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FOREIGN EXPERIENCE OF LEGAL REGULATION OF TRADE SECRETS AND KNOW-HOW

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The purpose of this article is to consider the peculiarities of the legal regulation of trade secrets and know-how (confidential information) by foreign legislation. This article analyzes the provisions of the laws of individual countries and known doctrines and concepts to determine the basic premises of the approach to understanding trade secrets and know-how (confidential information) in view of the existing theories there. This was done on the example of countries with a continental (pandect) legal system. The methodological basis of the research is general scientific and special methods of cognition. The use of these methods made it possible to describe problems related to the peculiarities of legal regulation of trade secrets and know-how (confidential information) by foreign legislation. Results: the violation of commercial secrets and know-how (confidential information) is considered by the international legislation of foreign countries as a fact of unfair competition. At the same time, it should be noted that the laws on unfair competition of the countries of the continental (pandect) legal system are based on the theory of confidentiality (actual monopoly). Discussion: as is known, the current legislation of Ukraine, and in particular the Civil Code of Ukraine, is built on the model of the German (pandect) legal system. Therefore, the author believes that the foreign experience of countries with a continental (pandect) legal system is of particular importance for the formation of national legislation on trade secrets and know-how (confidential information).

Key words: confidential information; closed information; commercial secret; production secret; trade secrets; business secrets; professional secrets; production secrets; know-how; de facto monopoly; right of access; unfair competition.

Problem statement and its relevance. In Ukraine, a unified approach to understanding the legal nature of trade secrets and know-how (confidential information) has not been developed. Perhaps that is why the legislator of Ukraine proceeds from the legal position according to which information and all its varieties are the object of property rights. Accordingly, information, confidential information (trade secrets and know-how) can be owned, used and disposed of (Law of Ukraine "On Information", Civil Code of Ukraine) [1, 2].

In most of the works of domestic scientists, confidential information is also considered from the point of view of real property rights, and trade secrets and know-how are clearly considered as ob-

jects of intellectual property law, to which a subjective right arises.

It is difficult to agree with such a position. In addition, when researching the legal regime of commercial secrets and know-how (confidential information), it is advisable to proceed not so much from the norms established in the current legislation of Ukraine, which are imperfect with regard to the regulation of information relations, but from the legal nature of this object. Accordingly, the norms of the current legislation should be adequate to the legal nature of commercial secrets and know-how (confidential information).

With this in mind, we will analyze the provisions of the laws of individual countries of the continental (pandect) legal system and the doctrines

and concepts known there to determine the basic premises of the approach to understanding trade secrets and know-how (confidential information) in view of the existing theories there. As you know, the current legislation of Ukraine, and in particular the Civil Code, is built on the model of the German (pandect) legal system. Therefore, the foreign experience of the countries of this legal system should influence the formation of national legislation on trade secrets and know-how (confidential information).

Analysis of recent research and publications.

Questions regarding the peculiarities of legal regulation of commercial secrets and know-how (confidential information) are considered by many scientists in Ukraine and abroad.

In particular, the theoretical foundations of informational and legal phenomena and certain aspects of legal regulation of relations regarding commercial secrets and know-how (confidential information, information) are highlighted in the scientific works of: Azimova Ch.N., Bachilo I.L., Behova T.I., Boguslavskiy M.M., Vengerova A.B., Vlasova O.V., Diduk A.G., Dozortseva V.A., Zhukova V.I., Izmailova O.V., Kapitsy Yu.M., Kopylova V.A., Kossaka V.M., Kohanovskoyi O.V., Kriznoyi V.M., Kuzmina A.E., Kulnich O.O., Nosika Y.V., Pidoprigori O.A., Pidoprigori O.O., Petrova E.V., Pogulyaeva S.Yu., Popova O.V., Rosenberga V., Roshchyna O.P., Saniahmetova N.O., Severina V.A., Sergeeva O.P., Sirenka I.A., Slyadnevoyi G.O., Topalovoyi L.D., Chobota O.A., Scherschenevicha G.F., Schischki R.B., Shtumpfa G.

Currently, the issue of the legal nature of commercial secrets and know-how (confidential information) is relevant both in Ukraine and in a number of foreign countries. Therefore, the purpose of this work is to determine the basic premises of the approach to understanding trade secrets and know-how (confidential information) in the legislation of certain countries of the continental (pandect) legal system, taking into account the legal doctrines and concepts existing there.

To achieve the goal, the following tasks are solved: to investigate the legal nature, concept and content of confidential information in the form of trade secrets and know-how; analyze the relationship between these concepts; peculiarities of their legal regulation.

Presentation of basic material of the research.

The formation of national legislation on commer-

cial secrets and know-how (confidential information) is influenced to a certain extent by the experience and practice of the world's leading countries. In recent years, various countries of the world have adopted a significant number of normative acts that regulate information relations.

Without aiming at a comprehensive study of all foreign legislation, as well as the practice of its application, we will consider the provisions of the laws of individual countries of the Romano-Germanic (or continental) family. This is necessary in order to determine the basic premises of the approach to trade secrets and know-how (confidential information) based on existing doctrines. Attention should also be paid to the meaning of the concept of commercial secret and know-how and the relationship between these concepts. Such experience will be very useful for the legislation of Ukraine on commercial secrets and know-how (confidential information), which needs improvement and further development, as it has a number of shortcomings and contradictions.

As you know, two legal systems are distinguished within the Romano-Germanic family: 1) Romanic, where the national legal system of France is the leading one, and 2) Germanic, where the national legal system of Germany is the leading one [3, p. 276-294]. Since the current legislation of Ukraine is based on the example of the German legal system, we will consider it first.

Germanic (pandectic) system of law. In accordance with German legislation, two types of secrets are distinguished: industrial and commercial. In particular, in § 404 of the Law on joint-stock companies, it is established that a commercial secret includes information that corresponds to the sign of secrecy (not generally known and accessible only to a certain limited circle of persons), provided that the person who controls such information in good faith has a legitimate interest in preserving its secrecy. A commercial secret, in contrast to a production secret, is information related to the trade relations of firms, organization and volume of production; state of sales markets; information about suppliers and consumers; information about banking transactions, etc. The term "industrial secret" is defined in § 85 of the Law on Enterprises. Industrial secrets include information of an organizational and technical nature, which is related to the method of production, technology, work organization, as well

as technical discoveries, inventions or information about the nature and purpose of research works, etc.

Violation of commercial and industrial secrets is considered by German law as a fact of unfair competition, where one of the types of violation is their disclosure. Moreover, the Law on Unfair Competition (Unlauteren Wettbewerbsgesetz, UWG) is based on the concept of a de facto monopoly regarding trade secrets and industrial secrets.

In Germany, the obligation not to disclose a secret to a person who has become aware of it by virtue of his official position or work is provided for in many legislative acts. At the same time, such an obligation is established by law for certain categories of employees of both state institutions of the federation and lands, as well as for officials and employees, employees of firms and corporations. Regulation of this problem for firms and enterprises is especially highlighted [4, p. 11-13]. Thus, in accordance with the rules of § 90 "Commercial and production secrets" of the German Commercial Code, a sales representative is not allowed to disclose to other persons commercial and production secrets that have been entrusted to him or that have become known in connection with his activities for an entrepreneur [5]. Or, for example, in accordance with Clause (1) § 93 of the Joint Stock Law, board members must keep confidential information and company secrets, in particular, industrial and commercial secrets, which have become known to them in connection with their activities. Also, the Shareholder Law specifies the duties of the members of the supervisory board to keep completely silent about confidential data and company secrets, in particular industrial and commercial secrets, which became known to them from the reports in accordance with § 394; this applies not only to communications in official relations (§ 395). Liability for wrongful actions regarding protected confidential information is also regulated in detail here [5, p. 322]. The Law on Production and Economic Cooperatives, in particular § 151 (violation of the obligation to maintain secrecy) also contains a rule on sanctions for disclosing the secret of a cooperative [5], and these rules are similar to those contained in § 404 of the Stock Act.

When considering the norms of German legislation, attention is drawn to the fact that the ban on the use of information that constitutes a commercial secret of the enterprise, after the termination of

contractual relations with the employee, is established only when the employee obtained such information in bad faith. In the case of detection of good faith or bad faith in obtaining information while working at the enterprise, the judicial practice of Germany proceeds from the obligation to consider all the circumstances of a specific case, including the importance of the employee's activity for the enterprise, the position held by him, participation or non-participation in the creation of information that constitutes commercial secrecy, compliance of his behavior with "good manners" (guten sitten), i.e., a method of action customary for entrepreneurship [6, p. 51].

The study of judicial practice and doctrine of Germany shows that commercial and industrial secrets can be the subject of a license agreement and a contract of sale, transfer, be attached to anyone, pledge, inheritance. It is noted in the literature that so far few court decisions have been made in this area and their content is very controversial. Therefore, some lawyers consider the possibility of the existence of a property right to a trade secret. Although most experts claim that a trade secret only has a property interest based on a de facto monopoly.

In general, in German law (as well as in other countries of the continental legal system), there is a widespread opinion that trade secrets, production secrets, and know-how refer to such intangible objects that cannot be regulated by the traditional tools of property law or intellectual property rights property (exclusive rights). Therefore, they need another mechanism of legal regulation, different from the traditional one.

In Germany, great importance is also attached to the practice of applying know-how. Legal norms that regulate property interests and issues related to the transfer of know-how, contractual relations in this field, as well as the issue of maintaining the secrecy of know-how and liability for its violation, are included in various laws: in the German Civil Code, Anti-Restriction of Competition Act, Anti-Unfair Competition Act, Patent Act, Employee Inventions Act, Criminal Code and others. But there is no unambiguous understanding of the term "know-how" in German legislation.

The legal doctrine also expresses various, although rather contradictory, positions regarding the concept of know-how. In particular, one group of

lawyers believes that know-how arises when a manufacturer works on a certain method, makes certain products and at the same time accumulates experience, which can consist, for example, of knowing the optimal sizes, doses and temperatures. Other lawyers refer to know-how as knowledge that is partially unprotected, as well as unprotectable, and knowledge limited to the field of industrial production. In addition, know-how includes technical information aimed at improving technology and known only to a limited circle of people [7, p. 24-32].

Also, many experts believe that the concept of know-how can essentially correspond to the definition contained in § 21 of the Law on the prohibition of restrictions on competition (GWB), namely that industrial secrets are not legally protected results of inventions, methods of manufacture, designs and other achievements that enrich the technique. In the understanding of legal principles, the concept of production secrets (& 21 GWB) has a very broad meaning and includes not only drawings, recipes and other similar written information, but also the entire set of production experience of all varieties. At the same time, it does not matter whether this experience is recorded in writing or whether it is manifested in the knowledge and experience of manufacturing specialists. Commercial knowledge and experience can also be protected as industrial secrets [7, p. 25].

The concept of know-how is ambiguously interpreted in the judicial practice of Germany, where the latter is defined, in particular, as knowledge and skills [7, p. 27].

Disagreement among lawyers is also caused by the question of attributing to know-how only that knowledge and experience that can have economic value, and whether only that knowledge and experience that can be secret should be attributed to them. Some experts believe that non-secret knowledge can also have economic value. In this regard, the opinion of the Federal Court Chamber regarding the manufacture of photocopying products is interesting. Although the equipment for making a photocopy and the method of its operation were generally known, specialists found that the system built into the apparatus when interacting with the copying device represented know-how, which is an asset that significantly exceeds the level of technology previously unknown to anyone. It

follows that know-how means an achievement that enriches technology and is kept secret [7, p. 191]. However, the majority still believe that know-how can cover only such knowledge that is not generally known and is not easily accessible to any person on legal grounds.

In order to determine the field of law capable of regulating know-how, it is necessary to qualify the "right to" know-how. There are different opinions on this matter. The "right to" know-how is 1) the right to the equipment and production that is operated, 2) a subjective right. However, most scholars believe that most likely it should be classified as "other" rights, in the sense of Article 23 paragraph 1 of the German Civil Code, or to business secrets, or production secrets, in the sense of Article 17 of the Law on the Prohibition of Unfair Competition, or Article 21 of the Law on Prohibition of Restriction of Competition [8, p. 40-42]. As can be seen, German legal doctrine tends to classify know-how as trade secrets or trade secrets governed by unfair competition law based on the concept of *de facto* monopoly.

Based on the above, it is possible to draw a preliminary conclusion that German legislation considers commercial and industrial secrets, production secrets, business secrets and know-how (confidential information) from the position of a *de facto* monopoly, and not intellectual property rights or real property rights. At the same time, the concepts of production secrets, business secrets, and know-how are practically not demarcated, since their differences are considered insignificant. Therefore, they include not only protected inventions, production processes, designs, but also other technical achievements. A general feature of production secrets and know-how is the possibility of transferring such information under a contract, with the mandatory condition of confidentiality. Although, of course, especially important production secrets that allow companies to get more profit should be kept secret and not passed on.

In Austrian legislation, the term "closed information" is used, which must meet certain criteria: protection with the help of special means; the presence of special conditions of secret storage; limiting the circle of persons who have the right to access this information; availability of protection against free circulation (of information) within the enterprise; a special commercial interest of the en-

terprise regarding the preservation of secrecy; establishing the responsibility of the direct bearers of commercial secrets - employees of the enterprise (firm) [9, p. 139]. As for know-how, its unequivocal concept does not exist in Austrian legislation either. Basically, know-how means unprotected or non-protectable knowledge, limited to the sphere of industrial production, as well as technical information aimed at improving technology and known only to a limited circle of people. In general, the protection of closed information and know-how is carried out as in German legislation from the position of a de facto monopoly. The situation is the same in Switzerland.

Accordingly, the legislator of Ukraine should use the experience of the specified countries regarding the protection of trade secrets and know-how (confidential information) as an object of civil law based on a de facto monopoly with further protection of the interests of persons who actually and in good faith control such information.

Roman legal system. According to French legislation, the protection of the interests of persons who actually control trade secrets and professional secrets is ensured by the application of general provisions of criminal, labor and civil law, which regulate both the preservation of such secrets and the issue of compensation for damages. Here, the employee of the firm cannot carry out activities that compete with the firm he works for. At the same time, a written commitment in this regard is not required. In practice, many firms include a non-competition clause in employment contracts. In particular, French legislation provides for sanctions for the illegal use of knowledge of employees of competing firms, the disclosure of information that constitutes a commercial secret, professional secrets, know-how by an employee who gained access to such information in the performance of his work duties and was obliged to keep it secret and even after release. It should be noted that such obligations must be clearly expressed and limited in time and space. In addition to the above, liability is also assumed for the so-called "abuse of trust" (or fraud of trust), which occurs in the event that the fact of theft of various values by the person to whom they were entrusted is proven. In this plan, the protection of commercial secrets is considered.

Responsibility for the disclosure of professional secrets is assumed for persons who, by virtue of

their positions or the performance of permanent or temporary assignments, have gained access to such information. French legislation is characterized by the definition of officials who have the right of access to business secrets. That is why the legislation applies the concept of professional secrecy, that is, the essence of the protection of secrecy is connected with the official position, the status that enables an individual to become a "bearer" of professional secrets by virtue of the position, position or as a result of the performance of a function assigned to him of a permanent or temporary nature.

There are rather contradictory positions in French legal doctrine and regarding the definition of the concept of know-how. Thus, some authors believe that the concept of know-how includes any technical knowledge that is used in industry and the person who actually controls it considers it new and therefore keeps it secret for himself or for confidential transmission to third parties. In addition to this, it is noted that in practice very often know-how is a complex technical complex plus skill, the results of experiments, instructions, information, especially valuable, presented in the most user-friendly form, in order to save resources and time, which guarantees the achievement positive result. Know-how is defined as a complex of knowledge, technical means, and as information that allows for more effective practical activities, as well as methods that are characterized by novelty and secrecy [10].

Other authors understand know-how as patentable technical solutions, which are defined as production secrets, as well as results of a technical nature, which have neither novelty nor secrecy, but have the property of being the subject of transfer (transmissibles). At the same time, the French legal doctrine considers know-how only a "legal phenomenon of the second plan", referring to it as an idea that is not protected [11].

The French association on licenses and know-how, summarizing the legislation and judicial practice, as well as the positions of legal scholars, proposed to consider a variety of know-how as a set of technical knowledge (*connaissances techniques*) and production experience (*toir de main*), which by their nature are non-patentable, but may be protected by the legislation on professional secrets [4]. Thus, it turns out that from a technical point of view, know-how has a lot in common with an invention, since it can be based on patentable, but not

patentable, technical solutions. However, these are still different objects. At the same time, know-how can be any additional information necessary for the use of the invention, which is of a confidential nature.

In addition to know-how, the concept of production secrets also appears in French legislation, as well as in German legislation. Moreover, there are different positions regarding their ratio. According to the opinions of most French authors, production secrets differ from know-how, both in terms of content and purpose. The difference in content consists in the fact that production secrets are spread over products of well-established production, while know-how can not only make up the entire set of industrial production, starting with the selection of primary material and ending with the manufacture of mass-produced products, but also contain in developments that are at the stage of experience and experimentation. And if production secrets remain relatively static in recovery, know-how is characterized by a tendency to be constantly updated as technology ages. In their purpose, production secrets differ from know-how in that they are not transferred in most cases, providing a de facto monopoly to the firm, while the transfer of know-how is widespread in contractual practice. In addition, know-how can include non-secret information, unlike production secrets, which are necessarily confidential [11]. However, with regard to both of these types of information, the person who controls it only has a de facto monopoly.

French legislation and judicial practice proceed from the fact that commercial secrets, professional secrets and know-how, unlike, for example, a patented invention, have de facto protection. Its essence is to maintain the secrecy surrounding trade secrets and know-how. Such protection can be carried out in court only by applying the rules on unfair competition [12, p. 54-57].

In French legislation, the term "production secrets" appears, which, according to some French lawyers, differs from know-how, both in terms of content and purpose. According to other lawyers, the secrets of production make up the content of know-how.

Conclusions. Commercial secrets and know-how (confidential information) are considered by the legislation of the countries of the continental (pandect) legal system from the position of a de

facto monopoly. In particular, the violation of trade secrets and know-how (confidential information) in these countries is considered a fact of unfair competition. The laws on unfair competition of the countries of the continental (pandect) legal system are based on the theory of confidentiality (actual monopoly). That is, the person who actually controls the trade secret and know-how (confidential information) does not have absolute protection, accordingly there is no subjective right to it, but only an interest protected by law. Accordingly, the mechanism of legal regulation of the specified objects will be different from typical objects of civil law (things) and objects of intellectual property law. It is from this position that the legislator of Ukraine should proceed in understanding the concept of commercial secrets and know-how (confidential information) and its legal regulation.

Therefore, the legislation of Ukraine on trade secrets and know-how (information, confidential information) needs a significant revision, taking into account the experience of the countries of the continental (pandect) legal system and European standards and international regulatory acts.

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ЗАРУБІЖНИЙ ДОСВІД ПРАВОВОГО РЕГУЛЮВАННЯ КОМЕРЦІЙНОЇ ТАЄМНИЦІ ТА НОУ-ХАУ

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*Метою статті є розгляд особливостей правового регулювання комерційної таємниці та ноу-хау (конфіденційної інформації) зарубіжним законодавством. У даній статті аналізуються положення законів окремих країн та відомі доктрини й концепції для визначення базових посилок підходу щодо розуміння комерційної таємниці та ноу-хау (конфіденційної інформації) з огляду на існуючі там теорії. Зроблено це на прикладі країн континентальної (пандектної) системи права. **Методологічною основою** дослідження є загальнонаукові та спеціальні методи пізнання. Використання цих методів дало можливість описати проблеми щодо особливостей правового регулювання комерційної таємниці та ноу-хау (конфіденційної інформації) зарубіжним законодавством. **Результати:** порушення комерційної таємниці та ноу-хау (конфіденційної інформації) розглядається міжнародним законодавством зарубіжних країн як факт недобросовісної конкуренції. При цьому слід зауважити, що закони про недобросовісну конкуренцію країн континентальної (пандектної) системи права засновані на теорії конфіденційності (фактичної монополії). **Обговорення:** як відомо, чинне законодавство України, та зокрема Цивільний кодекс України, побудовані по моделі германської (пандектної) системи права. Тому автор вважає, що зарубіжний досвід саме країн континентальної (пандектної) системи права має особливе значення для формування національного законодавства про комерційну таємницю та ноу-хау (конфіденційну інформацію).*

Ключові слова: конфіденційна інформація; закрита інформація; комерційна таємниця; виробнича таємниця; торгові секрети; ділові секрети; професійні секрети; секрети виробництва; ноу-хау; фактична монополія; право доступу; недобросовісна конкуренція.

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