

## **Questions for National Reporters of LIDC STOCKHOLM 2015**

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### **The Protection of Trade Secrets and Know-How in Germany**

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**Are countries providing enough or too much protection?**

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## Table of Content

### A. Introduction

### B. Legal Protection of Trade Secrets in Germany – Brief Overview

- I. Defining Trade Secrets
  1. Secret
  2. Company
  3. Will to Maintain Secrecy
  4. Legitimate Interest in keeping the Fact secret
- II. Business and Industrial Secrets
- III. Public International Law
- IV. Protection of Trade Secrets in Basic Law of the Federal Republic of Germany
- V. Protection of Trade Secrets in German Law Against unfair Competition
  1. Applicability
  2. Personal Scope of the Regulation
  3. Requirements and Action Alternatives
    - a) Betrayal of Trade Secrets by an Employee
    - b) Industrial Espionage
    - c) Unauthorized Trade, Use or Misappropriation of spied out Trade Secrets
  4. Legal Consequences
- VI. Protection of Trade Secrets in German Copyright Law
- VII. Protection of Trade Secrets in German Commercial Law
- VIII. Protection of Trade Secrets in the German Civil Code
- IX. Protection of Trade Secrets in the German Freedom of Information Act
- X. Further Protection of Trade Secrets in German Criminal Law
  1. German Penal Code
  2. German Commercial Code
  3. German Company Law
- XI. Further Protection of Trade Secrets in German Public Law
- XII. Extent of Civil Legal Consequences

### C. Protection of Know-How

- I. Defining Know-How
- II. Know-How as a Trade Secret
- III. Legal Protection of Know-How in Germany
- IV. Contractual Protection of Know-How
- V. Breach of Confidentiality or Non-Disclosure Agreements

### D. Misuse of Trade Secrets Protection

### E. Procedural Aspects

- I. Civil Court Proceedings
  1. Immediate Legal Protection
  2. Legal Recourse
  3. Constitutional Complaint
- II. Preservation of Evidence and Rights to Information
- III. Protection of Confidentiality of Trade Secrets during Court Procedures
- IV. Calculation of Damages

### F. Conclusion

## List of Abbreviations – German Statutes

- AktG** Aktiengesetz, Stock Corporation Act
- AO** Abgabenordnung, Tax Code
- ArbGG** Arbeitsgerichtsgesetz, Rules of the Labor Courts
- BDSG** Bundesdatenschutzgesetz, Federal Data Protection Act
- BetrVG** Betriebsverfassungsgesetz, Works Constitution Act
- BGB** Bürgerliches Gesetzbuch, Civil Code
- BGH** Bundesgerichtshof, Federal Court of Justice
- BVerfG** Bundesverfassungsgericht, Federal Constitutional Court
- EStG** Einkommenssteuergesetz, Income Tax Act
- GmbHG** GmbH-Gesetz, Limited Liability Companies Act
- GVG** Gerichtsverfassungsgesetz, Judicature Act
- HGB** Handelsgesetzbuch, Commercial Code
- IFG** Informationsfreiheitsgesetz, Freedom of Information Act
- StGB** Strafgesetzbuch, Penal Code
- StPO** Strafprozessordnung, Code of Criminal Procedure
- UIG** Umweltinformationsgesetz, Environmental Information Act
- UrhG** Urheberrechtsgesetz, Copyright Act
- UWG** Gesetz gegen unlauteren Wettbewerb, Act against Unfair Competition
- VwVfG** Verwaltungsverfahrensgesetz, Administration Procedure Act
- VwGO** Verwaltungsgerichtsordnung, Administrative Court Procedures Code
- ZPO** Zivilprozessordnung, Code of Civil Procedure

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## The Protection of Trade Secrets and Know-How in Germany

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### Are countries providing enough or too much protection?

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#### A. Introduction

In today's economy, trade secrets are of inestimable value. For many businesses the value of trade secrets even exceeds the value of industrial or intellectual property rights.<sup>1</sup> Therefore trade secrets constitute major parts of any company's capital and asset. Due to their confidentiality trade secrets cause legitimate commercial advantages and further advances towards competitors. For this reason it is crucial for proprietors to be able to rely on statutory and legal protection of the trade secrets. Without legal protection any investments in knowledge, technical progress and development that lead to information considered as trade secrets are worthless for a company. Hence it would not cause any economic advantages if the information becomes accessible and available for the competitors as well. A legal system that offers a reasonable protection of trade secrets therefore boosts and stimulates innovation and is crucial for any fair competition.

The following elaboration is supposed to give a brief overview of the legal protection of trade secrets in Germany and the most important rules concerning this matter.

#### B. Legal Protection of Trade Secrets in Germany – Brief Overview

There is no specific law or statute which serves to protect trade secrets in Germany. Instead, there are various provisions in different German statutes and regulations whose purpose it is to protect trade secrets. The most important statutes are regulations as Sec. 17 of the German

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<sup>1</sup> German Federal Court of Justice, decision of 25<sup>th</sup> January 1955, Case No. I ZR 15/53, 1955 NJW pp. 628-629 (BGH Urteil vom 25.1.1955 - I ZR 15/53, NJW 1955, 628); German Federal Court of Justice, 1 decision of 6<sup>th</sup> October 1962, Case No. KZR 11/61, 1963 GRUR pp. 207-211 (BGH Urteil vom 16.10.1962 - KZR 11/61, GRUR 1963, 207); *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 2.

Law against Unfair Competition (§ 17 UWG), Sec. 202 et seq. and 355 of the German Penal Code (§§ 202ff., 355 StGB), Sec. 6 of the German Freedom of Information Act (§ 6 IFG), Sec. 172 of the German Judicature Act (§ 172 GVG), Sec. 90 of the Commercial Code (§ 90 HGB) and Sec. 52 of the German Labor Court Act (§ 52 ArbGG). Those regulations are primary rules of German Criminal Law. However, the violation of criminal rules can cause claims for civil damages and omission in conjunction with Sec. 823 Para. 2 of the German Civil Code or with Sec. 4 No. 11 of the German Law Against Unfair Competition (§ 823 Abs. 2 BGB, § 4 Nr. 11 UWG).

### Legal Protection of Trade Secrets in Germany - Important Rules

German Civil Law		German Criminal Law		German Public Law	
§ 17 UWG	§ 823 Abs. 2 BGB	§§ 203, 204 StGB	§ 85 GmbHG	§ 6 IFG	§ 30 AO
§§ 90, 93 HGB	§ 79 BetrVG				
§ 172 GVG	§ 384 ZPO	§ 404 AktG	§ 120 BetrVG	§ 30 VwVfG	§ 98 VwGO

#### I. Defining “Trade Secrets”

All of these statutes use the term “trade secret” without giving a definition. Although German Law lacks of a legal definition for the term trade secret, a common definition does exist. According to case law a trade secret in Germany consists of a fact which relates to a certain business concern, is only known to a limited group of persons and has to be kept secret according to the explicit or implied will of the proprietor.<sup>2</sup> Furthermore, the company must have a legitimate interest in keeping the fact secret. Consequently the definition comprises commercial data, methods of production and other information that is significant for the economic activities and purposes of the company.

<sup>2</sup> Among others three of many decisions from the German Federal Constitutional Court, decision of 14<sup>th</sup> March 2006, Case No. 1 BvR 2087/03 and 1 BvR 2111/03; and the German Federal Court of Justice, decision of 15<sup>th</sup> March 1955, Case No. I ZR 111/53; decision of 26th February 2009, Case No. I ZR 26/06 (BVerfG Beschluss vom 14.3.2006 - 1 BvR 2087/03 und 1 BvR 2111/03, MMR 2006, 375, 376; BGH Urteil vom 15.3.1955 – I ZR 111/52; BGH Urteil vom 26.2.2009 – I ZR 26/06).

Based on the definition given above, the German definition of trade secrets consists of the following four components.

### **1. Secret**

A secret is a fact known to a limited number of people, that is to say not obvious. It is obvious if it is generally known, which means that people with an average amount of common sense have notice of this information or have the opportunity to obtain it from generally accessible sources.<sup>3</sup> The maximum number of persons permitted to know the secret is depending on the individual case as well as on its circumstances and is determined by the judge. The secret does not have to be a novelty. That is why a fact that used to be known in former times, but is not noticed at present anymore, can be a secret.<sup>4</sup> It does not have to hold a certain asset either. It is rather crucial that the secret holder suffers a disadvantage if a third person gains knowledge of the information.<sup>5</sup> Even if a fact (e.g. a process) itself is not secret but no one knows that a certain company uses it and this company does not want competitors to know about the use, the criteria of the secret is met.

### **2. Company**

The secret has to be related to a certain company. This condition is fulfilled even if products which embody the secret are resold or if the secret is thrown out.<sup>6</sup> Conversely, neither scientific knowledge and data of state, university and similar institutions nor data of public administration is related to a company and is therefore not subject to the above mentioned definition of a trade secret.<sup>7</sup>

### **3. Will to Maintain Secrecy**

The proprietor or the organ responsible for the management of the company must have declared their interest in keeping the information secret or at least made it recognizable outwardly.<sup>8</sup> The requirements are modest: If the nature of the matter demands such interest,

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<sup>3</sup> German Federal Court of Justice, decision of 14<sup>th</sup> July 1954, Case No. 6 StR 180/54, 1954 NJW pp. 1656 et seq. (BGH Urteil vom 14.7. 1954 – BHGSt 6, 292, 293; NJW 1954, 1656).

<sup>4</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 8a.

<sup>5</sup> German Federal Court of Justice, decision of 27<sup>th</sup> April 2006, Case No. I ZR 126/03, 2006 GRUR pp. 1044, 1046 et seq. (BGH Urteil vom 27.4. 2006 – I ZR 126/03, GRUR 2006, 1044, 1046).

<sup>6</sup> *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 5.

<sup>7</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 12.

<sup>8</sup> German Federal Court of Justice, decision of 26<sup>th</sup> November 1968, Case No. X ZR 15/67, 1969 GRUR pp. 341 – 345 (BGH Urteil vom 26.11.1968 – X ZR 15/67, GRUR 1969, 341, 343).

the condition is fulfilled.<sup>9</sup> Consequently, the intention to keep the knowledge secret is presumed regarding the internal information of the company which is not obvious.<sup>10</sup> The secret does not have to be used currently. Only if the secret holder plans to never use it in the future again, he does not have an interest in secrecy.<sup>11</sup>

#### **4. Legitimate Interest in keeping the Fact secret**

A legitimate interest in keeping the fact as a secret exists if the protected fact affects the competitiveness of the enterprise or can cause economic damage in another way. In the first case, the public knowledge of the secret therefore must be suitable to improve the market position of other competitors or to weaken the own position.<sup>12</sup>

### **II. Business and Industrial Secrets**

Furthermore, the German Law subdivides trade secrets into business and industrial secrets.<sup>13</sup> Business secrets are the facts referring to the commercial side of the company. Those are e.g. customer lists, production sources, market strategies and calculations. Whereas industrial secrets concern the technical areas such as production methods, computer programs (including program codes), formulas and composition and functional characteristics of devices.<sup>14</sup> Despite the statutory distinction, both types of trade secrets are protected equally. Therefore, the following elaboration will only refer to business and industrial secrets collectively as “trade secrets”.

### **III. Public International Law**

German Law is also bound and influenced by Public International Law. Regulations have to be interpreted in consistent with the rules of Public International Law. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is an international agreement that was enacted by the World Trade Organization (WTO) and is supposed to set down a minimum standard for a numerous fields of IP Law. Article 39 Para. 2 TRIPS provides a basis for the protection of undisclosed information and offers the possibility to natural and legal

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<sup>9</sup> German Federal Court of Justice, decision of 10th May 1995, Case No. 1 StR 764/94, 1995 NJW pp. 2301 (BGH Urteil vom 10.5.1995 – BGHSt 41, 140, 142; NJW 1995, 2301).

<sup>10</sup> Köhler in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 10.

<sup>11</sup> German Federal Court of Justice, decision of 19<sup>th</sup> November 1982, Case No I ZR 99/80, 1983 GRUR pp. 179, 181 (BGH Urteil vom 19.11.1982 – I ZR 99/80, GRUR 1983, 179, 181).

<sup>12</sup> Diemer in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 14 et seq.

<sup>13</sup> e.g. in § 17 UWG, § 333 HGB, § 203, 204 StGB.

<sup>14</sup> Köhler in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 4a; Quedenfeld in Münchener Kommentar zum HGB, 3rd edition, 2013, § 333 HGB, Marginal Note 15.

persons to lawfully prevent information within their control from being disclosed to, acquired by, or used by, others without their consent in a manner contrary to honest commercial practices. In order to be protected by Article 39 Para. 2 TRIPS such information

*“(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.”<sup>15</sup>*

A comparison with the definition of trade secrets according to German case law shows that the definitions are mostly congruent with each other. However, the definition in Article 39 Para. 2 TRIPS lacks of the proprietaries’ will to keep the information secret as a requirement in order for the information to be protected as a trade secret and is therefore more comprehensive.

#### **IV. Protection of Trade Secrets in Basic Law of the Federal Republic of Germany (Grundgesetz)**

The Basic Law as the Constitution of Germany does not provide a specific provision on the protection of trade secrets, but case law and pertinent professional literature have deduced the protection from Article 2 (general freedom of action) in conjunction with Article 14 (constitutional guarantee of ownership) of the Basic Law respectively from Article 12 (professional freedom). Because of this extension of the constitutional protection the principle of proportionality has to be observed by the authorities, e.g. in cases when the authorities assert claims for disclosure against companies.<sup>16</sup>

Article 12 of the Basic Law protects not only the freedom to choose an occupation, but also occupational behavior of people and companies. From this it follows that the constancy of trade secrets is also protected.<sup>17</sup>

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<sup>15</sup> Article 39 Para. 2 S. 2 TRIPS.

<sup>16</sup> *Wodtke/Richters*, Schutz von Betriebs- und Geschäftsgeheimnissen, 2004, p. 45.

<sup>17</sup> German Federal Constitutional Court, ruling of 14<sup>th</sup> March 2006, Case No. 1 BvR 2087/03 and 1 BvR 2111/03, 2006 MMR pp. 375, 376 (BVerfG Beschluss vom 14.3.2006 - 1 BvR 2087/03 und 1 BvR 2111/03, MMR 2006, 375, 376).



Article 14 of the Basic Law protects the guarantee of ownership. In Germany it is controversial if Article 14 protects trade secrets as part of the industrial establishment among the physical properties of a company (e.g. machines, estates). The German Federal Constitutional Court leaves this question unanswered and affirms the protection of trade secrets under Article 12. However, the protection under Article 14 may not be more extensive than under Article 12.<sup>18</sup>

The constitutional protection of trade secrets mainly applies to the state-owned institutions as the obliged party. Exceptionally it also effects the relation of the beneficiary and third parties in Civil Law (Horizontal effect of Constitutional Rights).

#### **V. Protection of Trade Secrets in German Law Against Unfair Competition (Gesetz gegen unlauteren Wettbewerb, UWG)**

Sec. 17 of the German Law against Unfair Competition is a criminal provision. In 2013, the German Federal Office of Crime Investigation registered 425 criminal cases of violation of Sec. 17, 401 of which were able to be elucidated.<sup>19</sup>

In the last century, the Law Against Unfair Competition consisted of a clause in Sec. 19<sup>20</sup> that provided an independent basis of a civil claim. By now actions for civil damages and omission have to be based on the Sec. 17, 18 in conjunction with either Sec. 823 Para. 2 of the German Civil Code or Sec. 3, 4, 8, 9 of the Law against Unfair Competition.

The Law Against Unfair Competition provides a claim for civil damages and omission<sup>21</sup> as well as a threat of punishment of imprisonment up to 3 years in its Sec. 17, 18 in case of intentional betrayal of trade secrets by an employee to a third party during the period of the employment. In the same way the punishment applies to everyone who intentionally uses technical means, produces a typified reproduction or commits a seizure to spy out a trade

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<sup>18</sup> German Federal Constitutional Court, decision of 14<sup>th</sup> March 2006, Case No. 1 BvR 2087/03 and 1 BvR 2111/03 2006 MMR pp. 375, 376 (BVerfG Beschluss vom 14.3.2006 - 1 BvR 2087/03 und 1 BvR 2111/03, MMR 2006, 375, 376).

<sup>19</sup> Police Crime Statistic (Federal Republic of Germany, German Federal Office of Crime Investigation), 2013 (Polizeiliche Kriminalstatistik des Bundeskriminalamts, 2013).

<sup>20</sup> § 19 UWG a.F.

<sup>21</sup> Sec. 17, 18 of the German Law Against Unfair Competition in conjunction with Sec. 823 Para. 2 of the German Civil Code (§ 823 Abs. 2 BGB i.V.m. § 17, 18 UWG).

secret. Even the incitement to misappropriation of trade secrets can be punished with an imprisonment up to two years or a fine.<sup>22</sup> Any attempt of trade secret misappropriation is penalized as well.<sup>23</sup>

In case of a civil claim by the aggrieved party the offender is obligated to award damages for the harm he caused. For such an action, the illegality of the interference with the trade secrets has to be established by carefully balancing the interests of the parties.<sup>24</sup>

### **1. Applicability**

In times of globalization and technical progress it is crucial for the functionality of legal systems not only to protect trade secrets against national misappropriation but also against any interventions from businesses that are located in foreign countries anywhere in the world. The protection of trade secrets by the rules of German Law Against Unfair Competition is independent from the site of crime. Therefore the rules are applicable to any foreign action as long as a domestic company is affected.<sup>25</sup>

### **2. Personal Scope of the Regulation**

Sec. 17, 18 of the Law Against Unfair Competition not only apply to external competitors but also to the proprietor's own employees.<sup>26</sup>

The prohibition of trade secrets misappropriation also affects third parties, such as the former proprietor of a business<sup>27</sup> or neutral administrators, e.g. liquidators.<sup>28</sup> However, the prohibition does not apply to third parties that lack of any legal relation to the business owner, especially if they only gained their knowledge of the information by coincidence. German Law does not prevent those third parties from using or passing on the trade secrets for their

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<sup>22</sup> Sec. 19 of the Law against Unfair Competition (§ 19 UWG).

<sup>23</sup> Sec. 17 Para. 3, Sec. 18 Para. 2 of the Law against Unfair Competition.

<sup>24</sup> German Federal Court of Justice, decision of 21<sup>st</sup> December 1962, Case No. I ZR 47/61 (BGH: Urteil vom 21.12.1962 - I ZR 47/61, BGHZ 38, 391, 395 –); *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 53.

<sup>25</sup> Sec. 19 Para. 5 of the Law against Unfair Competition in conjunction with Sec. 5 No. 7 of the German Penal Code (§ 19 Abs. 5 UWG i.V.m. § 5 Nr. 7 StGB).

<sup>26</sup> *Diemer* in *Erbs/Kohlhaas*, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 18.

<sup>27</sup> German Federal Court of Justice, decision of 25<sup>th</sup> January 1955, Case No. I ZR 15/53, 1955 NJW pp. 628 (BGH, Urteil vom 25. 1. 1955 - I ZR 15/53, BGHZ 16, 172, 176, NJW 1955, 628).

<sup>28</sup> *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 62.

own advantage.<sup>29</sup> There are restrictions to this: misguidance to or utilization of breach of contract.<sup>30</sup>

### 3. Requirements and Action Alternatives

Sec. 17 of the Law Against Unfair Competition protects the individual interests of a concern as well as the common interest in the efficiency of competition<sup>31</sup> and consists of three different alternatives of acts: the betrayal of trade secrets by an employee of the proprietor during the period of the employment (Sec. 17 Para. 1), industrial espionage (Sec. 17 Para. 2 No. 1) and the unauthorized trade or misappropriation with trade secrets that have been spied out (Sec. 17 Para. 2 No. 2). The consent of the proprietor precludes the application of those rules hence the offender does not act unauthorized and is not punishable.

The German Law against Unfair Competition does not define the term trade secrets but the definition given above is applicable as well. Novelty or a high economic value of the information is not required for information in order to be protected. Even if a number of companies use the exact same knowledge, the information about that can still be considered as a trade secret that is covered and protected by Sec. 17.<sup>32</sup>

#### a) Betrayal of Trade Secrets by an Employee (Sec. 17 Para. 1)

Sec. 17 Para. 1 applies to every person that is working for a business from managers to employees or trainees.<sup>33</sup> Those persons must have either somehow gained knowledge of the information during the period of their employment or they must have been entrusted with it during the period of their employment.<sup>34</sup> The regulation even applies to inventions or concepts for the company of the employee himself as long as they have been made during the

<sup>29</sup> German Federal Court of Justice, decision of 10<sup>th</sup> July 1963, Case No. Ib ZR 21/62, 1964 GRUR 31, 32 (BGH Urteil vom 10.07.1963 - Ib ZR 21/62, GRUR 1964, 31, 32); *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 62.

<sup>30</sup> *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 62.

<sup>31</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 18; *Ohly* in Ohly/Sosnitza, Kommentar UWG, 6th edition, 2014, § 17 UWG, Marginal Note 1.

<sup>32</sup> German Federal Court of Justice, decision of 15th March 1955, Case No. I ZR 111/53 and 1st July 1960 – I ZR 72/59, 1955 GRUR pp. 424 (BGH Urteil vom 15.3.1955, Case No. I ZR 11/53, GRUR 1955, 424; Urteil vom 1.7.1960 – I ZR 72/59, 1960, 1999); *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200.

Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 8a.

<sup>33</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 18; *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 14; *Harte-Bavendamm* in Harte-Bavendamm/Henning-Bodewig, Kommentar UWG, 3rd edition, 2013, § 17 UWG, Marginal Note 8.

<sup>34</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 20; *Ohly* in Ohly/Sosnitza, Kommentar UWG, 6th edition, 2014, § 17 UWG, Marginal Note 14.

time of his or her employment.<sup>35</sup> In the duration of the employment criminal law applies to the disclosure of trade secrets, while only civil damages can arise from disclosure after the determination of the employment.

Any intentional disclosure to third parties in various ways (e.g. oral, written, by handing out documents etc.) is covered by Sec. 17 Para. 1.

Furthermore, the disclosure has to be unauthorized and unjustified. Even the disclosure to other employees of the same company can be unauthorized if those persons are not entitled to have access to the trade secret.<sup>36</sup>

The employee must not only act intentionally in order to fulfill Sec. 17 Para. 1, but also for the purpose to influence the competition, to cause harm for the proprietor, in self-interest or in favor of a third party.

#### **b) Industrial Espionage (Sec. 17 Para. 2 No. 1)**

Sec. 17 Para. 2 No. 1 not only applies to employees of the proprietary but also to any third party as well as to anybody – irrespective of the existence regarding contractual relations.<sup>37</sup>

Industrial espionage conformable to Sec. 17 Para. 2 No. 1 of the German Law Against Unfair Competition applies if the offender – without any authorization – procures or retains a trade secret by using technical mediums (No. 1a)), by creating a physical reproduction of the trade secret (No. 1b)) or by withdrawing any existing physical reproduction of the trade secret (No. 1c)). For retaining the trade secret, it is not necessary that the offender actually gains knowledge of the trade secret or uses the information afterwards.<sup>38</sup> The alternative of Sec. 17 Para. 2 No. 1a) (the use of technical mediums) especially compromises the utilization of

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<sup>35</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 21; *Harte-Bavendamm* in Harte-Bavendamm/Henning-Bodewig, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 8.

<sup>36</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 26; *Ohly* in Ohly/Sosnitza, *Kommentar UWG*, 6th edition, 2014, § 17 UWG, Marginal Note 15.

<sup>37</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 32; *Ohly* in Ohly/Sosnitza, *Kommentar UWG*, 6th edition, 2014, § 17 UWG, Marginal Note 17.

<sup>38</sup> German Federal Court of Justice, decision of 23rd of February 2012, Case No. I ZR 136/10, 2012 GRUR pp. 1048 et seq. (BGH Urteil vom 23.2.2012 – I ZR 136/10, GRUR 2012, 1048); *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 33; *Harte-Bavendamm* in Harte-Bavendamm/Henning-Bodewig, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 20.

cameras, monitoring instruments or printers whereas the alternative of No. 1b) compromises the production of a physical record of the trade secret in order to secure it permanently.<sup>39</sup> No. 1b) does not compulsory require the use of technical mediums. Nowadays however, those two alternatives are often congruent with each other. The alternative of Sec. 17 Para. 2 No. 1c) penalizes any thievery of already existing physical reproductions of trade secrets or copies of the information such as paperwork, CD-ROM and any other databases.<sup>40</sup>

The employee must not only act intentionally in order to fulfill Sec. 17 Para. 2, but also for the purpose to influence the competition, to cause harm for the proprietor, in self-interest or in favor of a third party.

**c) Unauthorized Trade, Use or Misappropriation of spied out Trade Secrets (Sec. 17 Para. 2 No. 2)**

Furthermore, Sec. 17 Para. 2 No. 2 German Law Against Unfair Competition prohibits the unauthorized trade, use or misappropriation of trade secrets that have already been spied out.

Any person – not only current or former employees – can be an offender conformable to this provision.<sup>41</sup>

Opposed to Sec. 17 Para. 2 No. 1, Sec. 17 Para. 2 No. 2 requires the unauthorized use or notice of the trade secret to third parties. The offender has to have gained the information via one of the action alternatives in Sec. 17 Para. 1, Sec. 17 Para. 2 No. 1 or by any other unauthorized provision – e.g. thievery, blackmail or fraud.<sup>42</sup> This alternative can therefore also apply if a third party gained knowledge of a trade secret whose information has been obtained via the breach of confidence by an employee of the proprietor; the obtainment of the information that constitutes a trade secret can also be unauthorized in cases of reverse

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<sup>39</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 37; Bundestag-Drucksache 10/5058 S. 40; *Rupp*, 1985 WRP 676.

<sup>40</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 39; *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 24.

<sup>41</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 43; *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 27; *Ohly* in *Ohly/Sosnitza*, *Kommentar UWG*, 6th edition, 2014, § 17 UWG, Marginal Note 20.

<sup>42</sup> *Diemer* in Erbs/Kohlhaas, *Strafrechtliche Nebengesetze*, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 48; *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 31; *Ohly* in *Ohly/Sosnitza*, *Kommentar UWG*, 6th edition, 2014, § 17 UWG, Marginal Note 21.

engineering in which a competitor purchases any machine or device from the proprietor for the sole purpose of investigating it in order to reveal technical information and rebuilding the device.<sup>43</sup> Sec. 17 Para. 2 No. 2 even applies if the offender or a third party enhances, refines or improves the information or the technical progress behind the trade secret as long as the obtainment or notice has been unauthorized.<sup>44</sup>

The employee must not only act intentionally in order to fulfill Sec. 17 Para. 2, but also for the purpose to influence the competition, to cause harm for the proprietor, in self-interest or in favor of a third party.

#### 4. Legal Consequences

The violation of Sec. 17 can be punished with a fine or an imprisonment up to three years. In peculiar heavy cases of violation the imprisonment can be up to five years, especially if the offender committed the crime on a regular basis with financial interests or if the offender uses the trade secret in a foreign country or is planning to do so.<sup>45</sup>

In conjunction with Sec. 823 Para. 2 of the German Civil Code<sup>46</sup> the offender is also liable for damages. The civil damages can be calculated in three different ways: they can be either based on the violator's profit, on the claimant's loss or by application of the license analogy based on an adequate consideration.<sup>47</sup> Those claims for damages lapse within a period of three years.<sup>48</sup>

## VI. Protection of Trade Secrets in German Copyright Law

The German Copyright Law only protects works but no ideas. Protected works can be protected as e.g. a written document or a computer program (Sec. 2 Para. 1 No. 1, Sec. 69a et seq. German Copyright Act) as well as engineering or technical drawings such as maps, drawings, drafts or charts (Sec. 2 Para. 1 No. 7 German Copyright Act) or as a database (Sec. 2 Para. 2, 4, 87a et seq. German Copyright Act) against unlawful dissemination, disclosure or

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<sup>43</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 49.

<sup>44</sup> *Diemer* in Erbs/Kohlhaas, Strafrechtliche Nebengesetze, 200. Ergänzungslieferung, Oktober 2014, § 17 UWG, Marginal Note 50; *Ohly* in Ohly/Sosnitzer, Kommentar UWG, 6th edition, 2014, § 17 UWG, Marginal Note 22.

<sup>45</sup> Sec. 17 Para 4 of the German Law Against Unfair Competition (§ 17 Abs. 4 UWG).

<sup>46</sup> § 823 Abs. 2 BGB.

<sup>47</sup> German Federal Court of Justice, decision of 18<sup>th</sup> February 1977, Case No. I ZR 112/75, 1977 GRUR pp. 539, 541 (BGH Urteil vom 18.2.1977 - I ZR 112/75, GRUR 1977, 539, 541) among others.

<sup>48</sup> Sec. 195, 199 German Civil Code (§§ 195, 199 BGB).

utilization.<sup>49</sup> However, according to Sec. 1 Para 2 all of them are only protected if they are a personal, which means human, mental creation. A mental creation is existent if it is the result of a direct and intended creation and designing process.<sup>50</sup> Furthermore, the work must reach a certain level of creation. It is given if it has a sufficient degree of creativity and people being familiar with art would call it an artistic achievement.<sup>51</sup> The creator of a work that is protected by copyright law has the sole right to disseminate, copy, disclose and utilize his work which can be the work that contains a trade secret (Sec. 15 et seq. of the German Copyright Law). Besides he can supply someone with the right to use some or all of the rights according to Sec. 31. If someone violates his rights or the rights to use the Copyright Act provides the possibility to enforce it by filing a lawsuit aiming omission, damages or abolition (Sec. 97). According to Sec. 101 of the German Copyright Act the creator has a right to be informed of the industrial extent of unauthorized use by the violator but only in case it is not disproportional (see Sec. 101 Para 4). This provision is able to affect trade secrets but there is no obligation to disclose all business documents.<sup>52</sup>

## VII. Protection of Trade Secrets in German Commercial Law

The protection of trade secrets is also provided in German Commercial law.

Sec. 90 of the German Commercial Code prohibits a commercial agent from using or publishing trade secrets that the principal entrusted him with or that he got to know while representing the principal if this conflicts with the self-conception of his profession. The agent's obligation does not expire with the end of the representation but endures the termination of any contractual relations permanently until the information loses its status as a trade secret.<sup>53</sup> Under Sec. 90 of the German Commercial Code the agent is for example not allowed to use client's data for his own business or for his new employer.<sup>54</sup> If the agent violates his obligation, the proprietor can demand damages<sup>55</sup> as well as remedies and omission.

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<sup>49</sup> §§ 2 Abs. 1 Nr. 1, Nr. 2, Abs. 2, 69aff., 84a ff. UrhG.

<sup>50</sup> *Schulze* in *Dreier/Schulze*, UrhG, 4th edition, § 2 UrhG, Marginal Note 17.

<sup>51</sup> German Federal Court of Justice, decision of 13<sup>th</sup> November 2013, Case No. I ZR 143/12, 2014 MMR pp. 333 – 338 (BGH Urteil vom 13.11.2013 - I ZR 143/14, MMR 2014, 333 - 338).

<sup>52</sup> *Bohne* in *Wandtke/Bullinger*, Praxiskommentar zum Urheberrecht, 4th edition, § 101 UrhG, Marginal Numbers 20, 22; *Schulze* in *Dreier/Schulze*, UrhG, 4th edition, § 101 UrhG, Marginal Notes 21, 23.

<sup>53</sup> *Hopt* in *Baumbach/Hopt*, Handelsgesetzbuch, Kommentar, 36th edition, 2013, § 90 HGB, Marginal Note 4.

<sup>54</sup> *Hopt* in *Baumbach/Hopt*, Handelsgesetzbuch, Kommentar, 36th edition, 2013, § 90 HGB, Marginal Note 7.

<sup>55</sup> Based on Sec. 280 of the German Civil Code in conjunction with Sec. 90 of the German Commercial Code (§ 280 Abs. 1 BGB i.V.m. § 90 HGB).

Sec. 93 Para. 1 of the German Stock Corporation Act as well as Sec. 85 of the German Limited Liability Companies Act binds members of the management to secrecy. Both of them provide penalties for the misuse of trade secrets.

With regard to other employments, protection of trade secrets arises from the labor contract and its implicit obligation to the rules of good faith which means that the obligation ends with the contract if the parties have not agreed on the opposite. Generally the employee is not prevented from using the know-how he has been earning during his employment. However, in some ways the labor contract continues to have an effect especially concerning behavior that disregards the trust gravely.

### **VIII. Protection of Trade Secrets in the German Civil Code (BGB)**

In addition to the specific provisions of the various laws proprietors have the possibility to claim general damages provided in the Civil Code for breach of a contractual duty (Sec. 280, 311 and 241 Para. 2 of the Civil Code) as well as for tort beyond contractual relationships (Sec. 823, 826 of the Civil Code). Employees are obliged to keep the employer's trade secrets confidential. This duty arises from the general good faith performance clause (Sec. 242 of the Civil Code) which is synonymous with loyalty, sincerity and candor. The violation can cause claims for damages (Sec. 280 in conjunction with Sec. 242 of the Civil Code).

The proprietary can also claim for omission under Sec. 1004 of the Civil Code.

As mentioned above, Sec. 823 Para. 2 of the Civil Code provides damages if any protective law has been violated. A protective law conformable to Sec. 823 Para. 2 is e.g. Sec. 17 of the Law Against Unfair Competition or Sec. 79 of the German Works Constitution Act.<sup>56</sup>

### **IX. Protection of Trade Secrets in the German Freedom of Information Act (IFG)**

In general, everyone has a right to access administrative information against public authorities.<sup>57</sup> Public agencies gain knowledge of various sensitive trade secrets easily, for example during administrative procedures in tax law or patent applications. Therefore in its Sec. 6, the Freedom of Information Act prohibits the transfer of trade secrets by public agencies without an explicit consent of the proprietor. Hence the right of access is limited as

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<sup>56</sup> § 79 BetrVG.

<sup>57</sup> Sec. 1 of the Freedom of Information Law (§ 1 IFG).



soon as it affects confidential trade secrets. Confidentiality can outweigh the interest of public information. Sec. 6 not only applies to the trade secret itself but also to information that lead to a conclusion about the content of the trade secret.<sup>58</sup> The motive behind this regulation is to encourage invention by leaving the advantage and protrusion of innovation to the proprietor. Innovation would be inhibited if any competitor had a right to access the content of e.g. patent applications as soon as they are filed without making the same financial investment as the proprietor.<sup>59</sup> It also increases the cooperation between the public authorities and business companies.<sup>60</sup>

## **X. Further Protection of Trade Secrets in German Criminal Law**

In addition to Sec. 17 et seq. of the German Law against Unfair Competition trade secrets are also protected in the German Penal Code itself and by further rules of the German Commercial Code and Company Law.

### **1. German Penal Code**

Penal provisions to protect trade secrets can be found in Sec. 203, 204, 355 of the German Penal Code (StGB). Furthermore, Sec. 202, 202a, 202b, 202c of the Penal Code affect the protection of trade secrets as they prohibit injury of privacy of correspondence, spying out data and capturing of such data with technical measures. They only apply to certain professional categories that enjoy particular confidence such as doctors, lawyers and public officers. The threatened penalty amounts to an imprisonment up one year as well as a fine. The penalty can be increased if the offender acts with the intent to enrich himself or a third party or if he acts with the intent to harm someone else.

Especially Sec. 204 of the Penal Code is designed to penalize the commercial exploration of trade secrets. As well as Sec. 203 of the Penal Code, Sec. 204 only applies to professions that are inherent of certain confidence, for example if a patent lawyer uses the patent of his client to produce the patented invention by himself.<sup>61</sup> Prosecution requires the demand of the

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<sup>58</sup> German Federal Administrative Court, decision of 24<sup>th</sup> September 2009, Case No. 7 C 2/09, 2010 NVwZ pp. 189 (BVerwG Urteil vom 24.9.2009 – 7 C 2/09, NVwZ 2010, 189).

<sup>59</sup> German Federal Constitutional Court, decision of 21<sup>st</sup> October 2014, Case No. 2 BvE 5/11, 2014 NVwZ pp. 1652 (BVerfG Urteil vom 21.10.2014 – 2 BvE 5/11, NVwZ 2014, 1652); German Federal Constitutional Court, decision of 14<sup>th</sup> March 2006, Case No. 1 BvR 2087/03 and 1 BvR 2111/03, 2006 MMR pp. 375, 376 (BVerfG Beschluss vom 14.3.2006 - 1 BvR 2087/03 und 1 BvR 2111/03, MMR 2006, 375, 376).

<sup>60</sup> *Helbach*, *Der gestufte Schutz von Betriebs- und Geschäftsgeheimnissen*, 2012, p. 30.

<sup>61</sup> *Lenckner/Eisele* in *Schönke/Schröder*, *Strafgesetzbuch, Kommentar*, 29th edition, 2014, § 204 StGB, Marginal Note 4f.

entitled trade secrets proprietor.<sup>62</sup> The penalty can be an imprisonment up to two years or a fine.

A special regulation for tax collectors or fiscal authorities that gain knowledge of a trade secret during the administrative procedure constitutes Sec. 355 of the German Penal Code. Sec. 355 also penalizes the transfer or the exploration of trade secrets with an imprisonment up to two years or a fine.

## **2. German Commercial Code**

Sec. 333 of the German Commercial Code sanctions the violation of trade secrets of a capital company by their annual auditors with a penalty of an imprisonment up to one year or a fine. It is not necessary that the company actually suffers harm.<sup>63</sup> The penalty can as well be increased as in Sec. 203 of the penal code if the offender acts with the intent to enrich himself or a third person or if he acted with the intent to harm someone else.

## **3. German Company Law**

Also the German Company Law provides further criminal regulations in order to protect the confidentiality of trade secrets.

Sec. 404 of the German Stock Corporation Act prohibits the unauthorized disclosure of secrets of a stock corporation, especially trade secrets, by board members, members of the supervisory board or annual auditors. In cases of the disclosure of the trade secret by an annual auditor, Sec. 404 is subsidiary to the above mentioned Sec. 333 of the German Commercial Code.

Sec. 85 of the German Limited Liability Companies Act penalizes the unauthorized disclosure of secrets, especially trade secrets, by managers, members of the supervisory board or liquidators of the limited liability company. As opposed to Sec. 404 of the German Stock Corporation Act, Sec. 85 of the German Limited Liability Companies Act does not apply to annual auditors.

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<sup>62</sup> Sec. 205 German Penal Code (§ 205 StGB).

<sup>63</sup> *Quedenfeld* in *Münchener Kommentar zum HGB*, 3rd edition, 2013, § 333 Marginal Note 3.

The same prohibitions apply to members of the works council.<sup>64</sup>

All of these regulations determine a punishment of a fine or an imprisonment up to one year.

## **XI. Further Protection of Trade Secrets in German Public Law**

In many cases trade secrets also need to be protected against acts of administration or during administrative procedures. German Law also provides regulations to this effect.

In its Sec. 30 the German Administration Procedure Act constitutes the right of the parties that are involved during an administrative procedure for their personal or trade secrets to remain confidential. The authorities must not disclose the trade secrets without authorization. This protection also applies to trade secrets of third parties such as family members, witnesses or representatives of the parties.<sup>65</sup> The duty of confidentiality can be limited by duties to disclose the information.<sup>66</sup>

Sec. 30 Para. 1 of the German Tax Code obligates public officers to protect the fiscal secret during criminal or administrative tax procedures. A public officer violates this duty in any case of unauthorized disclosure or misappropriation of trade secrets as well, if he gained knowledge of the information during a tax procedure (Sec. 30 Para. 2 No. 2 of the German Tax Code). Sec. 30 of the German Tax Code also provides several exceptions to this prohibition in its Para. 4. The disclosure or use is permitted in some cases, e.g. with consent of the proprietary or if the law provides further legal exceptions.<sup>67</sup>

In 2013 the *German Federal Court of Justice (BGH)* decided that a company is not obliged to send intra-company information to the cartel authorities via an unencrypted email.<sup>68</sup> This ruling also has an impact on information that might contain trade secrets although in this case, the *BGH* left the question if trade secrets might have been affected open. Preliminary to this ruling, the cartel authority of the Federal State Brandenburg in northeastern Germany

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<sup>64</sup> Sec. 120 German Works Constitution Act (§ 120 BetrVG).

<sup>65</sup> *Kallerhoff* in Stelkens/Bonk/Sachs, *Verwaltungsverfahrensgesetz*, 8th edition, 2014, § 30 VwVfG, Rn. 24.

<sup>66</sup> *Kallerhoff* in Stelkens/Bonk/Sachs, *Verwaltungsverfahrensgesetz*, 8th edition, 2014, § 30 VwVfG, Rn. 16ff.

<sup>67</sup> Such as Sec. 3 Para 5 No. 10 S. 1 of the German Income Tax Act (§ 4 Abs. 5 Nr. 10 S. 1 EStG); Another regulation to protect trade secrets in administrative procedures is Sec. 9 of the German Environmental Information Act.

<sup>68</sup> German Federal Court of Justice, decision of 26<sup>th</sup> February 2013, Case No. KVZ 57/12 (BGH, Beschluss vom 26.2.2013 – KVZ 57/12).

requested internal information from a company regarding the calculation of electricity tariff but only offered an e-mail address for an account that was not able to receive encrypted and electronically verified e-mails. Therefore the companies' management did not disclose the information that the cartel authority requested. The *BGH* ruled that even if the requested information does not contain any trade secrets but any other intra-company information, the authorities cannot expect companies to use a rather unsafe way of information transfer. Therefore companies are especially not obliged to transfer information that actually do contain of trade secrets to the authorities by using only unencrypted and unverified e-mail correspondence.

## **XII. Extent of Civil Legal Consequences**

The legal consequences in civil law cover the right of the claimant to demand disclosure, remedies, omission and damages. They do not cover the demand of damages for moral prejudice which only applies to pain or suffering. Punitive damages are not granted either.

In order to be able to file a claim for damages, the defendant is obliged to disclose any information about the misappropriation of the trade secret and his profit that arises from the violation.<sup>69</sup> Furthermore, he is obliged to allow the claimant to inspect his business offices or data (Sec. 809 German Civil Code, BGB). For that it is required that there is a certain probability for the existence of the claim for damages.<sup>70</sup>

As a remedy the losing party has to destroy any of their unauthorized records or material regarding the trade secret. The claimant may also demand that the documents will be handed over to him.<sup>71</sup>

The claim for omission covers the use and transfer of the trade secret as well as the use or production of any machines or goods that the defendant produced by applying the trade secret. The claim only arises if a risk of first or recurrent infringement exists and is enduring without any lapse.<sup>72</sup>

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<sup>69</sup> Sec. 242 German Civil Code (§ 242 BGB).

<sup>70</sup> German Federal Court of Justice, decision of 31<sup>st</sup> January 2013, Case No. 4 U 200/12, 2013 GRUR-RR pp. 306 (BGH Urteil vom 31.1.2013 – 4 U 200/12, GRUR-RR 2013, 306 et seq.).

<sup>71</sup> Köhler in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 65.

<sup>72</sup> Köhler in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 64, 65b.

### C. Protection of Know-How

If technical knowledge and invention meets the criteria it can be registered as a patent.

According to Sec. 1 Para. 1 of the German Patent Act, patents can be granted for technical inventions that are new, involve an inventive step and are susceptible of industrial application. The German Patent and Trademark Office review whether the conditions are fulfilled. As part of the review process the patent application is disclosed after 18 months.<sup>73</sup> Correspondingly the knowledge becomes public and does no longer meet the requirements for the statutory protection of secrets. Therefore some businesses decide to rather keep the information secret then registering for a patent.

However, if the knowledge considered as Know-How does not meet the criteria for a patent or has willingly not been registered for patent, it is only protected by German law if it meets the criteria for the protection of trade secrets as shown above. Therefore, Know-How has to be considered as a trade secret according to the common definition.

#### I. Defining Know-How

In 1949 *Gilbert Ryle* stated that any knowledge is based on proficiency. By distinguishing between *knowing that* and *knowing how*, he therefore gave distinction to the term “*Know-How*”.<sup>74</sup> Nowadays the term Know-How is still open and economical distinguished rather than a common legal term.<sup>75</sup> Due to its value for businesses and the economic it might require statutory regulation and protection.

German statues lack of a common definition of the term Know-How or specific rules for the protection of Know-How. However, Article 1 lit. (1) (i) of the Commission Regulation (EC) No. 772/2004 of 27<sup>th</sup> April 2004 defines Know-How as

*“a package of non-patented practical information, resulting from experience and testing, which is secret, that is to say, not generally known or easily accessible, substantial, that is to say, significant and useful for the production of the contract products, and identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality”.*

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<sup>73</sup> Sec. 34 Para. 4, 32 Para. 2 of the German Patent Act (§§ 34 Abs. 4, 32 Abs. 2 PatG).

<sup>74</sup> *Ryles*, The Concept of Mind.

<sup>75</sup> *Ohly* in *Ohly/Sosnitza*, Kommentar UWG, 6th edition, 2014, § 17 UWG, Vor §§ 17-19, Marginal Note 1.

Similar definitions can be found in Art. 1 Para. 1 lit. g) of the Commission Regulation (EU) No. 330/2010 of 20<sup>th</sup> April 2010 and in Art. 1 Para. 1 lit. i)-l) of the Commission Regulation (EU) No. 1217/2010 of 14<sup>th</sup> December 2010. Indeed all these definitions refer to anti-trust law and cannot be extended to other areas of law.<sup>76</sup>

In accordance with decisions of the German Federal Court of Justice (*BGH*) regarding the breach of Know-How confidential agreements, Know-How can be defined as “*facts that are only known to a limited group of people and that are kept secret in accordance with the will and the reasonable interest of the proprietary since their disclosure might cause commercial harm for the proprietary.*”<sup>77</sup>

In the area of secret protection the law exclusively ties in with the term „trade secret“. The term „Know-How“ originates from business practice and is used to describe a factual asset which can come within the legal protection of a trade secret, if it meets the legal requirements. In consideration of this distinction between the two terms, Know-How can be defined as knowledge and experience that can be practically applied in the operation of a business.<sup>78</sup> In part, the term is interpreted more narrowly by case law and pertinent professional literature; therefore the conditions of the term are only fulfilled if it is commercial, technical and/or secret knowledge.<sup>79</sup>

## II. Know-How as a Trade Secret

Not every legal system offers protection of Know-How due to the fact that it often does not meet the criteria in order to be protected by IP Law. Since the German Law often differs between business and industrial secrets as trade secrets, it has to be determined if Know-How is covered by one of these two terms. Industrial secrets cover the knowledge regarding the

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<sup>76</sup> *Kalbfus*, Know-how-Schutz in Deutschland zwischen Strafrecht und Zivilrecht – welcher Reformbedarf besteht? 2011, 7.

<sup>77</sup> *Westermann*, Handbuch Know-How-Schutz, 2007, p. 2; German Federal Court of Justice, decision of 10<sup>th</sup> May 1995, Case No. 1 StR 764/94, 1995 NJW pp. 297 et seq. (BGH Urteil vom 10.5.1995 – 1 StR 764/94, NJW 1995, 297); German Federal Court of Justice, decision of 25<sup>th</sup> November 2010, Case No. Xa ZR 48/09, 2011 GRUR pp. 455 et seq. (BGH Urteil vom 25.11.2010 – Xa 48/09, GRUR 2011, 455).

<sup>78</sup> *Kalbfus*, Know-how-Schutz in Deutschland zwischen Strafrecht und Zivilrecht – welcher Reformbedarf besteht?, 7f; *Ohly* in *Ohly/Sosnitza*, Kommentar UWG, 6th edition, 2014, § 17 UWG, Vor §§ 17-19, Marginal Note 1.

<sup>79</sup> *Cf. Henn*, Patent- und Know-how-Lizenzvertrag, 2003, p. 19; *Schulte*, Patentgesetz Kommentar, 9th edition, § 15, Marginal Note 14.

technical operating schedule, especially the process of production and manufacture.<sup>80</sup> Therefore, on the basis of the definition in Article 1 of the Co Commission Regulation (EC) No. 772/2004, Know-How is an industrial hence a trade secret in the sense of German Law and is protected in the same way.

Business and industrial secrets are facts referred to a certain company that are not public but known to a limited number of persons and which shall be kept confidential according to the express will of the company owner that is based on economic interests.<sup>81</sup> If the know-how concerned does not fulfil these requirements, especially the non-public nature, it is not protected legally.

### III. Legal Protection of Know-How in Germany

In the same way as the proprietary of trade secrets, the Know-How-proprietary is also entitled to request omission as well as removal of any disturbance from the traitor (Sec. 1004 Para. 1 S. 1, S. 2 of the Civil Code, Sec. 8 Para. 1 of the Law Against Unfair Competition). He can also claim damages if the traitor acted culpable.

### IV. Contractual Protection of Know-How

The protection of trade secrets is legally regulated by various specific provisions; a dedicated trade secret statute does not exist. Therefore the legal protection is often considered to be deficient and fragmentary. Indeed it is possible to supplement the protection by contractual arrangements.<sup>82</sup> In contractual relationships the contractual partner of the proprietor of Know-How has to observe the general duty of confidentiality. This obligation results from the principle of good faith.<sup>83</sup> For certain situations and people it is determined by specific rules like Sec. 93 Para. 1, 116 of the German Stock Corporation Act or Sec. 323 of the German Commercial Code. In addition, it is possible to protect Know-How by contractual confidentiality agreements. In the context of licensing agreements confidentiality agreements can prohibit and serve to limit the disclosure of Know-How to a certain group of people.<sup>84</sup> Contractual agreements can define the subject of Know-How and especially sensitize the

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<sup>80</sup> German Federal Court of Justice, decision of 15th December 1987, Case No. 3 AZR 474/86, 1988 NJW 1686 (BGH Urteil vom 15.12.1987 – 3 AZR 474/86, NJW 1988, 1686); *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 4a.

<sup>81</sup> German Federal Court of Justice, decision of 26th February 2009, Case No. I ZR 28/06, 2009 NJW pp 1420 et seq. (BGH Urteil vom 26.2.2009 – I ZR 28/06, NJW 2009, 1420).

<sup>82</sup> *Wodtke/Richters*, Schutz von Betriebs- und Geschäftsgeheimnissen, S. 133.

<sup>83</sup> *Westermann*, Handbuch Know-how-Schutz, 2007, 80f.

<sup>84</sup> *Westermann*, Handbuch Know-how-Schutz, 2007, 87f.

obliged party regarding his or her duty for confidentiality as well as close the gaps of protection that the statutes elaborated above might leave. The provisions can be part of the respective main contract or be formulated in an independent contract.<sup>85</sup> A confidentiality agreement can also prevent the registration of the Know-How as a patent by the obliged party. If the obliged party files a patent application, this behavior can be considered as unauthorized utilization of the knowledge.

For case of violation of the confidentiality agreement the parties can determine contractual penalties.<sup>86</sup> An advantage for the proprietary is the use of the penalty as a pressuring medium in order to ensure the confidentiality. Also the burden of proof regarding the damage he suffered is assuaged because it can be replaced by the amount of the penalty. Since the primary obligation of a confidential agreement is the omission of disclosure of the trade secret, the proprietary has to prove the violation of this duty by the obliged party in a trial.<sup>87</sup> He also carries the burden of proof regarding the existence of a confidentiality agreement as well as the burden of proof regarding damages that exceed the appointed amount of the contractual penalty. If the contractual penalty has been arranged as a commercial deal conformable to Sec. 343 of the German Commercial Code, any disproportionate high amount of the penalty cannot be adjusted.<sup>88</sup>

The parties can also agree on a non-competition clause in order to protect the Know-How after the termination of the contractual relationship. This way, the obliged party is forbidden from using the Know-How afterwards for his own or third parties business purposes. Nevertheless, the opportunity to agree on a non-competition clause is limited by Antitrust Law and the principle of good faith (Sec. 138 Civil Code). Non-competition clauses can also be combined with a contractual penalty.

## V. Breach of Confidentiality or Non-Disclosure Agreements

The protection of Know-How by means of confidentiality or non-disclosure agreements is meaningful in order to regulate the creator's claims, to effectively prevent the acquirement of the know-how and the free use of it by third parties and to obtain legal instruments against such unauthorised use of the know-how (closing of statutory protection gaps). In this way the

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<sup>85</sup> *v. Diringshofen*, Know-how-Schutz in der Praxis, GRUR-Prax 2013, 397, 398.

<sup>86</sup> Sec. 339 et seq. Civil Code (§§ 339ff. BGB).

<sup>87</sup> Sec. 345 Civil Code (§ 345 BGB).

<sup>88</sup> Sec. 343 of the Civil Code is limited by the indispensable Sec. § 384 of the Commercial Code.



holder of the right gets apart from tortious also contractual claims in case of breach of the confidentiality/non-disclosure agreement. If the contracting party infringes the provisions of the contract, he shall be liable according to the principles of breach of contract of the German Law (Sec. 280 et seq. BGB).<sup>89</sup> To calculate the compensation for damages, the right holder can demand the information which the contracting party would have been obliged to provide under the contract if the contract had been carried out properly.<sup>90</sup>

#### **D. Misuse of Trade Secret Protection**

As a matter of fact some companies are attempting to misuse the law for their own purposes in order to achieve knowledge of Know-How, trade secrets or any other information of commercial value. For example, it is imaginable that a competitor only presses a charge against someone with the aim to force the prosecution into investigations which is their obligation corresponding to Sec. 152 and 160 of the German Code of Criminal Procedure. The competitor is then able to gain useful information through his right to access the procedural records (Sec. 146 of the Code of Criminal Procedure) and the right to be present at the public hearing (Sec. 169 of the Judicature Act). Thus, the competitor gains knowledge of the trade secrets only by pressing charge, because the prosecution has to investigate the facts. Therefore a competitor may conduct industrial espionage with the help of the prosecution.<sup>91</sup> However, there is a regulation in Nr. 260b of the RiStBV<sup>92</sup> that allows trade secrets being included into the records only if this will be essential for the procedures and the hearing. Furthermore, the right to access the records can be restricted. However, Nr. 260b RiStBV is not a law but a guideline whose execution is in the sole discretion of the court and prosecution. According to Sec. 406e of the Code of Criminal Procedure, a party that seeks access to the records - except for an accessory prosecutor - must show that he has a justified interest in the content of the records. According to case law a justified interest includes the interest of investigating someone else.<sup>93</sup>

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<sup>89</sup> *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 54.

<sup>90</sup> German Federal Court of Justice, decision of 25th November 2010, Case No. Xa ZR 48/09, 2011 GRUR pp. 455 et seq. (BGH Urteil vom 25.11.2010 – Xa ZR 48/09, GRUR 2011, 455).

<sup>91</sup> *Stein*, Der Schutz von Betriebs- und Geschäftsgeheimnissen im Strafverfahren. S. 35.

<sup>92</sup> German Code of Criminal Procedure and Summary Proceedings (RiStBV).

<sup>93</sup> District Court Mühlhausen, decision of 26<sup>th</sup> September 2005, Case No. 9 Qs 21/05, 2006 Wistra pp. 76 (LG Mühlhausen, Urteil vom 26.9.2005 – 9 Qs 21/05, Wistra 2006, 76); District Court Bielefeld, decision of 7<sup>th</sup> December 1994, Case No. Qs 621/94 IX (LG Bielefeld, Beschluss vom 7.12.1994 – Qs 621/94 IX, Wistra, 1995, 118); disagreeing: *Meyer-Gößner/Schmitt/Schmitt*, StPO, Kommentar, 57th edition, 2014, § 406e StPO, Marginal Note 3; *Löwe/Rosenberg/Hilger*, StPO, Kommentar, 26th edition, 2012, § 406e StPO, Marginal Note 7.

Furthermore, companies and administration often complain about applicants who demand access to trade secrets or information that concern trade secrets without any apparent reason. The information claims of the Federal Freedom of Information Act and the Federal Environmental Information Act (and further statutes of the federal states) do not require an explanation of a legal interest.<sup>94</sup> Even an extremely high number of applicants can normally not be considered as an abuse of law.<sup>95</sup> Even requests which relate uniquely and exclusively to gaining a competitive advantage are not necessarily misuse. There is no absolute rule on whether a request can be considered as an abuse of law. Rather, it remains to be seen, whether the request is marked by the rise of harassing the other (or a third) party.<sup>96</sup> Therefore it is often controversially discussed whether the rules about the misuse of request should be changed.

In part it is criticized that the German Code of Criminal Procedure does not provide adequate protection, in particular because of the right of access to files.<sup>97</sup> Mostly the substantive protection is considered sufficient.

It is also controversially discussed which aspects and information can be protected at all. In addition to what has been said above, it has to be considered that for trade secret proprietors it would be possible to misuse the protection of trade secrets to conceal corruption, (tax) fraud etc. Some courts suspend the protection of trade secrets for those cases entirely, others only in the event of contraventions against important legal principles.<sup>98</sup>

Predominantly, protection of trade secrets is seen as guaranteed no matter if it concerns an illegal behaviour.<sup>99</sup> This is guaranteed by Article 12 of the German Basic Law, protecting the free exercise of profession and the free competition. This protection is not dissolved if some elements of professionalism are wrongful. Trade secrets can influence competition even if they concern illegal behaviour.<sup>100</sup> Therefore only immoral behaviour cannot lead to the

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<sup>94</sup> German Federal Administrative Court, decision of 21<sup>st</sup> February 2008, Case No. 20 F 2.07 (BVerwG Urteil vom 21.2.2008, BVerwGE 130, 236 Rn. 24 f.)

<sup>95</sup> Higher Administrative Court Koblenz, decision of 30th January 2014, Case No. 1 A 10999/12.OVG, 2014 BeckRS 50555 (OVG Koblenz, Urteil vom 30.1.2014 – 1 A 10999/12.OVG, BeckRS 2014, 50555); Higher Administrative Court of Schleswig-Holstein 1997 ZUR pp. 43 et seq. (SchlHOVG ZUR 1997, 43ff.).

<sup>96</sup> *Fischer/Fluck* NVwZ 2013, 337 (340).

<sup>97</sup> *Stein*, *Der Schutz von Betriebs- und Geschäftsgeheimnissen im Strafrecht*, p. 233 et seq.

<sup>98</sup> Vgl. *Hoeren*, *Der Schutz von Betriebs- und Geschäftsgeheimnissen und das IFG*, in: *Dix u.a. (Hrsg.)*, *Informationsfreiheit und Informationsrecht*, Jahrbuch 2008, pp. 105, 116 et seq. ([http://www.uni-muenster.de/Jura.itm/hoeren/veroeffentlichungen/hoeren\\_veroeffentlichungen/schutz\\_von\\_betriebsgeheimnissen.pdf](http://www.uni-muenster.de/Jura.itm/hoeren/veroeffentlichungen/hoeren_veroeffentlichungen/schutz_von_betriebsgeheimnissen.pdf))

<sup>99</sup> *Köhler* in *Köhler/Bornkamm*, *Kommentar UWG*, 33rd edition, 2015, § 17 UWG, Marginal Note 9, *Ohly* in *Ohly/Sosnitza*, *Kommentar UWG*, 6th edition, 2014, § 17 UWG, Marginal Note 12.

<sup>100</sup> *Mayer* 2011 GRUR pp. 884, 887.

exclusion of protection of trade secrets. Other jurists think that the trade secret proprietor does not have the required legitimate interest in cases of illegal behaviour.

After all publishing a trade secret that concerns a crime can be justified by Sec. 34 of the Penal Code when publishing a trade secret if a danger for a legally protected right is given and if applicable allowed by Sec. 138 of the same statute that even penalizes a neglected advice.<sup>101</sup> However, the latter only applies to major crimes.

A trade secrets proprietor cannot be prosecuted for the ownership itself. But trade secret owners are applied by the same antitrust regulations as all companies, if they achieve a market-relevant position. If a company has obtained a market-dominant position it is forbidden to make abusive use of its position (Sec. 19 Para. 1 Law Against Unfair Competition). An abusive use for example is the different treatment of another company without any objective reason (Sec. 19 Para. 2 No. 1 and 2 Law Against Unfair Competition).

## **E. Procedural Aspects**

If the confidentiality of a trade secret has been violated, there are several procedural options in order to achieve omission or damages in front of German courts.

### **I. Civil Court Proceedings**

Firstly, companies should serve notices to the traitor. If the traitor is not an employee of the proprietary, that is not an option. Secondly, any proprietary can seek for immediate legal protection as well as file an ordinary claim. Amicable settlements are often less helpful since the time is often pressing because of the sensitivity of the betrayed information.

#### **1. Immediate Legal Protection**

Immediate legal protection cannot grant final decisions rather than preliminary protection of rights. Therefore damages cannot be awarded to the proprietary temporarily. Immediate legal protection should be sought especially to obligate the traitor to omission in order to prevent the trade secret to be disclosed further until the final decision of the court. The demand for

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<sup>101</sup> *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, *Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 6.

such protection should be filed as soon as possible after the discovery of the violation of the confidentiality. Rulings in such procedures can contain the threat of a fine or detention.<sup>102</sup>

A decision in an immediate legal protection procedure can be reached without a hearing. Therefore it is a timesaving way of legally securing the confidentiality of a trade secret.

Another advantage for the proprietary in any immediate legal protection procedures is his alleviated burden of proof. Usually strict rules of proof apply. In procedures for immediate legal protection the claimant does not bear the full burden of proof. It is sufficient if he can establish an adequate likelihood of the asserted circumstances.<sup>103</sup> Any sort of evidences can be used, e.g. documents or certificates, witnesses, inspections etc. but also an affirmation in lieu of oath. The proprietary has to prove the existence of a trade secret, the knowledge and the continuous duty of the defendant to preserve confidentiality to this effect as well as the upcoming or occurred act of violation of this duty. Furthermore, he usually has to prove a reason for the necessity of an immediate decision such as urgency or the danger of the recurrence of an act of violation. In cases of violation of the Law Against Unfair Competition (UWG) an exception applies. Sec. 12 Para. 2 of the German Law Against Unfair Competition relieves the claimants' burden of proof and stipulates a legal disputable presumption regarding the existence of a reason for necessity. However, this exception does not apply to other fields of law, in which the likelihood of the existence of a reason for necessity has to be established by the claimant.

Difficulties for the proprietary can arise when phrasing the demand. A demand for omission has to be phrased as accurate as possible in order to ensure the compulsory execution.<sup>104</sup> The act that has to be omitted needs to be described. Typically that postulates the description of the information that must not be disclosed. For trade secrets an exception can be made. Therefore the proprietary is allowed to paraphrase the information without revealing the trade secret.<sup>105</sup>

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<sup>102</sup> Sec. 980 Para 2 of the German Code of Civil Procedure (§ 980 Abs. 2 ZPO).

<sup>103</sup> Sec. 920 Para 2, 936 of the German Code of Civil Procedure (§§ 920 Abs. 2, 936 ZPO).

<sup>104</sup> Sec. 253 Para. 2 No. 2 of the German Code of Civil Procedure (§ 253 Abs. 2 Nr. 2 ZPO).

<sup>105</sup> German Federal Court of Justice, decision of 1<sup>st</sup> July 1960, Case No. I ZR 72/59, 1961 GRUR pp. 40 (BGH Urteil vom 1.7.1960 – I ZR 72/59, GRUR 1961, 40); German Federal Court of Justice, decision of 25<sup>th</sup> of June 1992, Case No. I ZR 136/90, 1992 GRUR 858 (BGH Urteil vom 25.6.1992 – I ZR 136/90, GRUR 1992, 858).

## **2. Legal Recourse**

If the dispute cannot be reconciled by amicable settings or by immediate legal protection, the proprietary can file a lawsuit and claim damages as well as omission. The amount of damages can be claimed on the basis of either the loss of the claimant, the profit of the defendant or by license analogy. In order to determine the amount of damages based on the profit of the defendant the claimant can file actions by stages. The first stage can only contain the claim for information about the amount the traitors' profit. On the second stage the proprietary can demand the verification of the achieved information, e.g. by affirmation in lieu of oath by the defendant. On a next stage the proprietary can claim for action payment of damages.

## **3. Constitutional Complaint**

If the claimant comes to the opinion that a court's decision violated his fundamental rights (regarding the protection of trade secrets especially Article 2, 12 or 14 of the German Basic Law), the appellant can file a Constitutional Complaint at the German Federal Constitutional Court in Karlsruhe within a month after the decision. The Constitutional Complaint is an extraordinary remedy in order to protect rights provided by the Constitution and derives from Article 93 Para. 1 No. 4a) of the Basic Law for the Federal Republic of Germany. Since the Constitutional Complaint is a subsidiary remedy, it can only be filed if the appellant already exploited any other procedural remedies. However, since it is a complaint against the judicial decision as an act of the state itself, the Constitutional Complaint cannot grant the appellant with any claims for damages or omission against the traitor. It can only survey if the appellants' Constitutional Rights have been violated by the decision of the civil court.

## **II. Preservation of Evidence and Rights to Information**

In many cases the trade secret proprietor does not have all of the information about the misappropriation of the trade secret and the traitors' profit. In order to put the trade secret proprietor in the position to file a lawsuit and to request for a reasonable amount of damages, there are different claims existing in German Civil Law, which contain the right to information and the right to examine against the trade secret violator.

If someone misappropriates or utilises a trade secret, the proprietor has the right to demand information about modality, time and circumference of the misappropriation.<sup>106</sup> This claim

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<sup>106</sup> *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig, Kommentar UWG*, 3rd edition, 2013, § 17 UWG, Marginal Note 64.

results from the principle of good faith in Sec. 242 German Civil Code (§ 242 BGB), which can be used in the area of trade secrets to secure the trade secret proprietors interest to be enabled to gain a complete overview of the violation. The consideration between the interest of the trade secret proprietor and the defendant's matters often even demands that the defendant presents the identities of the recipients, otherwise he would not be able to estimate the complete damage,<sup>107</sup> for example the loss of profit he suffered because the violator revealed the trade secret to potential customers or clients.<sup>108</sup> The right to information in this cases can also be based on Sec. 687 Sec. 2 in conjunction with Sec. 681 and 666 German Civil Code (§ 687 Abs. 2, §§ 681, 666 BGB).<sup>109</sup> The principle of triple damage calculation demands, that the given information must be so detailed, that the trade secret proprietor is able to evaluate the infringer's profit.<sup>110</sup>

As far as the damage is calculated based on the license analogy, the trade secret proprietor is enabled to demand the defendant's accounting which means that he is obliged to provide reviewable calculation of income and outlays.<sup>111</sup>

Within the damage calculation which is focused on the recovery of the infringer's profit the defendant has to disclose the accounting as well. This means that the claimant is enabled to demand for example cost prices, delivery quantity or labour costs.<sup>112</sup>

Concerning the damage calculation based on the concrete calculation of harm, the defendant has to provide information about price, delivery quantity and time, but in most cases he has the right to provide the information to a certified public accountant and not to the counterparty.<sup>113</sup>

In Germany it is highly controversial whether an outsider who stole a trade secret from an exterior, can be obliged to reveal the identity of the person who misappropriated it. The German Federal Court of Justice denied this claim in one case.<sup>114</sup> But it is probable that the

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<sup>107</sup> *Harte-Bavendamm* in Harte-Bavendamm/Henning-Bodewig, Kommentar UWG, 3rd edition, 2013, § 17 UWG, Marginal Note 64.

<sup>108</sup> German Federal Court of Justice, decision of 23<sup>rd</sup> of February 2012, Case No. I ZR 136/10, 2012 GRUR pp. 1048 et seq. (BGH Urteil vom 23.02.2012 – I ZR 136/10, GRUR 2012, 1048, 1049).

<sup>109</sup> German Federal Court of Justice, decision of 23<sup>rd</sup> of February 2012, Case No. I ZR 136/10, 2012 GRUR pp. 1048 et seq. (BGH Urteil vom 23.02.2012 – I ZR 136/10, GRUR 2012, 1048, 1049).

<sup>110</sup> *Harte-Bavendamm* in Harte-Bavendamm/Henning-Bodewig, Kommentar UWG, 3rd edition, 2013, § 17 UWG, Marginal Note 64.

<sup>111</sup> *Westermann*, Handbuch Know-how-Schutz, p.124.

<sup>112</sup> *Westermann*, Handbuch Know-how-Schutz, p.124 (with further examples).

<sup>113</sup> *Westermann*, Handbuch Know-how-Schutz, p.124.

<sup>114</sup> German Federal Court of Justice, decision of 4<sup>th</sup> July 1975, Case No. I ZR 115/73, 1976 GRUR pp. 367 et seq. (BGH Urteil vom 4.7.1975 – I ZR 115/73, GRUR 1976, 367, 367. f).

claim is justified if the trade secret proprietor fulfilled all of his duties in keeping trade secrets and the traitor and outsider intentionally cooperated.<sup>115</sup>

In addition to the right to information the trade secret proprietor has a right to examine. The legal basis is Sec. 809 of the German Civil Code (§ 809 BGB). This type of claim can be important if an object possibly has been produced in violation of trade secrets and the secret proprietor therefore claims damages.<sup>116</sup> The plaintiff can demand from the adversary that he hands him the concerned product in order to inspect it or the permission to carry out the aforesaid inspection. He is allowed to investigate it (e.g. putting into service, taking apart) as long as he does not damage it.<sup>117</sup>

There are two prerequisites for a claim arising from § 809 of the German Civil Code that have to be fulfilled: Firstly, the trade secret proprietor has a claim with regard to an object or wants to make certain that he is entitled. In the latter case, there must be some likelihood that such right exists, which means that the trade secret proprietor must have a reasoned suspicion of a rights infringement. The condition is satisfied if, for example, the concerned object looks similar or works in a similar way to the trade secret proprietor's product and a person who worked in the past for the trade secret proprietor is now employee of the defendant.<sup>118</sup> Ultimately, the probability of the claim must be so high that the inspection is just an instrument to obtain definite clarity.<sup>119</sup> Otherwise the plaintiff could explore and appropriate the results of the defendant's work. Sec. 809 of the German Civil Code, on the contrary, is determined to prevent such explorations. To take the defendant's interest in keeping information of his business secret adequately into account, the parties can commission a neutral expert to inspect the product who is only allowed to inform the court and the plaintiff about certain similarities or dissimilarities.<sup>120</sup> The object to which the claim relates does not

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<sup>115</sup> *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, Kommentar UWG, 3rd edition, 2013, § 17 UWG, Marginal Note 64.

<sup>116</sup> Higher Regional Court Hamm, decision of 31<sup>st</sup> January 2013, Case No. 4 U 200/12, 2013 GRUR-RR 306, 308 (OLG Hamm, Urteil vom 31.1.2013 – 4 U 200/12, GRUR-RR 2013, 306, 308).

<sup>117</sup> German Federal Court of Justice, decision of 2<sup>nd</sup> May 2002, Case No. I ZR 45/01, 2002 NJW-RR pp. 1617 et seq. (BGH Urteil vom 2.5.2002 – I ZR 45/01, NJW-RR 2002, 1617, 1620); *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 9 UWG, Marginal Note 4.46.

<sup>118</sup> *Köhler* in *Köhler/Bornkamm*, Kommentar UWG, 33rd edition, 2015, § 9 UWG, Marginal Note 4.44.

<sup>119</sup> Higher Regional Court Hamm, decision of 31<sup>st</sup> January 2013, Case No. 4 U 200/12, 2013 GRUR-RR pp. 306 et seq. (OLG Hamm Urteil vom 31.1.2013 – 4 U 200/12, GRUR-RR 2013, 306, 308); *Ohly* in *Ohly/Sosnitza*, Kommentar UWG, 6th edition, 2014, § 17 UWG, Marginal Note 55.

<sup>120</sup> German Federal Court of Justice, decision of 2<sup>nd</sup> May 2002, Case No. I ZR 45/01, 2002 NJW-RR pp. 1617 et seq. (BGH Urteil vom 2.5.2002 – I ZR 45/01, NJW-RR 2002, 1617, 1620); *Harte-Bavendamm* in *Harte-Bavendamm/Henning-Bodewig*, Kommentar UWG, 3rd edition, 2013, § 17 UWG, Marginal Note 65.

need to be the subject matter of the claim. It is sufficient that the claim depends on the existence or the structure of the product.<sup>121</sup>

The second requisite is the legitimate interest of the trade secret proprietor in inspecting the object. Such interest can be affirmed if the proprietor needs the inspection to prove the infringement of his rights and if there is no other way to gain knowledge of it.<sup>122</sup>

### III. Protection of the Confidentiality of Trade Secrets during Court Procedures

Generally, all litigations in Germany are open for public.<sup>123</sup> However, if a trade secret is subject to the litigation, the court can decide to exclude the public according to Sec. 172 No. 2 of the Judicature Act (“in camera”) but only if it is an important secret whose public discussion would injure predominant protectable interests of the proprietor. The court can decide itself or due to an application of one of the parties. The court has absolute discretion deciding if the exclude public. Neither party has a claim for it nor can it appeal against the court’s decision during the hearing.<sup>124</sup> For Sec. 172 No. 2 of the Judicature Act it is not necessary that the proprietor is one of the parties of the trial.

Decisions in procedural hearings regarding the relationship between an employer and an employee often depend on information that can constitute trade secrets. Proof and documentary evidences are likely to contain such information. Therefore during trials in front of a labor court, the public can be excluded as well on request of one of the parties if a public hearing might peril the confidentiality of a trade secret.<sup>125</sup>

To ensure nothing discussed in the proceedings is published, the court can obligate all participants of the proceedings such as experts, witnesses, lawyers.<sup>126</sup> Acting against the obligation can be punished according to Sec. 353 lit.d of the Penal Code.

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<sup>121</sup> German Federal Court of Justice, decision of 2<sup>nd</sup> May 2002, Case No. I ZR 45/01. 2002 NJW-RR pp. 1617 et seq. (BGH Urteil vom 2.5.2002 – I ZR 45/01, NJW-RR 2002, 1617, 1620); *Habersack* in Münchener Kommentar BGB, 6th edition, 2013, § 809 BGB, Marginal Note 5.

<sup>122</sup> *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 9 UWG, Marginal Note 4.45.

<sup>123</sup> Sec. 169 of the Judicature Act (§ 169 S. 1 GVG).

<sup>124</sup> *Zimmermann* in Münchener Kommentar, ZPO, 4th edition, 2013, § 172 GVG, Marginal Note 15.

<sup>125</sup> Sec. 52 Rules of the Labor Courts (§ 52 ArbGG).

<sup>126</sup> Sec. 174 Para. 3 of the Judicature Act (§ 174 Abs. 3 GVG).



Sec. 383 and 384 of the German Civil Process Order provide a right to refuse to give evidence on trade secrets for both parties and witnesses under certain circumstances. Sec. 384 No. 3 of the German Civil Process Order provides the right of witnesses to refuse to give evidence on questions regarding business secrets. This right only applies to secrets of the witness or a third party to which the witness is legally obliged to secrecy. It does not apply to secrets of one of the parties of the litigation.<sup>127</sup> Those principles of the Civil Process Order also have to be considered in cases of administrative jurisdiction in Public Law.<sup>128</sup>

Usually the head of any claim and the operative provisions of a judgment have to be as precise as possible in order to ensure the compulsory execution. To protect trade secrets, the judge can make an exemption to this principle and paraphrase the secret without revealing it entirely.<sup>129</sup>

#### IV. Calculation of Damages

The content of the claim for damages is determined by Sec. 249 et seq. of the German Civil Code (§§ 249ff. BGB). According to Sec. 249 Para. 1 of the German Civil Code the defendant can be obliged to rectify the consequences arising from the infringement of the trade secret. This includes the obligation to provide information on which persons the defendant offered the secret.<sup>130</sup> Furthermore, according to Sec. 242 of the German Civil Code he has to reveal any information about the misappropriation of the trade secret and his profit that arises from the violation.

Those declarations are important to calculate the damages suffered by the secret proprietor. The plaintiff can choose between three types of calculation of the damages<sup>131</sup>: He can claim the actual damage suffered including the loss of profit (§§ 249 ff. German Civil Code). In this case, it often can be difficult to prove such profits. It is easier to claim an adequate license fee for using the trade secret (second option). In other words, the defendant must replace the amount which he would have paid in return for the consent of the entitled person. The license fee is

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<sup>127</sup> *Damrau* in Münchener Kommentar, ZPO, 4th edition, 2013, § 383 ZPO, Marginal Note 13.

<sup>128</sup> Sec. 98 of the German Rules of the Administrative Courts (§ 98 VwGO).

<sup>129</sup> German Federal Court of Justice, decision of 1<sup>st</sup> July 1960, Case No. I ZR 72/59, 1961 GRUR 40 (BGH Urteil vom 1.7.1960 - I ZR 72/59, GRUR 1961, 40); *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 64.

<sup>130</sup> German Federal Court of Justice, decision of 23<sup>rd</sup> of February 2012, Case No. I ZR 136/10, 2012 GRUR pp. 1048 et seq. (BGH Urteil vom 23.02.2012 – I ZR 136/10, GRUR 2012, 1048, 1049).

<sup>131</sup> *Köhler* in Köhler/Bornkamm, Kommentar UWG, 33rd edition, 2015, § 17 UWG, Marginal Note 58.

adequate if reasonable contractual partners had usually agreed it.<sup>132</sup> The third possibility is that the defendant surrenders the profits achieved through the infringement of the right.

According to Sec. 287 of the Code of Civil Procedure of Germany, it is for the courts to assess the amount of damages. They can subtract the costs actually incurred by the defendant that are directly attributable to the objects produced on the basis of the trade secret.

The triple damage calculation is not fixed legally, but established in legal practice.<sup>133</sup>

## F. Conclusion

As shown above, the protection of trade secrets and Know-How in Germany is on a reliable standard. Since the claims for a proprietary arise from the existing general law, there is no need for a special statute dedicated to trade secret protection in Germany. However, in order to protect his trade secrets, a proprietor in Germany must not only rely on legal protection. Every company can take actions and investments to increase and optimize the protection. Since most of the information that constitute trade secrets are located and stored in databases, the security of the information technology should be reinforced. Electronic communication containing information about the trade secret should only be sent encrypted. By using high standard IT-Security as recommended by the Federal Office for Information Security<sup>134</sup> proprietors can try to effectively guard the confidentiality of trade secrets against external attacks like mal- and spyware, observation of communication and thievery as well as against acts of nature beyond control or software defects.

Furthermore, a proprietor should not disclose any information regarding trade secrets during initial business contacts without signing an agreement of confidentiality that sanctions any disclosure.

Law and IT-Security cannot protect precautionary against internal whistleblowing by (former) employees. Law can only try to determine and penalize such behavior, but it cannot prevent the betrayal of trade secrets reliably. Proprietors rely on their employees' confidentiality and integrity. Therefore the circle of secret carriers must be kept as exclusive as possible but as capacious as necessary in order to ensure the industrial process. Secret carriers can be

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<sup>132</sup> German Federal Court of Justice, decision of 26<sup>th</sup> March 2009, Case No. I ZR 44/06, 2009 GRUR pp. 660 et seq. (BGH Urteil vom 26.3.2009 – I ZR 44/06, GRUR 2009, 660 f.).

<sup>133</sup> German Federal Court of Justice, decision of 18<sup>th</sup> February 1977, Case No. I ZR 112/75, 1977 GRUR pp. 539 et seq. (BGH Urteil vom 18.2.1977 – I ZR 112/75, GRUR 1977, 539, 541); German Federal Court of Justice, ruling of 19<sup>th</sup> March 2008, Case No. I ZR 225/06, 2008 WRP pp. 938 et seq. (BGH Urteil vom 18.2.1977 – I ZR 225/06, WRP 2008, 938).

<sup>134</sup> [https://www.bsi.bund.de/DE/Publikationen/BSI\\_Standard/it\\_grundschutzstandards.html](https://www.bsi.bund.de/DE/Publikationen/BSI_Standard/it_grundschutzstandards.html).

sensitized and instructed in the field of IT-Security and the necessity of the confidentiality of trade secrets for the company. They can also be bound to secrecy by contract. Confidential and Non-Disclosure Agreements must be updated on a regular basis and must be kept as accurate as possible. However, the observation of employees and analysis of their communication can cause problems regarding the German Data Protection Law, especially Sec. 6b, 9, 32 of the Federal Data Protection Act.<sup>135</sup> If an employee discloses trade secrets, the employer is usually entitled to an extraordinary as well as an ordinary dismissal, especially if the employee violates Sec. 17 of the Law Against Unfair Competition. The traitor should be banned from the companies' property combined with an order to stay away from the premises and to hand back any devices such as keys etc. Furthermore, the proprietary should consider complaining the offense to criminal investigation.

Concluding from this, although German Law does not provide a statute established for the sole purpose of the protection of trade secrets, there is a sufficient protection of trade secrets in Germany arising from the existing regulations. In some cases the protection is partly fragmental, the standard of protection of trade secrets in Germany is nevertheless reliable for companies. However, an EU-wide regulation as provided by the European Commission in the end of November 2014 is a worthwhile and desirable goal in order to guarantee the consistent and equivalent protection of trade secrets in the EU.

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<sup>135</sup> §§6b, 9, 32 BDSG.