}\) Nowadays, \textit{culpa levis} and \textit{culpa lata} are merged into what we know as gross negligence, which requires the objective analysis of a person’s actions and an evaluation of whether he has acted with an amount of diligence that could be expected from a standard, reasonable person.\(^{39}\) Furthermore, gross negligence may be established if one lacks diligence to an unusually high degree and ignores the circumstances, which should have been evident to anyone in that situation.\(^{40}\) \textit{Culpa (levis) in concreto} is usually known as ordinary negligence and may be established if the person has not violated the requirements of general diligence, but nevertheless has acted with less diligence than he normally would apply to his own actions or affairs.\(^{41}\) Hence, the evaluation of ordinary negligence mainly focuses on a subjective evaluation of diligence or that what may be expected from that particular person.\(^{42}\) However, the degree of required diligence, which has crucial role in the examination of possible negligence, could be analysed and applied in order to examine, whether the defendant “ought to have known” that he is engaging in the trade secret infringement.

Summarizing the above analysis, the author arrives at the conclusion that the criteria, whether the defendant “knew or ought to have known” that he is engaging in the trade secret infringement, involve the examination, whether the defendant has acted with intent, gross or ordinary negligence.

5. Application of contractual instruments

Among organizational and physical measures, which the trade secret holder shall take in order to maintain the secrecy of the trade secret, there are legal measures with the same purpose.\(^{43}\) Although it has not been stated explicitly, the wording used by some authors may suggest that they are of an opinion that contractual provisions, which prohibit the disclosure of a trade secret or otherwise, are stipulated with the purpose to protect the unauthorized disclosure, acquisition and use of the trade


\(^{39}\) Säcker, F. J., Rixecker, R., Oetker, H., Limberg, B. Münchener Kommentar, Rn. 30–33.

\(^{40}\) Oberlandesgericht Bremen, Urteil vom 17.08.2004. — 3 U 103/03 [Bremen Higher Court. Judgement from 17 August 2004 in case 3 U 103/03].

\(^{41}\) Säcker, F. J., Rixecker, R., Oetker, H., Limberg, B. Münchener Kommentar, Rn. 30-33.


\(^{43}\) Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, p. 11.
secrets, do constitute an entire body of such legal instruments.\footnote{Gulbis, R. Komercnoslēpuma aizsardzības priekšnosacījumi, p. 11.} The author of the present paper does not agree with it, since, for example, the notifications given to employees and other persons in order to inform them that the particular information is a trade secret, also fit into the category of these legal instruments.

Nevertheless, the said contractual provisions play an important role. They may be made in a form of separate non-disclosure or confidentiality agreement, which the parties may even conclude in the stage of contractual negotiations, before entering into any other contractual relations. Respective non-disclosure or confidentiality provisions may also be included into another contract. Last but not least, they may be concluded as some sort of prelude of contractual relations between the parties, with a purpose to maintain the secrecy of certain information, and to prevent the disclosure and use of it. Likewise, such contractual provisions are possible in relations between an employer and an employee. Moreover, employer and employee can conclude an agreement, which prohibits an employee, usually for the certain periods of time, to enter into labour or other cooperation agreement with competitors of the former employer or to start a business enterprise, which will compete with that of the former employer. In Latvian law, this type of agreements is regulated by the Article 84 of Labour Law (Latvian – Darba likums).\footnote{Darba likums [Labour Law] (20.06.2001.) Available: https://likumi.lv/ta/en/en/id/26019-labour-law [last viewed 10.04.2022].} This section will further focus on several aspects of this type of agreements, known also as non-competition agreements.

Supreme Court of Latvia has provided that non-competition agreements are not the instruments for the protection of a trade secret. Instead, the purpose of a non-competition agreement is to protect the employer from the competition by the former employee after the termination of employment relationship.\footnote{Latvijas Republikas Augstākās tiesas Civillietu departamenta 2015. gada 27. februāra spriedums lietā Nr. SKC-0008/2015, 11.3.2. puncts, 15. lpp. [Judgment in the case SKC-0008/2015 of the Civil Department of the Supreme Court of the Republic of Latvia from 27 February, 2015, point 11.3.2., page 15]. Not published.} Such opinion could not be supported. Firstly, legal doctrine clearly speaks about non-competition agreement as a tool for protecting from an unauthorised disclosure, acquisition or use of trade secrets.\footnote{Van Caenegem, W. Trade Secret, p. 203.} Secondly, from the perspective of merits, the non-compete agreement likewise prevents the situations when a former employee may have an urge or desire to disclose or use the trade secrets of his former employer in favour of the employee’s new employment or occupation.

Article 84 (1) of Latvian Labour Law does provide several mandatory requirements, which must be met for a non-competition agreement to be legally valid. These requirements are the goal of restriction on competition, due date of the restriction on competition, and adequate compensation for restriction on competition. These criteria are already comprehensively analysed by other authors.\footnote{Kārkliņa, A. Restriction of Competition After Termination of Employment Relationships. Journal of the University of Latvia. Law, No. 14, Riga: University of Latvia, 2021, pp. 159–183. Available: https://www.apgads.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/Juridiska-zinatne_Law/Juridiska-zinatne-14/Jurid-zin-14_.pdf [last viewed 10.04.2022].} Therefore, the author of the present paper will focus only on particular details of the said provision.

According to the Article 84 (2) of Labour Law, the scope of non-competition agreement may include only the field of activity, in which the employee has been engaged during the period of existence of employment relationship. In essence, this
provision does provide certain proportionality limits for the restrictions, imposed on the former employee by non-competition agreement. Other jurisdictions do provide stricter proportionality limitations. For example, in France the non-competition agreement is not permitted to create an effect whereby the former employee would be deprived from ability to work at all, which may be the case, if the former employee is able to work only within a narrow scope of specialisation.\textsuperscript{49} As it will be analysed below, the Latvian law could be interpreted differently.

Article 84 (1) 2) of Latvian Labour Law provides that the maximum period of restriction of competition for a former employee may not exceed two years after the termination of the employment relations. This period is shorter in comparison with, for example, Portugal, which stipulates a three year period, and Italy, which stipulates a five year period.\textsuperscript{50}

Article 84 (1) 3) of Latvian Labour Law requires the employer to pay the employee adequate monthly compensation for the compliance with the restriction on competition after termination of the employment relationship with respect to the whole time period of restriction on competition. The Latvian law does not set the fixed amount for adequate compensation. However, it usually varies in the range from 60 to 90\% of the employee’s average salary. Such threshold is rather high in comparison with other European countries, for example, France, where it must be at least 30\% of previous salary; Lithuania, where it is required to be at least 40\% of employee’s average; Romania, where it must be at least 1/4 of current salary; Hungary, where it must be at least 1/3 of the employee’s previous salary; and Germany, Belgium and Denmark, where it must equal at least one half of the current salary.\textsuperscript{51} However, it shall be kept in mind, that higher thresholds of compensation justify the stricter limitations to the former employee. Therefore, it could be said at least in the light of Latvian law, that, if for example, the former employee receives compensation in the amount of 100\% of his average salary, he may be subject to rather strict limitations in his non-competition agreement with the former employee. These limitations may even require the former employee to refrain from working at all during the limitation period.

\textbf{Summary}

1. The requirement to the trade secret holder to provide detailed description of his trade secrets and to precisely inform his employees about this description is not absolute, but at the same time any deviations from this principle shall be interpreted in a narrow sense.
2. The author suggests amending the Trade Secret Protection Law with a provision stating that the court is entitled to conclude that the defendant had to treat the particular information as trade secret, if, according to the circumstances of the case, he should reasonably have come to such conclusion.
3. Examples from the competition law practice indicate that the scope of information, specified in the Article 3 (2) of Trade Secret Protection Law, which in any case shall be considered as trade secret, should be broader and should not be limited simply to accounting information, which is not entered into public reports. The author suggests commencing the discussion about amending this provision of the Trade Secret Protection Law.

\textsuperscript{49} \textit{Van Caenegem, W.}, Trade Secret, pp. 156, 157.
\textsuperscript{50} \textit{Kārkliņa, A.} Restriction of Competition, p. 164.
\textsuperscript{51} \textit{Ibid.}, p. 167.
4. It is clearly provided in the Trade Secrets Directive and the Trade Secret Protection Law that, in order to be considered as a trade secret, the respective information has to have commercial value because of the secrecy of this information. The debate exists between legal scholars as to whether this commercial value has to be actual or should a potential value be sufficient. The author sides with the opinion that the potential value from keeping the information secret is sufficient for that information to be considered as a trade secret.

5. The criteria, whether the defendant “knew or ought to have known” that he is engaging in the trade secret infringement, involves the examination whether the defendant has acted with intent, gross or ordinary negligence.

6. The non-competition agreement, concluded between the employer and his employee, requesting after the termination of current employment to the employee to refrain from new employment, cooperation and commencing his own business, which may compete with the business of his than former employer, is an important tool for protection of trade secrets, not only a tool protecting the employer from competition created by his former employee.

7. At least in the light of Latvian law, for example, if the former employee receives compensation in the amount of 100% of his average salary, he may be subject to rather strict limitations in his non-competition agreement with the former employee. These limitations may even require the former employee to refrain from working at all during the limitation period.

Sources

Bibliography


**Normative acts**


**Case law**


2. Oberlandesgericht Bremen, Urteil vom 17.08.2004. – 3 U 103/03 [Bremen Higher Court. Judgement from 17 August 2004 in case 3 U 103/03].


**Other sources**