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Balancing Trade Secret Protection and Employee Mobility: Legal Framework and Challenges under EU Law

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ABSTRACT

Ehemalige Arbeitnehmer stellen im Recht der Geschäftsgeheimnisse eine allgemein anerkannte Problematik dar, da sie bei einem Wechsel zu einem Wettbewerber oder bei der Gründung eines eigenen Unternehmens dazu verleitet sein können, vertrauliche Informationen ihres früheren Arbeitgebers zu nutzen. Während das Recht einen angemessenen Schutz der berechtigten Interessen von Unternehmen gewährleisten muss, haben Arbeitnehmer zugleich ein legitimes Interesse daran, ihren Arbeitsplatz zu wechseln und ihre beruflichen Fähigkeiten frei einzusetzen. Vor diesem Hintergrund untersucht diese Arbeit das Spannungsverhältnis zwischen dem Schutz von Geschäftsgeheimnissen und der Arbeitnehmermobilität im EU-Recht, mit besonderem Fokus auf der Richtlinie (EU) 2016/943 über den Schutz von Geschäftsgeheimnissen. Auf Grundlage einer rechtsdogmatischen und rechtsvergleichenden Analyse bewertet die Arbeit, ob die Richtlinie einen klaren und ausgewogenen Rechtsrahmen geschaffen hat, der sowohl vertrauliche Unternehmensinformationen schützt als auch die berufliche Freiheit von Arbeitnehmern wahrt. Dabei werden insbesondere die Definition des Geschäftsgeheimnisses, die Regeln über rechtmäßige und unrechtmäßige Erlangung sowie die Abgrenzung zwischen schutzfähigen Geschäftsgeheimnissen und allgemeinem beruflichen Know-how analysiert. Zudem wird die Rolle der stillschweigenden Vertraulichkeitspflicht sowie das Verhältnis zwischen gesetzlichem Geheimnisschutz und vertraglichen Instrumenten wie Geheimhaltungsvereinbarungen und Wettbewerbsverboten untersucht, unter Einbeziehung von Rechtsprechung aus dem Vereinigten Königreich, Deutschland und Österreich. Die Arbeit kommt zu dem Schluss, dass die Richtlinie zwar zur Harmonisierung beigetragen hat, jedoch weiterhin erhebliche Unklarheiten bestehen, insbesondere hinsichtlich Arbeitnehmermobilität und nachvertraglicher Pflichten.

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List of Abbreviations

BAG – Bundesarbeitsgericht (Federal Labor Court of Germany)

BGH – Bundesgerichtshof (Federal Court of Justice of Germany)

CJEU – Court of Justice of the European Union

HGB – Handelsgesetzbuch (German Commercial Code)

IP – Intellectual Property

NDAs – Non-Disclosure Agreements

OGH – Oberster Gerichtshof (Austrian Supreme Court)

SMEs – Small and Medium-Sized Enterprises

TFEU – Treaty on the Functioning of the European Union

Chapter I Introduction

The modern economy, driven by innovation and information, places an increasingly high value on intellectual property (IP). Within the spectrum of IP rights, trade secrets stand apart. Unlike patents or copyrights, they derive their value not from public registration but from their *secrecy*. These intangible assets, encompassing everything from proprietary manufacturing processes and client lists to algorithms and future business plans, are critical to a company's competitive advantage and survival. The value of trade secrets is often estimated to represent a significant portion of a firm's overall market capitalization, making their protection a leading commercial and legal concern.

Simultaneously, the European Union is built upon the foundational principles of the free movement of workers and the right to engage in work.[1] This core tenet of the Single Market is essential for economic dynamism, personal development, and the effective allocation of human capital. Workers are expected to move freely between jobs, sectors, and Member States, carrying with them the accumulated knowledge, skill, and professional experience they have gained. This mobility is not just an economic necessity but a fundamental right, recognized in instruments like the EU Charter of Fundamental Rights.[2]

The tension between these two forces, the corporate interest to protect secret information and the employee's right to professional mobility, constitutes one of the most persistent and complex legal challenges in the contemporary employment landscape. According to statistics presented in EU trade secret litigation cases, former employees constitute the largest category of defendants, accounting for 37.6%, which is the highest proportion among all defendant profiles, including SMEs, micro-enterprises, and private entities.[3] It is therefore important to examine how it can be balanced between propriety information which is essential for businesses for their growth and the right of workers to move and work freely, using their skills and knowledge gained from the previous work. This thesis aims to meticulously examine the intricate balance between these two critical objectives, focusing specifically on the legal framework and associated challenges under EU law, with a particular emphasis on Directive (EU) 2016/943 and national court decisions.

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[1] Consolidated Version of the Treaty on the Functioning of the European Union [2012] OJ C 326/47, art 45.
[2] Charter of Fundamental Rights of the European Union [2012] OJ C 326/391, art 15.
[3] European Union Intellectual Property Office (EUIPO), *Trade Secrets Litigation Trends in the EU* (Maurizio Borghi, Alessandro Cogo and Bryan Khan, January 2023) 27 DOI: 10.2814/565721 accessed 22 January 2026.

1.1 Problem Statement

The inherent conflict arises when a highly-skilled employee leaves their position to join a competitor or start their own business. In this case, it is practically impossible for an employee to 'unlearn' the information they acquired during their employment. The core dilemma, therefore, is where to draw the line between protectable trade secrets, which are a company's property, and the general know-how and expertise that has become an inseparable part of the employee's professional persona, which they are entitled to use freely.

Prior to the Directive, trade secret protection was governed by a patchwork of differing national laws across EU Member States. The lack of a uniform standard led to significant legal uncertainty, creating an environment where businesses operating across borders faced inconsistent protection, and employees risked inadvertent breach of varying rules. This fragmentation became particularly problematic in sectors characterized by rapid innovation and high employee mobility, such as technology, pharmaceuticals, and finance.

This thesis undertakes a detailed legal and policy analysis of the framework established by the Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (hereinafter referred as "the Directive"). The Directive represents the EU's decisive action to harmonize trade secret law and, by extension, to formally codify the rules governing the aforementioned balancing act.

The central focus will be on the interaction between the Directive and the underlying national laws governing the areas of trade secrets and courts' decisions of EU Member States, specifically concerning post-contractual obligations. The analysis will concentrate on the critical provisions within the Directive that explicitly attempt to safeguard employee mobility, notably:

1. The definition of 'unlawful' acquisition, use, or disclosure.
2. The exclusion of 'know-how and experience acquired honestly' from the scope of trade secret protection (as outlined in the recitals and implicitly in Article 3).
3. The relationship between contractual provisions, such as non-disclosure agreements (NDAs) non-compete agreements, and the statutory protection afforded by the Directive.

1.2 Research Questions

To systematically address the central problem, this thesis will be guided by the following research questions:

1. To what extent has the EU Trade Secrets Directive succeeded in establishing a clear and balanced legal framework for protecting trade secrets while preserving the fundamental principle of employee mobility across the Union?
2. What are the primary legal and practical challenges encountered by Member State courts in distinguishing between a protectable trade secret and an employee's general 'know-how and experience' under the Directive?
3. Why does the Directive deliberately allow space for national regulation of post-employment contractual restraints?
4. What role does the implied duty of confidentiality play in trade secret litigation?
5. What legislative, judicial, or contractual policy adjustments are necessary to enhance legal certainty and ensure a more effective, predictable, and fair balance between corporate intellectual property interests and individual rights to work?

1.3 Methodology

The research employed in this thesis is primarily doctrinal legal analysis, focusing on the interpretation of the EU Trade Secrets Directive, its preparatory materials, and relevant EU case laws. This will be supplemented by a comparative legal analysis, examining the varied approaches taken by the national courts of selected key EU jurisdictions (especially Germany, United Kingdom[4], and Austria) of how they have balanced trade secret protection and employee mobility before the Directive.

1.4 Structure of the Thesis

The thesis is structured into six chapters. Chapter II establishes the conceptual and economic foundations by defining key terms and exploring the economic rationale for both trade secret protection and employee mobility. Chapter III provides a detailed exposition of the EU Legal Framework, focusing specifically on the Trade Secret Directive's articles and recitals that

[4] Although the UK is no longer part of the European Union, its court decisions remain important to study, as they reflect significant common law principles in trade secret cases.

address the employee mobility issue. Chapter IV examines the balance between employers' legitimate interests in protecting trade secrets and the employee's freedom to use their general know-how and professional experience. Chapter V specifically analyses the role of Contractual Mechanisms, such as non-disclosure agreements, non-compete clauses, as a primary tool for balancing these rights. Chapter VI offers Conclusion, synthesizing the findings to propose actionable solutions and summarizing the thesis's main arguments and contributions

Chapter II Conceptual Foundations and Economic Context

The conflict between corporate property interests and individual economic rights is not merely a legal technicality; it is a foundational tension within the modern knowledge economy. The European Union's regulatory response, embodied in the Trade Secrets Directive, is an attempt to mediate this tension, acknowledging the economic necessity of both robust innovation protection and a flexible, mobile labor market.

2.1 Divergences Among National Laws

When compared to other intellectual property rights such as patents, copyright and trademarks, trade secrets are often referred to as the "Cinderella of IP law" due to the lack of comprehensive regulation and research.[5] Trade secrets constitute a crucial, yet distinct, category within the intellectual property (IP) landscape. Unlike statutory IP rights such as patents and copyright, trade secrets are protected not by grant or registration, but by maintaining their secrecy.

There is no widely accepted definition of trade secrets before the Directive 2016/943. Majority of member states offer a civil remedy in this area rather than an exclusive right. Italy is the most notable exception, as the Italian Intellectual property code lists trade secret as an intellectual property right.[6] Sweden has ad hoc legislation on trade secrets[7] and Portugal and France (the latter only for manufacturing trade secrets) have specific provisions on the protection of trade secrets in their respective code of intellectual property.[8] Most other countries rely

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[5] European Commission, *Study on Trade Secrets and Parasitic Copying (Look-Alikes)* (2011) para 34 https://publications.europa.eu/resource/cellar/068c999d-06d2-4c8e-a681-a4ee2eb0e116.0001.02/DOC_1 accessed 21 January 2026.

[6] **Italy**, *Codice della proprietà industriale* (Legislative Decree No 30 of 10 February 2005) arts 98–99.

[7] European Commission, *Study on Trade Secrets and Confidential Business Information in the Internal Market* (Final Study, Directorate-General for Internal Market and Services, 2013), paras 217–228, https://publications.europa.eu/resource/cellar/068c999d-06d2-4c8e-a681-a4ee2eb0e116.0001.02/DOC_1.

[8] European Commission, *Trade Secrets Study* (2013) paras 96–103, paras 178-187.

strongly on unfair competition law to offer a remedy for the abuse of trade secrets. Austria, Belgium, Germany, Poland and Spain are good examples.[9] The Netherlands relies on general principle of tort law to offer a remedy.[10] In common Law countries, there is a strong reliance on breach of confidence, e.g., Ireland, Malta and United Kingdom (before Brexit).[11] Yet all countries strongly rely on contract law.

2.2 Definition of Trade Secret set by the Directive

The diversity in trade secret protections among Member States results in unequal legal safeguards across the Union, causing fragmentation of the internal market. To address this problem, Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016, on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, lays down a definition of trade secrets, regulate their acquisition, use and disclosure and provides for measures and procedures of enforcement as well as remedies in cases of misappropriation.

The Three-Tier Test under the Directive

The Directive established a uniform and cumulative definition for information to qualify as a trade secret across the EU, reflecting international standards set by the TRIPS Agreement. Information must meet all three criteria:

1. Secrecy: The information must not be, as a body or in the precise configuration of its components, generally known among or readily accessible to persons within the circles that normally deal with that kind of information.
2. Commercial Value: The information must have actual or potential commercial value due to its secrecy.
3. Reasonable Steps to Keep It Secret: The information must have been subjected to reasonable steps under the circumstances, by the person lawfully in control of it, to keep it secret.[12]

[9] European Commission, *Trade Secrets Study* (2013) paras 41-48, paras 49-58, paras 104-111, paras 210-216.
[10] Ibid paras 164-170.
[11] Ibid paras 124-129, paras 159-163, paras 229-241.
[12] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure [2016] OJ L157/1, art 2(1).

2.3 Defining Employee Mobility: Economic and Social Importance

Employee mobility in the EU is not merely an economic concept but a legal right anchored in EU primary law. Article 45 TFEU guarantees the free movement of workers, including the right for workers to accept employment, move freely across Member States for work, and change employers, including competitors.[13] This fundamental freedom facilitates the functioning of the Single Market by removing legal and practical barriers to cross-border labor mobility and promoting the integration of national labor markets. Consequently, intra-EU labor mobility supports economic efficiency by enabling workers to respond to market demand, reducing skills gaps and labor shortages, and sustaining sectors with fluctuating workforce requirements.[14] Additionally, mobility also facilitates the transmission of tacit knowledge and professional practices between firms, contributing to the diffusion of technological know-how and innovation, particularly in knowledge-intensive sectors.[15] At a regional level, cross-border mobility between neighboring Member States helps to correct labor market imbalances and promotes convergence within the internal market.[16]

Labor mobility also strengthens competition in labor markets by limiting the ability of individual firms to retain skilled workers through market power alone. Competitive labor markets encourage employers to invest in working conditions, training, and retention strategies rather than relying primarily on restrictive contractual mechanisms to control employee movement.

Beyond its economic function, employee mobility is closely linked to fundamental rights protected by the EU Charter of Fundamental Rights. Article 15 safeguards the freedom to choose an occupation and the right to work, supporting individuals' ability to pursue career development and professional mobility.[17] Excessive restrictions on the use of knowledge acquired during employment may interfere with this freedom where they effectively prevent former employees from continuing to work in their field. Article 16 further protects the freedom to conduct a

[13] TFEU art 45.
[14] European Commission, *Study Supporting the Monitoring of the Posting of Workers Directive (EU) 2018/957 and of the Enforcement Directive 2014/67/EU* (Final Report, Directorate-General for Employment, Social Affairs and Inclusion, 2024) 4 <accessed 22 January 2026>.
[15] European Commission, *Study on Trade Secrets and Confidential Business Information in the Internal Market*, 88.
[16] Tin Kampl and others, *Migration from the European Periphery to the EU's Core: Deepening of Socio-Economic Inequalities Between the EU and Its Candidate States* (FEPS Policy Study, April 2024) 20 <accessed 22 January 2026>.
[17] Charter art 15.

business, including the ability to establish a competing enterprise, subject to legitimate limits aimed at protecting confidential business interests.[18] Employee mobility, therefore, operates at the intersection of market efficiency and fundamental rights. In this regard, legal regimes governing trade secrets and post-employment restraints must balance the protection of legitimate business interests against the need to preserve labor mobility, competition, and the free movement of workers within the Union.

2.4 The 'Inherent Conflict'

Since employee mobility embodies the collective European interest in a dynamic labor market, and trade secrets represent the individual corporate interest in protecting investment in innovation, the confrontation between these two interests is inherent and inevitable in any modern knowledge-based firm. Legal and practical understanding of trade secret reveals that absolute secrecy is not required, as the information can be protected if it meets the three criteria defined by Article 2 of Trade Secret Directive. Accordingly, partial disclosure as sharing with employees involved in carrying out the confidential process or handling customer relations does not automatically negate its secret status.[19]

The Inevitability of Possessing Protectable Information

Sharing information with employees whether to help them perform their duties or for training is a fundamental aspect of business operations. It enhances productivity and allows employees to contribute to the development of the employer's processes, products, and services. However, once the employment ends, the employee inevitably leaves with knowledge of those ideas, data, and projects retained in their memory.[20] This information can be often complex, involving specific configurations, formulas, or client data that meets the three-part test of a trade secret. After terminating the job, employees cannot simply perform a "mental audit" to purge all protected information. It is therefore questionable whether the information provided to the employee and developed by him during the service can be counted as trade secrets for the employer, or whether former employees are protected from using such knowledge in the same

[18]Charter art 16.
[19] Magdalena Kolasa, 'Trade Secret, Employee's Skill and Knowledge or Public Domain Information: Where to Draw the Line?' in Trade Secrets and Employee Mobility: In Search of an Equilibrium (Cambridge University Press 2018) 93.
[20] Ibid.

line of commerce after the termination of service. Alternatively, it is arguable whether an ex-employee can claim that the information in suit is not trade secret even though it meets the criteria of Article 2 (1) of the directive pointing out that the information is his own experience and skill learned during the service.[21] If former employees were prevented from using any information acquired during their previous employment, this could undermine the Directive's objective of harmonizing trade secret protection while avoiding unjustified restrictions on employee mobility.

2.5 Conclusion

Prior to Directive (EU) 2016/943, Member States adopted divergent approaches to trade secret protection, resulting in legal fragmentation and uncertainty for both businesses and workers. The Trade Secrets Directive sought to harmonize this field by establishing a uniform three-tier definition of trade secrets based on secrecy, commercial value, and reasonable protective measures. At the same time, employee mobility is recognized as a core principle of EU law, grounded in Article 45 TFEU and the EU Charter of Fundamental Rights. Labor mobility contributes to economic efficiency, the diffusion of knowledge, and competitive labor markets, while safeguarding individuals' freedom to work and to pursue professional development.

The conflict between trade secrets and employee mobility is therefore inherent and unavoidable, as employees inevitably acquire and retain knowledge during their employment. The central challenge for EU law lies in achieving a fair balance between protecting legitimate business interests and preserving workers' freedom to use their skills and experience after employment ends.

Chapter III EU Legal Framework (Analysis on Key Articles relating employees' mobility)

The Trade Secrets Directive contains several provisions that are directly, or at least primarily, concerned with departing employees. Although the Directive uniformly provides a single definition of a trade secret, it does not offer an entirely precise or exhaustive formulation. Certain

[21] Björn Domeij, 'The Trade Secret Directive and Employees' in Jens Schovsbo, Timo Minssen and Thomas Riis (eds), *The Harmonization and Protection of Trade Secrets in the EU: An Appraisal of the EU Directive* (Edward Elgar 2020) 148.

elements of the definition remain vague and require interpretation through a balancing of competing interests. It is therefore of particular interest to examine in detail how courts interpret this definition in practice, and why the Directive intentionally leaves a degree of flexibility, given that the boundary between protectable trade secrets and an employee's general know-how and experience is inherently difficult to draw. Furthermore, the provisions on unlawful acts concerning both express and implied confidentiality obligations should not be overlooked. The Directive recognizes the legitimacy of post-employment confidentiality obligations under national law, subject to the overarching principle in Article 1(3)[22] that employee mobility must not be unduly restricted.

3.1 Detailed Exposition of Article 2(1)

One of the efforts made by the Directive to achieve harmonization across the Union in the field of trade secret is the establishment of a single definition of trade secret. It is therefore advisable to set out each criterion of this definition in detail since trade secrets can sometimes be complex particularly in the context of employment relationships.

3.1.1 Criterion for "(Not) Readily Accessible"

Article 2(1) underlines that information must be secret where, as a whole or in the particular configuration of its elements, it is neither generally known nor readily accessible to persons within the relevant professional circles.[23] Accordingly, although the individual elements may be generally known or become publicly accessible, the information remains protected as long as the combination of those elements is kept secret.[24] Moreover, the information need not be absolutely secret, nor exclusively known to a single person or legal entity.[25] In this context, springboard doctrine developed in English case law *Terrapin Ltd v Builder's Supply Co (Hayes) Ltd*, is instructive for interpreting the notion of "readily accessible". The defendant who had been formerly engaged in a collaborative commercial relationship with the claimant, began manufacturing competing prefabricated portable buildings using detailed technical information obtained during the course of their cooperation. Later, he contended that this information lacked

[22] Trade Secret Directive art 1(3)(c) provides that the Directive shall not impose any additional restrictions on employees in their employment contracts other than restrictions imposed in accordance with Union or national law.
[23] Trade Secret Directive art 2(1)(a).
[24] Kolasa (n19) 39.
[25] François Dessemontet, *Intellectual Property Law in Switzerland* (4th edn, Kluwer Law International 2019) 208.

the necessary quality of confidence to warrant legal protection, arguing that the claimant had already commercialized the buildings and distributed brochures about them, thereby rendering the information public.[26] However, The court rejected this argument, holding that a recipient of confidential information may not exploit it as a competitive advantage, even where the relevant features later become publicly observable or capable of being discovered through inspection. A third party without access to the confidential information would still need to invest substantial time and resources in developing plans, constructing prototypes, and conducting tests. The recipient therefore retained an unfair competitive head start.[27]

At first glance, this appears to conflict with the Directive's requirement that protection applies only to information that is not generally known or readily accessible. Ordinarily, once information enters the public domain or becomes easily accessible, it would lose its trade secret status. However, the springboard doctrine reflects a different concern: preventing the unfair advantage derived from a prior breach of confidence. Protection may therefore persist for a limited period in order to neutralize the competitive benefit obtained through unlawful access, even if the information subsequently becomes accessible to others.[28] It is also in line with the Directive wording, "not readily accessible" as a competitor who has not received the confidential information would still need to invest significant time, expertise, and resources to replicate the information independently.

Therefore, the criterion on "secrecy" is concluded as not required to be absolute and relative secrecy suffices. The information can even be a compilation of known elements, provided the specific combination is secret and gives an advantage.

3.1.2 Criterion for "Commercial Value"

As a second requirement, the Directive states that the information must have commercial value whether actual or potential.[29] The relevant issue is not whether the information has direct value to its holder, but whether its secrecy itself confers economic value. Information disclosed without authorization may be strategically useful to the holder, however, if such disclosure does not cause competitive harm, the information may lack the "commercial value" required to

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[26] *Terrapin Ltd v Builder's Supply Co (Hayes) Ltd* [1967] RPC 375 (Ch).
[27] Ibid 391–392.
[28] Håkon Irgens-Jensen, 'Departing Employees, Confidentiality Clauses, and European Trade Secret Protection' (2023) 54(4) *IIC – International Review of Intellectual Property and Competition Law* 495.
[29] Trade Secret Directive recital 14.

qualify as a trade secret.[30] In this sense, the assessment of commercial value distinguishes between the benefit gained by the alleged infringer and the harm suffered by the information holder, a relationship that depends on the parties' competitive position.[31] In Austrian case 4 Ob 188/20f, where two former employees of a railway machinery manufacturer copied confidential design drawings while still employed and later used them as templates in their newly established competing company. By doing so, they saved approximately 25 hours of design work. The employer brought civil proceedings alleging unlawful acquisition and exploitation of trade secrets, the Court held that certain technical drawings failed to satisfy the "commercial value" requirement under Recital 14,[32] notwithstanding that their unauthorized use enabled the defendant to save approximately half of the time required to recreate the designs.[33] The decision reflects a strict interpretation of the "commercial value" criterion, requiring a demonstrable and substantial economic advantage rather than a merely incremental or temporary efficiency gain. Unlike the springboard doctrine in English law, under which any unfair competitive head start obtained through misuse of confidential information may justify protection, regardless of the extent of the economic gain, the Austrian court required a demonstrable and substantial economic impact and held that saving approximately 25 hours of design work was insufficient to establish commercial value under Recital 14. This divergence illustrates how national courts may apply materially different thresholds when assessing the economic significance of misappropriated information.

3.1.3 Criterion for "Reasonable Steps to Keep It Secret"

The information must have been subjected to reasonable steps under the circumstances, by the person lawfully in control of it, to keep it secret. As the Directive does not explicitly define what such steps entail, and this omission is deliberate and therefore as satisfying the final requirement of the definition of trade secret under the Directive needs to be determined taking into account the circumstances of each case.[34] This therefore leaves it to the Member States to determine, through implementation and interpretation, which measures qualify as reasonable steps.

[30] European Union Intellectual Property Office (EUIPO), *Trade Secrets Litigation Trends in the EU: IPR Enforcement Case-Law Collection* (EUIPO 2023) 62.
[31] Ibid.
[32] "Information should have a commercial value, whether actual or potential."
[33] OGH, *4 Ob 188/20f* (26 January 2021).
[34] Kolasa (n19) 66.

The “reasonable steps” requirement is not merely a descriptive element of a trade secret but operates as a “precondition for legal protection”, meaning that even if information is genuinely secret and possesses clear commercial value, it will not be afforded legal protection under the Directive if the holder fails to demonstrate that they have taken adequate and proportionate measures to maintain its secrecy.[35] Since this emphasis on “reasonable steps” further implies a shift towards a more active and documented approach to intellectual asset management for businesses operating within the EU, the threshold for satisfying this requirement should therefore not be set too high, as a lower threshold functions effectively without imposing an excessive burden. What qualifies as reasonable should instead depend on factors such as the company’s size, the nature of the trade secret, and the particular circumstances of each case.[36]

Requiring trade secret protection to depend on active steps taken by the holder to keep information secret encourages businesses to protect only the information they truly value. Companies are more likely to invest in safeguarding important information, while allowing less valuable material to become public and freely usable by others. This helps prevent excessive protection of information that does not deserve it. In addition, the requirement helps courts determine whether misuse has occurred. If a holder has made no real effort to keep information confidential, it becomes difficult to establish unauthorized use or to regard the conduct as unfair.[37]

Moreover, setting the threshold either too low or too high could result in unfair outcomes, particularly where a single act of negligence might lead to the loss of protection. That also might render the ineffectiveness of an agreement obliging employees not to disclose the information after the termination of the employment. The infringer might point out any security hole and avoid liability by pointing out some flaws in security.[38] In legal disputes, attorneys representing the opposing party would likely demand that the rights holder disclose all the security measures and confidentiality agreements in place within the business to determine whether any weaknesses exist that could be challenged. This process would lead to increased litigation costs and could undermine the effectiveness of legal protection for confidential information compared to the pre-

[35] Bianca Fox, ‘Tripping Over the EU Trade Secret Directive: “Reasonable Steps” to Get Back on Track’ (2020) 19 *Chicago-Kent Journal of Intellectual Property Law* 67, 23.
[36] World Intellectual Property Organization (WIPO), *WIPO Guide to Trade Secrets and Innovation* (WIPO 2024) 47 https://doi.org/10.34667/tind.49735.
[37] Kolasa (n19) 42.
[38] Irgens-Jensen (n 28) 507.

Directive framework, especially for small and medium-sized enterprises (SMEs). Such an outcome would run counter to the Directive's intended goal.[39] Moreover, in unfair competition law, if the holder has not taken any steps to maintain secrecy, it is impossible to claim that a competitor or former employee acted unfairly by disclosing or using that information.[40]

Austrian Supreme Court case *4 Ob 165/16t* offers useful insight into how the notion of "reasonable steps" should be interpreted. The case involved a security breach, and the defendant argued that the presence of a security flaw indicated that the claimant had not taken reasonable steps to safeguard the information and that, accordingly, no trade secret infringement could be established. However, the court ruled that the trade secret holder had sufficiently shown an intention to preserve confidentiality. The measures taken, such as using a username-and-password logging system and limiting access to a small, identified group, were deemed adequate under Austrian Act on Unfair Competition.[41] The decision thus clarifies that protection does not depend on complete success in preventing disclosure, but rather on proof that reasonable efforts were made to safeguard the information.

In summary, this step is the self-help mechanism of trade secret law. The holder must prove active measures (e.g., Non-Disclosure Agreements, access controls, "confidential" markings). Failure to do so invalidates the claim, regardless of misappropriation intent. Trade secret protection is therefore, no longer regarded as a passive legal right that automatically attaches to valuable confidential information, but rather an ongoing operational imperative.

3.2 Scope of Information Covered

The crucial differentiation, central to the topic of employee mobility, lies between the protectable trade secret and the non-protectable general know-how. A trade secret is a distinct, protectable asset of the company, but it encompasses a wide range of know-how and business information, extending beyond purely technological knowledge to include commercial data, listing from, but are not limited to, research results (even from universities participating in competitive markets), production processes, customer and supplier lists, cost information, business strategies, corporate

[39] Irgens-Jensen (n 28) 507.
[40] Kolasa (n 19) 43.
[41] OGH, *4 Ob 165/16t* (25 October 2016).

data, market analyses, prototypes, formulae, and recipes.[42] However, the Directive again intends to control this broad scope ensuring that both strategic, long-term information (like a chemical compound or recipe) and ephemeral, short-term data (such as marketing study results or new product launch details) can qualify for protection, provided they meet the three definitional criteria.[43] Although the Directive does not define what is general know-how, recital 14 provides that the definition of trade secret excludes trivial information and the experience and skills gained by employees in the normal course of their employment, and also excludes information which is generally known among, or is readily accessible to, persons within the circles that normally deal with the kind of information in question is an inherent part of the employee's human capital, acquired through experience.[44] Accordingly, the Directive indirectly creates a distinction between general know-how and trade secret, and narrowed the scope of information[45] yet practically it is still impossible to draw a clear line especially in employees departing cases.

3.3 Guidance on Lawful and Unlawful Acquisition

Importantly, in legal disputes, employers must clearly identify which specific pieces of information they claim as trade secrets. The employees also need to aware that the skill and knowledge must be acquired in lawful and honest way in the normal course of employment to be protected under trade secret law. This requirement protects employees by limiting the scope of the case and reducing unnecessary interference with the right to use their general professional knowledge and experience after leaving a job. In many ex-employee cases, the Directive addresses the inherent conflict by providing specific exceptions that formalize the boundary between legitimate protection and illegitimate restraint by meticulously defining what constitutes lawful and unlawful conduct concerning trade secrets, and providing clarity for businesses and individuals alike.[46]

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[42] World Intellectual Property Organization, *WIPO Guide to Trade Secrets and Innovation: Part III – Basics of Trade Secret Protection* (WIPO, undated) https://www.wipo.int/web-publications/wipo-guide-to-trade-secrets-and-innovation/en/part-iii-basics-of-trade-secret-protection.html accessed 27 October 2025.
[43] European Commission, *Commission Staff Working Document: Impact Assessment Report on the Proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* SWD (2013) 471 final.
[44] Trade Secrets Directive, recital 14.
[45] Ibid art 2 and recital 14.
[46] Trade Secret Directive art 3,4

3.3.1 Provisions on Lawful Acquisition

Acquisition of a trade secret is considered lawful when it occurs through means that respect legitimate competitive practices and do not infringe the rights of the trade secret holder. One such means is independent discovery or creation, as recognized under Article 3(1)(a) of the Directive. This provision safeguards employees or third parties who, through their own skill, expertise, and effort, develop knowledge or information that may coincidentally resemble an employer's trade secret.[47] The critical factor is the absence of reliance on confidential information or unlawful access. This approach is reinforced by Recital 16, which clarifies that trade secret protection should not extend to the general experience, skills, and know-how honestly acquired by employees in the normal course of their employment.[48] By doing so, the Directive ensures that trade secret law does not unduly restrict employee mobility or stifle innovation, thereby maintaining a fair balance between protection of confidential business information and the freedom to compete.

Similarly, Article 3(1)(b) affirms the lawfulness of acquiring information through observation, study, disassembly, or testing of a product or object that has either been made publicly available or is lawfully in the possession of the acquirer.[49] This provision explicitly legitimizes reverse engineering as a lawful competitive practice, provided it is carried out without breaching contractual restrictions or other legal obligations. Again, Recital 16 supports this interpretation by emphasizing that the Directive must not be used to prohibit legitimate practices that contribute to technological development and market competition.[50] Reverse engineering enables competitors to analyze functional characteristics, improve compatibility, and develop alternative or improved solutions. In this sense, Article 3, read together with Recital 16, reflects a deliberate policy choice to prevent trade secret protection from becoming a de facto monopoly over publicly accessible products, ensuring that innovation and competition within the internal market remain dynamic and open.

By establishing these means as lawful, the Directive effectively confirms that the employee's right to use their personal know-how and experience is legitimate, provided the

[47] Trade Secret Directive art 3(1)(a).
[48] Ibid recital 16.
[49] Ibid art 3(1)(b).
[50] Ibid recital 16.

acquisition of knowledge did not involve an "unlawful" act as defined in Article 4 (e.g., unauthorized access, breach of a confidentiality agreement, or dishonest practices).

3.3.2 Unlawful Act

The Directive also specifies that "unlawful" acquisition, use, or disclosure of a trade secret generally includes any conduct contrary to honest commercial practices. This broad catch-all category is supplemented by a list of specific acts deemed unlawful. These include unauthorized access to, appropriation of, or copying of any documents, objects, materials, substances, or electronic files embodying or containing the trade secret.[51] Furthermore, the use or disclosure of a trade secret is considered unlawful if it involves a breach of a confidentiality agreement or any other contractual duty to limit its use or disclosure.[52] The Directive recognizes both express and implied duties of confidentiality, without exhaustively regulating their scope. This reflects a conscious policy choice to preserve contractual freedom and national autonomy while preventing harmonization from unduly interfering with labor law traditions. At the same time, this lack of precision may generate legal uncertainty in employment disputes, particularly where implied duties are invoked to restrain post-employment use of knowledge.[53]

The Directive also targets situations where a party acquires, uses, or discloses a trade secret while knowing, or having reason to know, that the information was directly or indirectly derived from an unlawful act committed by another party.[54] This extends liability down the supply chain, even if the recipient initially had no knowledge of the confidential character of the information, provided they later became aware of its unlawful origin.

3.4 Distinction between Employee's skill, knowledge and Trade secret

On the one hand, the distinction between trade secrets and employee's "skill and knowledge" is often linked to how easily the information can be transferred between individuals. Trade secrets are typically transferable in a structured way: they can be communicated to new employees, documented, and retained by the employer as part of the company's proprietary know-how. As long as such information remains confidential and protected from public access, it continues to

[51] Trade Secret Directive art 4(2).
[52] Ibid 4(3).
[53] It will be discussed in later chapters.
[54] Trade Secret Directive art 4(4).

be associated with the employer and retains legal protection.[55] In contrast, skills and experiences gained by an employee are considered more personal, informal, and harder to separate from the individual. These are inherently tied to the person and not the organization, and thus do not fall under trade secret protection. For example, techniques developed through experience, or soft knowledge acquired on the job, are often not protectable, even if valuable.[56]

Regarding employees' mobility cases, it is relevant to note that the so-called tacit knowledge refers to knowledge that is inherently personal and inseparable from the individual who possesses it, meaning it can only be transferred by transferring that individual themselves.[57] Since tacit knowledge is not readily transferable and is deeply connected to an individual's skills, it does not meet the criteria of "information" under Article 2(1) where the employer is unable to identify the information in question. In such circumstances, it would be difficult for the employer to implement appropriate measures to keep the information secret.[58] This view is also supported by Recital 14 which clarifies that the Directive does not affect the use of experience and skills honestly acquired by employees in the normal course of their employment. Since tacit knowledge are not considered as information as defined in Article 2(1), it is not necessary to further analyze that the information meets three criteria- namely, whether they are secret, commercially valuable, or subject to reasonable efforts to maintain confidentiality.[59]

While the Directive seeks to distinguish between protected trade secrets and an employee's skills and knowledge, this distinction is often difficult to apply in practice. In straightforward cases, the boundary is relatively clear: for example, general abilities such as driving a delivery vehicle or operating standard equipment plainly fall within an employee's personal skills, whereas a documented list of optimal delivery routes or customer data compiled and retained by the employer is more likely to qualify as a trade secret.[60] In most real-world situations, however, professional knowledge is not so easily separated, as it typically combines identifiable business information with experience-based, tacit know-how developed over time.

[55] Domeij (n 21) 153.
[56] Ibid.
[57] Marcus Oehlrich, 'Know-how und Tacit Knowledge als vernachlässigte Vertragsbestandteile bei Lizenzverträgen' (2010) *GRUR* 33, 34.
[58] Kolasa (n 19) 77, according to TSD art 2(1)(c) reasonable steps to maintain the secrecy
[59] Domeij (n 21) 153.
[60] Ibid.

As a result, the employee skills exception is most influential in clear or borderline cases, rather than providing a decisive rule for everyday employment relationships.[61]

3.5 Conclusion

In conclusion, while the EU Trade Secrets Directive has made significant progress toward a more harmonized framework for the protection of confidential business information, its success in establishing a clear and balanced legal regime that simultaneously safeguards trade secrets and preserves employee mobility remains only partial. The primary difficulties stem from the flexible nature of the Directive's definition of trade secrets. Courts must interpret the criteria of secrecy, commercial value, and reasonable steps to keep information confidential on a case-by-case basis, leading to divergent national approaches and continuing legal uncertainty across the Union. Assessing whether information is "not readily accessible," whether it has sufficient commercial value, and whether the employer took adequate protective measures often involves complex factual evaluations and competing policy considerations.

These uncertainties also underpin the practical and legal challenges faced by Member State courts in distinguishing between protectable trade secrets and an employee's general know-how and experience. Further difficulties arise in applying the rules on lawful and unlawful acquisition, particularly in separating the legitimate use of independently acquired skills or reverse engineering from misappropriation or breach of confidentiality. Moreover, the boundary between trade secrets and employees' tacit knowledge or professional experience remains inherently blurred, as real-world knowledge often blends identifiable business information with personal expertise.

As a result, courts are required to continually balance effective trade secret protection against the fundamental need to preserve employee mobility and the freedom to use one's skills and experience. This ongoing tension suggests that, while the Directive provides a valuable framework, its practical application still leaves significant room for judicial interpretation and further legal development.

[61] Ibid, Ansgar Ohly, 'Der Geheimnisschutz im deutschen Recht: heutiger Stand und Perspektiven' (2014) *GRUR* 10.

Chapter IV Balancing Competing Interests – Who should be Protected?

The use or disclosure of a trade secret will be regarded as unlawful when it is carried out without the consent of the trade secret holder by a person who has acquired the trade secret unlawfully, or who is acting in breach of a confidentiality agreement or any other obligation requiring the trade secret to be kept confidential, or who is in breach of a contractual or other duty that restricts or limits the use of the trade secret.[62] It is clear from this provision that an employee may be held liable for the disclosure of a trade secret not only where there is a breach of an express confidentiality agreement, but also where there is a breach of any other relevant duty of confidentiality. Accordingly, this chapter examines in detail the scope and nature of an implied duty of confidentiality in the absence of an express contractual provision.

4.1 Duty of Confidentiality

In many trade-secret disputes, the main challenge lies in establishing the facts. It is often challenging to prove exactly what information the accused party has used in a competing enterprise. This issue frequently arises in cases involving former employees.[63] Even when the facts are undisputed, i.e., when it is clear what information, the employee took and how it was used, determining whether their actions amount to unlawful behavior can still be problematic. The key challenge is distinguishing between the legitimate use of an employee's own professional skills and experience, and the unlawful use of confidential business information belonging to their previous employer.[64] The Directive also emphasize on such kind of cases and still they are quite vague. The Directive (Article 4) specifies a list of unlawful acquisition, use or disclosure of a trade secret varying from unauthorized access to, appropriation of, or copying of any documents, objects, materials, substances, or electronic files embodying or containing the trade secret.

If an employee becomes aware of a trade secret in the normal course of their employment, meaning the information was lawfully acquired, first, Article 4(3)(a)[65] of the Trade Secrets Directive does not apply, since that provision addresses cases involving "unlawful acquisition". In contrast, Article 4(3)(a) would be relevant where the employee illegitimately copies or retains

[62] Trade Secret Directive art 4(3).
[63] Irgens-Jensen (n 28) 498.
[64] Ibid.
[65] Irgens-Jensen (n 28) 498, art 4(3)(a) provides that the use or disclosure of a trade secret is unlawful where it is carried out, without the consent of the trade secret holder, by a person who has acquired the trade secret unlawfully.

confidential documents after leaving the company. the use of information that was obtained in a dishonest manner, particularly through copying, taking documents, or deliberately memorizing them, is not universally allowed in many jurisdictions.[66]

Secondly, many employment contracts include post-employment clauses that require former employees to maintain confidentiality and restrict the use of trade secrets acquired during their employment. When such clauses are in place, any disclosure or use of those trade secrets after leaving the job would constitute a breach of Article 4(3)(b) or (c) of the Directive[67] unless the confidentiality or non-use clause is deemed unfair or unenforceable under national law.[68]

The third, and perhaps most challenging, scenario arises when trade secrets are legitimately learned during employment and later used or disclosed at another company. The key question is whether such information can be freely used after leaving the job, or whether, under Article 4(3)(b) or (c), it is subject to an implicit obligation restricting its use or disclosure. How should an employment contract that is silent on this issue be interpreted? Are trade secrets shared with employees solely for the purposes of their employment, thereby creating a duty under Article 4(3) to refrain from using or disclosing them after departure?[69] Here, the Directive does not state when "any other duty" exists. Hence, it is arguable that it is ultimately for national law to determine the extent to which an implied duty exists for former employees not to disclose or use trade secrets that they honestly acquired during the course of their employment.[70]

4.2 Between Secrecy and Mobility – Balancing act in Trade Secret Disputes

The practical challenge for courts remains enormous: determining the precise moment and manner in which general, legitimate skill transition into specific, secret information that was unlawfully acquired or used in breach of a confidentiality duty. This difficult delineation is the central legal battlefield on which trade secret law and employee rights intersect. Even before the Directive, national courts decided numerous disputes concerning trade secrets and employees. In doing so, courts developed case-by-case approaches to protect employees' right to change employment by balancing the competing interests involved. This assessment typically takes into account a number of factors, including -

[66] Kolasa (n 19) 157.
[67] Trade Secret Directive article 4(3)(b) and (c).
[68] Domeij (n 14) 160.
[69] Ibid.
[70] Ibid, Kolasa (n 18) 156.

4.2.1 Employee's right to professional advancement

When assessing post-employment use of confidential information, particular weight should be given to the former employee's right to pursue their profession where the information at issue is essential for continuing work in the same field or technological area. This consideration follows from the principle, reflected at EU level, that trade secret protection must not unduly restrict employee mobility or the use of experience and skills honestly acquired during employment.[71] For this reason, national courts often approach such cases with caution where enforcement would effectively function as a de facto non-competition restriction.[72]

This concern is especially relevant in relation to client relationships. Where an employee has developed long-term, trust-based relationships with clients, courts in several jurisdictions have distinguished between confidential client data, such as pricing structures or strategic plans, and personal relationships or general knowledge of client needs, which may form part of the employee's professional skillset. The latter is less readily protected, as restraining its use may unjustifiably interfere with the employee's freedom to work.[73]

Similar considerations arise in cases involving specialized expertise. Where an employee operates within a narrow or highly specialized field and has done so over an extended period, restrictions on the use of knowledge acquired during employment may severely limit future career opportunities. In such circumstances, trade secret protection should be applied with caution so that confidentiality duties do not effectively prevent employees from changing jobs or using their general technical skills, especially where the information concerned forms part of ordinary professional knowledge rather than clearly defined trade secrets.

4.2.2 Former employer's competitive interest

At the same time, the former employer's competitive interest cannot be disregarded. Trade secret law is designed to protect commercially valuable information against unfair exploitation, even though it does not prohibit competition as such.[74] A nuanced assessment is therefore required. From a policy perspective, information that an employer deliberately chose not to protect through a patent or utility model should not automatically be treated in the same manner as

[71] Trade Secret Directive recital 16.
[72] See Bundesgerichtshof (BGH), *Industrieböden* [1962] I ZR 47/61, judgment of 21 December 1962.
[73] *Faccenda Chicken Ltd v Fowler* [1987] Ch 117 (CA); BGH, Urteil vom 26 February 2009 – I ZR 28/06 (*Kundenliste*).
[74] Trade Secret Directive recital 16.

formal employee inventions. Treating unpatented technical information as equivalent to patented inventions, and restricting its use accordingly, risks undermining the patent system's core objective of encouraging public disclosure in exchange for exclusive rights. Rewarding the deliberate withholding of potentially patentable information through expansive trade secret protection could distort this balance and incentivize secrecy over disclosure.[75]

Nevertheless, the absence of patent protection does not deprive information of economic value. Both technical information that falls short of patentability and non-technical information, such as marketing strategies, product launch plans, or large datasets, may constitute a significant source of competitive advantage. Where such information is genuinely confidential and has been subject to reasonable protective measures, it may legitimately support the employer's interest in legal disputes.[76] This consideration carries particular weight where the former employee's subsequent professional activity is not dependent on the use of that specific information, suggesting that enforcement would protect legitimate business interests without disproportionately restricting professional freedom.

4.2.3 Dishonest Possession

If a former employee leaves with a large quantity of company information, that may be a sign that the data was taken dishonestly. In such cases, it does not matter whether the information is patentable, technical, or business-related, meaning dishonestly obtained information may never be used.[77]

4.2.4 Information developed by the employee

When an employee has personally developed certain information during their employment, this usually indicates that it was acquired honestly and naturally retained in their memory. However, unless the information qualifies as an employee invention under any specific law in employee's

[75] Mark A Lemley, 'The Surprising Virtues of Treating Trade Secrets as IP Rights' (2008) 61 *Stanford Law Review* 311 (highlighting how patents and trade secrets reflect different disclosure incentives and the risks of conflating these regimes).
[76] If such information falls within the definition of Article 2 (1) of Trade Secret Directive, Secrecy, commercial value and subject to protective subject matters.
[77] Trade Secret Directive 4(2)(a), Kolasa (n17) 118.

invention,[78] its post-employment use must be assessed through a balancing of interests between employer and employee. The mere fact that the employee created the information does not automatically give them ownership, since the results of work performed in the course of employment generally belong to the employer.[79] Nevertheless, this factor may weigh in the employee's favor when the information takes the form of tacit knowledge, for instance, client relationships built on trust or personal skills. In contrast, where the information consists of tangible outputs such as documents or products, the employee's authorship is neutral, and the information remains part of the employer's business assets.[80]

4.3 Different methods used by National Courts

One method, which is supported by the Trade Secrets Directive, is to exclude from the definition of a trade secret the skills that employees naturally acquire through their work, even if such skills technically meet the definition under Article 2 (1). This approach is in line with the decision in UK case *Faccenda Chicken Ltd v Fowler*. where the Court of Appeal held that, while employees owe a general duty of good faith and confidentiality during employment, only certain types of information remain protected after employment ends. This includes information that qualifies as a "trade secret" or is of "a highly confidential nature," typically requiring the employer to have taken clear steps to designate and protect the information as such. Routine knowledge or skills acquired in the normal course of employment are not protected. The Court of Appeal emphasized that a decision must be made by taking into account all the relevant circumstances of the case.[81]

German law, on the other hand, reviewed cases mostly considering whether the alleged acts constitute unfair competition. Under German civil law, former employees are generally free to use the knowledge and skills they acquired during their employment in subsequent positions. However, in certain exceptional situations, their actions may still be regarded as unfair competition or wrongful conduct.[82] A well-known example is the *"Industrieböden"* case, where the defendant terminated his employment with immediate effect and shortly thereafter became

[78] Gesetz über Arbeitnehmererfindungen (Germany) ss 6-7; Patentgesetz 1970 (Austria) ss 6–8, which regulates inventions made in the course of employment by allocating ownership of service inventions to the employer, subject to the employee's right to appropriate remuneration.
[79] Kolasa (n 19) 97.
[80] Ibid 118.
[81] *Faccenda Chicken Ltd v Fowler* [1987] Ch 117 (CA).
[82] German Civil Code (BGB) § 611a; Basic Law (GG) art 12(1); Gesetz gegen den unlauteren Wettbewerb §§ 4 No 3–4; Gesetz zum Schutz von Geschäftsgeheimnissen §§ 4, 23.

involved in establishing a competing business that marketed similar products abroad. The claimant alleged that the defendant had unlawfully disclosed confidential technical drawings and exploited inventions developed during his employment. The defendant denied any misuse of confidential information and argued that he was entitled to use his professional knowledge after leaving employment. The Federal Court of Justice emphasized that the unlawfulness of post-termination use of confidential information cannot be presumed automatically but requires a careful balancing of the employer's legitimate interests against the former employee's freedom to use the knowledge, skills and experience necessary for professional advancement.[83] Here, the Court acknowledged that exceptional cases of post-termination misuse may justify continued protection, but at the same time reaffirmed that, as a rule, confidentiality obligations end with the termination of employment and should not be extended in a way that unduly restricts employee mobility.[84] This reflects the German courts' approach of assessing such disputes within the framework of unfair competition law, A careful balancing of interests is therefore required, rather than automatically accepting an employee's claim that all acquired knowledge may lawfully be used.

From the study of case law, it can be found that the key distinction between the German and UK approaches to ex-employees and trade secrets lies in their starting points. In Germany, the basic rule is that a former employee is free to use everything learned during employment, provided it was gained through loyal performance of their duties. German law does not draw a strict line between trade secrets and confidential information or know-how, unlike UK law, which protects trade secrets but allows the use of general know-how.[85] Notwithstanding the general principle of post-employment freedom, the use of a trade secret after termination may in certain circumstances be unlawful even where the information was lawfully acquired during employment. In assessing such cases, the decisive factor is not whether the information merely constitutes know-how, but rather its commercial importance to the undertaking. Relevant considerations also include the extent of the employee's contribution to the development of the information and the employee's position within the organization, alongside other contextual

[83] Bundesgerichtshof (BGH), Urteil vom 21. Dezember 1962 – I ZR 47/61.
[84] Ibid.
[85] William van Caenegem and Luc Desaunettes-Barbero, *Trade Secrets and Intellectual Property: Policy, Theory and Comparative Analysis* (2nd edn, Edward Elgar Publishing 2018) 187.

factors.[86] As a result, outcomes in civil disputes of this kind are often difficult to predict, reflecting the inherently open-ended nature of interest balancing.[87]

One well-established rule in both systems is that information obtained dishonestly may never be used. Additionally, where the information is essential for the ex-employee's continued professional activity, the employee's right to career development will generally take precedence.[88]

4.4 Conclusion

In conclusion, when courts weigh the interests involved in trade secret disputes with former employees, one of the most important factors is the value of the information and the potential damage caused by its use. In this context, the implied duty of confidentiality plays a central role in trade secret litigation, particularly in cases where no express contractual confidentiality clause exists. It functions as a key legal mechanism through which courts determine whether a former employee's use or disclosure of information was permissible or unlawful, by assessing whether the information was of such a confidential nature that its protection should continue beyond the termination of employment. This approach aligns with the EU Trade Secrets Directive, which emphasizes that legal protection should support innovation.[89] For instance, courts are more likely to protect technical know-how, like how a new product is made, than basic customer information such as names and contact details.[90]

When a former employee uses detailed technical knowledge acquired during employment to develop a nearly identical competing product, courts generally regard this conduct as trade secret misappropriation. Such use exceeds the limits of permissible competition and undermines the former employer's proprietary interests.

In contrast, where the only information involved is a customer list, particularly when no physical or digital copies were taken and no non-compete or non-solicitation agreement applies, courts tend to favor the employee. This approach reflects the principle that employees are entitled to use their general knowledge and experience, and that the law prioritizes labor mobility

[86] van Caenegem and Desaunettes-Barbero (n 85) 187.
[87] Ibid 187-188.
[88] Kolasa (n18) 117.
[89] Trade Secret Directive recital 3.
[90] BGH, Urteil vom 26 February 2009 – I ZR 28/06 (*Kundenliste*).

and freedom of employment[91] over restricting on competition in the absence of clear misuse of confidential information.

Other factors can also weigh in favor of the ex-employee. These include situations where: The new job or business is not in direct competition with the former employer. The new product is significantly different from the old one. The employee was mistreated or left under unfair circumstances. The employee had a significant role in developing the trade secrets while at the previous job.[92]

Chapter V Contractual Mechanism

As mentioned in Article 4(3)(b)(c), "The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person being in breach of a confidentiality agreement". In this case, the courts' approach of weighing of interests and the confidentiality obligation outlined in Chapter IV concerning cases in which no specific post-employment agreement exists between the employer and the employee regarding how the employee may use information acquired during their period of employment, may not further apply.[93] In contrast, a single clause would expand the employers' protection of trade secrets at the cost of limiting employees' freedom to apply their limiting knowledge in future position. If this interpretation holds true, it is likely that many employment contracts will soon begin to include such provisions, as few new employees would object to a restriction preventing them from using the company's "trade secrets" once their employment ends.[94] If so, the Directive's effort and national courts' decisions in order to balance the interests might be overlooked.[95]

5.1 Principle of Freedom of Contract

The ability of an employer and employee to determine how trade secrets may be use after the later leaves the company is based on the widely accepted principle of freedom of contract, which

[91] TFEU art 45, Charter art 15 (1)
[92] Irgens-Jensen (n 28) 511.
[93] Ibid 513.
[94] Ibid
[95] Ibid.

allows parties to set their own terms by mutual agreement.[96] Among the various types of agreements designed to protect trade secrets, non-disclosure agreements (NDAs) are specifically intended to safeguard confidentiality. By signing such an agreement, an employee commits not to reveal and, in some cases, not to use the information identified as confidential within the contract.[97]

Trade secrets can also be safeguarded through a broader post-employment agreement, such as a non-compete clause, which prohibits the employee from engaging in business activities that compete with the former employer after their employment ends. Since the agreement restricts competition, it serves both as a contract in its own right and limitation on the employee's future freedom to conduct other contracts.[98] While NDAs aim for secrecy protection, non-compete agreements strengthen the employer's position by broadly restricting competition, thereby discouraging employees from changing jobs. Where the employment relationship ends, these agreements also make enforcement easier, since it is easier to prove that a former employee is engaging in competing activities than to establish a violation of trade secret rights or a breach of a confidentiality clause.[99]

5.2 Why Contractual Protection Rather Than Statutory Protection of Trade Secrets?

There are several reasons why parties may prefer to enter into a contractual agreement rather than rely solely on the statutory protection afforded to trade secrets. Firstly, contractual obligation offers greater specificity than statutory rules. While statutes provide general definitions, contracts can tailor protection to specific information, relationships, and industries. For example, NDAs can identify particular documents, formulas, or processes, clarifying what constitutes confidential material.[100] In addition, contractual obligations act as a preventive mechanism, increasing employee awareness and discouraging misuse before litigation becomes necessary.[101] In legal systems that require proof of efforts to preserve the confidentiality of information, contracts are not merely supplementary - they are instrumental to enforcing statutory protection. Confidentiality agreements demonstrate "reasonable steps" and thereby

[96] Kolasa (n 19) 165.
[97] Ibid 166.
[98] Catherine L Fisk, 'An Ingenious Man Enabled by Contract' in Catherine L Fisk, *Working Knowledge: Employee Innovation and the Rise of Corporate Intellectual Property, 1800–1930* (University of North Carolina Press 2009).
[99] Kolasa (n19) 166.
[100] Irgens-Jensen (n 28) 512.
[101] Kolasa (n19) 167.

activate statutory remedies in case of breach.[102] Moreover, pursuing a breach of contract claim can often be more practical for an employer than bringing an action for trade secret misappropriation, since it can be initiated before any misuse actually takes place. The employer only needs to demonstrate that the terms of the agreement were violated, without having to prove that the trade secret was used or disclosed.[103]

In practice, it might be argued that advantages of contractual regulation, private agreements provide a more effective means of protecting valuable business information than statutory trade secret law and could even replace statutory mechanisms altogether. This approach appears particularly beneficial to employers, as it would enhance legal certainty regarding the use of knowledge gained during employment.[104]

However, relying exclusively on contractual instruments, especially broad non-compete clauses, raises significant concerns about fairness and power imbalance. Employers typically possess greater bargaining strength, both during the negotiation and enforcement of such agreements. As a result, they may impose overly restrictive post-employment obligations that employees, due to the high cost and complexity of legal proceedings, are unlikely to contest. Such an outcome could limit employees' freedom of occupational choice and undermine professional mobility. From a broader policy perspective, an unrestricted freedom of contract in this area risks creating barriers to competition and reducing labor market flexibility.[105] This reflects the approach taken by national courts in prior cases addressing the restriction of contractual freedom in regulating the post-employment use of information acquired during service, particularly in situations where such contractual provisions would, in effect, impair the former employee's freedom to engage in competitive activity against their previous employer.[106]

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[102] See Article 2(1) (reasonable steps requirement), Van Caenegem and Desaunettes-Barbero (n 85)186–188. Van Caenegem notes that 'the evidentiary burden placed on a claimant under trade-secret law is substantially reduced where a contractual duty of confidence exists', as contractual confidentiality obligations constitute evidence of reasonable steps to preserve secrecy and reduce uncertainty as to the existence and scope of the trade secret.

[103] William M. Landes & Richard A. Posner, The Economic Structure of Intellectual Property Law (Harvard Univ. Press 2003) 354, 365.

[104] Robert G Bone, 'A New Look at Trade Secret Law: Doctrine in Search of Justification' (1998) 86 *California Law Review* 241, 304, arguing that '[f]ocusing on contract principles will direct courts to ward the proper issues and away from open-ended inquiries into poorly defined standards of commercial morality. Intellectual property will be the better for the change'.

[105] Kolasa (n19) 168.

[106] Ibid

5.3 Employment Covenants in Trade Secret Protection: Contractual and Statutory Dimensions

Unlike normal employment contracts during service, post-employment clauses need to be scrutinized and carefully assessed. In line with Article 16 of the Charter of Fundamental Rights of the European Union, parties are free to determine the content of their contract including the use of information and post-employment duties.[107] However, this freedom is not absolute particularly in post-employment relationship.[108] Many EU legislations differentiate between non-disclosure agreements**,** which fall under the general principles of contract law**,** and non-compete agreements**,** which are subject to specific statutory regulations**.**[109]

5.3.1 Non-Disclosure Agreement

Covenants not to disclose are most common clauses found in employment contracts and are not subject to any regulation. Such agreements may be concluded at any stage of the employment relationship, prior to its commencement, during its term, or after its termination, either individually or as part of a collective arrangement.[110] Such agreements must be confined to information qualifying as trade secrets and may not encompass information that falls outside that definition.[111] At the same time, where a post-employment agreement is limited solely to prohibiting the disclosure of trade secrets, the employee's freedom of occupational choice is not restricted and no compensation is required in this case.[112] However, confidentiality obligations in such agreements cannot be assessed uniformly, as the difference lies in both the nature of the information at issue and the balancing of the parties' competing interests. Where the information

[107] Charter art 16, Trade Secret Directive recital 13.
[108] Trade Secret Directive recital 16.
[109] See, by way of example, German law, where confidentiality and non-disclosure agreements are governed by the general contract law provisions of the Bürgerliches Gesetzbuch (BGB), in particular §§ 145–157 (contract formation) and § 242 (good faith). By contrast, post-employment non-compete agreements are subject to the special regime of §§ 74–75d of the Handelsgesetzbuch (HGB). A similar distinction exists in Austrian law, where NDAs are governed by the general rules of the Allgemeines Bürgerliches Gesetzbuch (ABGB), notably §§ 859 ff, while post-employment non-compete clauses are specifically regulated by § 36 of the Angestelltengesetz (AngG).
[110] Richard Schlötter, *Der Schutz von Betriebs- und Geschäftsgeheimnissen und die Abwerbung von Arbeitnehmern: Eine rechtsvergleichende Untersuchung des englischen, französischen und deutschen Rechts* (Carl Heymanns Verlag 1997) 196.
[111] Kolasa (n19) 169.
[112] Bundesarbeitsgericht (BAG), Judgment of 16 March 1982 – 3 AZR 83/79 (*Thrombosol-Fall*), Entscheidungsgründe**:** „Die Parteien konnten eine Pflicht zur Wahrung des Betriebsgeheimnisses über das Ende des Arbeitsverhältnisses hinaus ohne Karenzentschädigung wirksam vereinbaren." (Translation: "The parties were able to validly agree on an obligation to maintain the confidentiality of trade secrets beyond the end of the employment relationship without compensation.").

consists of a technical formula or comparable proprietary know-how that forms a core element of the employer's business and whose continued protection does not materially restrict the former employee's ability to pursue his profession, courts have been willing to uphold such post-employment duties.[113] By contrast, client information and customer relationships, which are often directly tied to the employee's own experience, skills, and capacity for professional advancement, are treated differently. Because such knowledge may be essential for the employee's continued participation in the labor market, broad prohibitions on its post-employment use risk unduly interfering with the employee's occupational freedom and are therefore less likely to be protected.[114] Although restricting the former employee from using client information gained during employment was deemed a disproportionate interference with their rights, the prohibition on selling such client data to third parties was considered legitimate and acceptable.[115] Consequently, a restriction on disclosure is acceptable only if it does not restrict the former employee's competitive activity, but instead simply place them on an equal position with colleagues who never had access to the confidential information.[116] Sometimes, they can be in disguise of non-compete covenants by effectively limiting the former employee's ability to pursue their occupation, whereas the latter needs more restrictive legal requirements such as limited duration, geographic scope and compensation.

It is also important to note that in the absence of a valid non-compete agreement[117], the scope of a post-employment non-disclosure agreement should not extend beyond the general duty of confidentiality that would apply even without a contract.

5.3.2 Agreement Not to Compete

As mentioned earlier, if an NDA is interpreted as restricting a former employee's ability to compete without providing any compensation, it will likely be treated as an unenforceable non-compete agreement.[118] Therefore, an employer seeking to restrict an employee's post-employment activities should put in place a proper agreement designed (e.g., agreement not to

[113] BAG, *Thrombosol-Fall* (n 112).
[114] BAG, *Kundenliste* (n 90).
[115] Ibid.
[116] BAG, *Thrombosol-Fall* (n 112), "Such an obligation merely places the affected employee in the same position as employees who are not entrusted with trade secrets and does not impose any further constraint."
[117] post-employment non-compete clauses are subject to strict statutory regulation, including mandatory requirements as to their duration, the payment of compensation, and the permissible scope of the restriction.
[118] Kolasa (n 19) 178.

compete) to have legal effect, rather than relying on overly broad NDA clauses that provide no compensation. Such uncompensated restrictions are likely to be deemed invalid and unenforceable.

Under EU law, covenants not to compete are generally accepted but under strict regulation. Due to its effect of restricting on competitive activity, some non-compete clauses (especially between businesses or in distribution/co-operation agreements) may fall under Treaty on the Functioning of the European Union (TFEU) Article 101/102 if they restrict competition “by object” or “by effect”.[119] Additionally, the freedom of movement of workers (Article 45 TFEU) and general contract law and labor-law principles apply, meaning an non-compete clause must respect the employee’s right to work and the proportionality principle. That is why national law and courts need to balance such clauses not to restrict competition and freedom of movement of workers and freedom to choose occupation.[120]

Unlike NDAs, non-compete agreements are not governed by the general principles of contract law but by specific statutory provisions, as their validity and enforceability depend on compliance with particular legal requirements. Although the precise conditions for post-employment non-compete clauses differ across jurisdictions, most legal systems impose similar fundamental limitations. Some member states have detailed statutory regulations governing the admissibility of non-compete clauses,[121] while others rely mainly on general principles developed through case law.[122]

For non-compete clauses to be valid, the written form and the employee’s signature are uniformly required in most jurisdictions across EU. However, other key elements, such as compensation for the employee, legitimate business interest, scope, duration, territorial limitations, and proportionality, are assessed differently from state to state, often on a case-by-case basis by national courts. This lack of harmonization means that, in some Member States, it is significantly easier (and cheaper) for employers to impose non-compete clauses than in others.

[119] TFEU arts 101 and 102, which prohibit, respectively, anti-competitive agreements and abuses of a dominant position, and may apply where contractual restrictions, such as post-employment restraints or information-use limitations, have the object or effect of restricting competition or distorting market conditions beyond what is necessary to protect legitimate interests.
[120] TFEU art 45, Charter of Fundamental Rights of the European Union art 15(1).
[121] In Germany, Post-employment non-competition is regulated under Handelsgesetzbuch (HGB) § 74 et seq. In Austria, Angestelltengesetz (“AngG”) § 36 governs post-employment non-competition clauses.
[122] In France, the regime is found in the Code du travail (French Labour Code) particularly the fundamental rule in Art. L 1121-1 (restriction of rights) and case-law around non-compete clauses (Cour de Cassation).

For example, in jurisdictions where statutory law does not make post-contractual compensation mandatory for restrictive covenants (such as Austria or the Netherlands), employees may still bear the burden of costly and time-consuming litigation to challenge overly broad or restrictive clauses often without receiving any compensation during the dispute. By contrast, countries such as Germany and France provide clear statutory requirements—including mandatory compensation and strict validity conditions—that more effectively safeguard the employee's freedom of work and occupational mobility.

5.4 Overbreadth and Its Consequences: Do Excessively Wide Clauses Undermine Contractual Protection?

A central question in comparative trade-secret law is whether broadly worded confidentiality clauses, those that merely prohibit a former employee from using *the employer's "trade secrets"*, actually increase the level of protection compared with the protection already afforded by statutory or common-law rules in the absence of a contract. When determining such cases, courts undertake an analysis comparable to that applied when evaluating the fairness of information use in the absence of a contract.[123] In practice, national courts rarely treat such clauses as expanding employers' rights.

Starting from UK case law, in *Faccenda Chicken*, it was held that post-employment obligations are determined by contract between employer and employee.[124] The judgment, however, is commonly understood as limiting the effect of contractual confidentiality clauses to the same scope as the employee's implied obligations of confidence: only "true" trade secrets (as opposed to mere confidential information or general know-how) are protected post-employment.[125] This approach has been criticized on the basis that it undermines both commercial protection and legal certainty[126] and is generally not applied when assessing express post-employment restrictive covenants.[127] Subsequent cases such as *Balston v Headline Filters* confirm that even where a confidentiality clause exists, courts often hold that its effect merely

[123] Irgens-Jensen (n 28) 512.
[124] *Faccenda Chicken* (n81) 135.
[125] Ibid 136, "The obligation does not extend, however, to cover all information which is given to or acquired by the employee while in his employment, and in particular may not cover information which is only confidential."
[126] Kolasa (n19) 198.
[127] If post-employment clauses are concluded with express statutory terms such as limited duration, geographical scope and compensation.

coincides with the protection already available under the implied duty of confidence.[128] Accordingly, UK's court practice generally treats broadly drafted clauses as either redundant (because the law already protects genuine trade secrets) or ineffective (because they are too vague or risk operating as disguised non-compete clauses).

German case *Titanoxid*, on the other hand, confirms that an agreement prohibiting post-employment use of trade secrets is in principle valid and does not automatically constitute a non-compete requiring compensation.[129] Importantly, the Court also stressed that such a clause may not place the employee in a more disadvantageous position than a hypothetical employee who never learned the trade secrets at all.[130] This reflects the core German principle that while trade secrets themselves must remain protected, the employee's general professional know-how and accumulated experience remain freely usable.[131]

UK and German law adopt different doctrinal paths but reach broadly similar practical outcomes. UK case laws illustrate that although post-employment obligations are formally determined by contract, courts typically interpret express confidentiality clauses as coextensive with the implied duty of confidence, thereby preventing them from expanding protection beyond baseline trade-secret law. Germany, by contrast, accepts the validity of post-employment trade-secret clauses in principle, but subjects them to stringent proportionality review under general contract law, ensuring that they do not unduly restrict employee mobility or appropriate general know-how.[132] In both systems, it demonstrates that liability usually arises from statutory or common-law duties rather than from the mere presence of a confidentiality clause. Consequently, despite different legal techniques, interpretive narrowing in the UK and substantive invalidity control in Germany, both jurisdictions rarely allow broadly worded "trade secrets" clauses to expand employers' rights in practice.

Another key reason courts seldom allow contractual clauses to expand protection is that they draw a strict conceptual boundary between information that legally qualifies as a trade secret and the employee's own general know-how. It is therefore unlikely that a former employee would be found liable solely by virtue of a broadly drafted clause prohibiting the post-

[128] *Balston Ltd v Headline Filters Ltd* [1987] FSR 330 (Ch).
[129] BAG, 7 June 1994 (*Titanoxid*) NZA 1994, 502.
[130] Kolasa (n18) 171.
[131] See *Kundenliste* (n90).
[132] Art 12(1) Grundgesetz protects the freedom of occupation (*Berufsfreiheit*), including the right to pursue one's profession without disproportionate restrictions.

employment use of an employer’s trade secrets. Notwithstanding such a clause, the employer must, in any litigation, establish with specificity which trade secrets were in fact misappropriated in the employee’s subsequent employment, and courts will accordingly draw a distinction between protectable trade secrets and the employee’s general know-how.[133]

For these reasons, national cases where a general “trade secrets” clause has decisively altered the result i.e., situations where the employee would have been acquitted under the baseline law but becomes liable solely because of the clause are extraordinarily rare. Courts either interpret such clauses narrowly so that they coincide with the baseline legal protection, or they invalidate or limit clauses that would otherwise overreach. The overall pattern is therefore clear: broad confidentiality clauses almost never expand employers’ rights beyond what the law already provides.[134]

5.5 Broadening the protected subject matter

The foregoing analysis has focused on clauses limited to ‘trade secrets. A distinct and increasingly important issue arises where employers draft confidentiality provisions that purport to protect information beyond that legal category. Section 5.4 therefore turns to the question of how courts should treat such broader clauses. While a prohibition on using trade secrets restricts conduct with respect to a legally defined category of information, expanding the protected subject matter alters the scope of information that is contractually protected, potentially extending beyond trade secret law. Employers often draft confidentiality provisions so broadly that they seek to cover all information within the category of protected subject matter. These clauses frequently refer to “know-how,” “customer data,” “business information,” or even just “information” in general. The question, then, is how courts should approach such contractual terms. In this context, it matters little whether, without any agreement in place, a court would resolve a dispute between a former employee and employer by distinguishing between trade secrets and general experience, or by applying a balancing-of-interests analysis; those hypothetical approaches are not decisive for interpreting an expressly agreed confidentiality clause.[135]

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133 Irgens-Jensen (n17) 515.
134 Ibid.
135 Ibid.

When courts are confronted with broad confidentiality clauses which seem to extend protection beyond what counts as trade secrets, they generally have one of these possible approaches. In most cases, they may give the clause a narrow interpretation, effectively restricting it to genuine trade secrets or to only slightly more. In some, they may conclude that the clause cannot be enforced because it conflicts with higher-ranking legal rules, such as the laws governing non-competition agreements or general principles of contract law. Declaring a clause "unenforceable" also includes the possibility of treating it as invalid under the different doctrines of invalidity found in national contract laws.[136]

German case law, including the *Kantenbänder*[137] and *Titanoxid*[138]decisions, may give the impression that any confidentiality agreement covering information other than genuine trade secrets is treated as equivalent to a post-employment non-competition clause. Such a clause would be invalid unless it complies with the strict requirements that apply to non-compete agreements. [139] In addition, very broad confidentiality clauses, so-called "catch-all" clauses that extend to all business-related matters, may be considered unenforceable under general contract-law provisions in most jurisdictions.[140]

The legal consequences of finding a confidentiality clause unenforceable differ across jurisdictions. In Germany, such a clause is normally invalid in its entirety, after which only the statutory duties of confidence apply. In the UK, courts are reluctant to adopt narrow interpretation to save "post-employment broad clauses that would undermine the restraint of trade doctrine. In *SBJ Stephenson Ltd v Mandy*, the confidentiality clause prohibited disclosure of "any information in relation to the affairs of the Company."[141] The wording here was extremely broad and could have captured trivial or publicly available information. However, the court interpreted the clause purposively, holding that a reasonable reader would understand it to protect only information that a person of ordinary honesty and intelligence would recognize as belonging to the employer and not freely usable.[142] This effectively aligned the clause with the

[136] Irgens-Jensen (n17) 515.
[137] BAG, 28 January 1999 (*Kantenbänder*) NZA 1999, 200.
[138] BAG, (*Titanoxid*) (n 129).
[139] The central rule is § 74(1) of the German Commercial Code, which governs agreements that prevent a former employee from engaging in certain professional activities after their employment ends and requires the employer to pay compensation during the restricted period.
[140] Bürgerliches Gesetzbuch (Germany) §§ 305, 138; Allgemeines bürgerliches Gesetzbuch (Austria) §§ 864a, 879(3); Code civil (France) art 1171.
[141] *SBJ Stephenson Ltd v Mandy* [2000] CLC 656 (CA).
[142] Ibid.

protection of trade secrets or at least trade-secret-like confidential information, despite the expansive drafting. On the other hand, in *Quilter Private Client Advisers Ltd v Emma Falconer Continuum Falconer,* the court found the clause defining ‘‘confidential information’’ as ‘‘information in whatever form relating to our business, clients, customers, products, affairs and finances which we consider to be confidential’’ to constitute an unreasonable restraint of trade and therefore unenforceable.[143] Unlike in Mandy, the court did not attempt to rescue the clause through restrictive interpretation. This reflects a stricter commitment to the principle that courts should not rewrite contracts and employers must bear the consequences of drafting excessively broad restrictions. Otherwise, the employee's ability to use information in subsequent employment may become significantly narrowed, as employees may refrain from using not only confidential material but also their own general knowledge, skills, and experience, for fear of breaching the agreement and incurring legal liability. In this way, such clauses may operate in practice as a form of de facto non-competition and therefore require careful judicial scrutiny.[144]

It is uncertain whether the harmonization brought by the Trade Secrets Directive will influence how national courts assess confidentiality clauses that cover information beyond the Directive's definition of a trade secret in the future. Although recital 10 confirms that Member States may provide broader protection against the misuse of trade secrets, it does not provide anything about contractually protecting information that does not qualify as such.[145] In copyright law, by contrast, rights vest by operation of law, so defective or poorly drafted licensing clauses may affect the contractual allocation or exercise of those rights, but they do not extinguish the underlying copyright itself.[146] Another CJEU's decision in C-30/14 *Ryanair Ltd v PR Aviation BV,* underlines that the Database Directive (Directive 96/9/EC) does not apply to a database that does not meet the requirements for protection either under copyright or the sui generis right provided by that Directive. Consequently, the Directive does not prevent the database maker from imposing contractual restrictions on the use of such a database by third parties, without

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[143] *Quilter Private Client Advisers Ltd v Falconer* [2020] EWHC 329 (QB) [208]– [212].
[144] Hrdy & Seaman, 'Beyond Trade Secrecy: Confidentiality Agreements That Act Like Noncompetes' (2024) 133 *Yale LJ* 669, 697.
[145] Recital 10 states that "without prejudice to the possibility for Member States of providing for more far-reaching protection against the unlawful acquisition, use or disclosure of trade secrets..."
[146] Case C-277/10 *Luksan v Petrus van der Let* EU:C: 2012:65, establishing that certain exploitation rights in a film vest initially in the principal director by operation of law, and that national presumptions or contracts cannot displace that initial vesting.

prejudice to the application of national law.[147] It will therefore be interesting to see how the CJEU approaches post-employment restrictive clauses in future cases. Given this uncertainty, it would be inappropriate to assume that all clauses protecting non-trade-secret information are invalid. Employers may legitimately need contractual protection for certain types of confidential information, such as construction drawings, name of customers even if they do not meet the Directive's definition.[148] If the requirement of "reasonable protective steps" excludes large amounts of information from statutory protection, contractual arrangements will become even more important for businesses to protect such valuable information even if they do not satisfy as trade secret.[149] Nevertheless, in line with the Directive's emphasis on employee mobility, national courts should continue to approach such clauses critically and, through national doctrines of contract invalidity or narrow interpretation, ensure that they do not function as improper restraints on competition after employment ends.

From another perspective, declaring an overly broad confidentiality clause entirely invalid would go too far under the Trade Secrets Directive since drafting an effective non-disclosure clause is difficult, and it would be excessively punitive to allow employees to freely use a company's trade secrets simply because the clause was drafted too broadly.[150] Trade Secrets Directive is intended to safeguard trade secrets. Stripping a company of all protection due to an imprecise confidentiality clause would contradict that purpose.

5.6 Post employment agreement and article 45 of TFEU

Since post-employment agreements can have effects across the territories of several EU Member States, they may fall under the scrutiny of Article 45 TFEU, which protects the free movement of workers as part of the broader freedom of movement of persons within the European Union.

Article 45 TFEU prohibits discrimination based on nationality and also outlaws any national measures or private arrangements that hinder or make less attractive the exercise of taking up employment in another Member State.[151] The provision therefore has significance not only for state action but also for private-law relationships involving employment contracts. Accordingly, Article 45 has both vertical and horizontal effect. Its vertical effect enables

[147] Case C-30/14 Ryanair Ltd v PR Aviation BV EU:C:2015:10.
[148] Kolasa (n19) 199
[149] Irgens-Jensen (n28) 522.
[150] Kolasa (n19) 167.
[151] TFEU art 45.

individuals to invoke the free movement of workers directly against Member States and public authorities. More importantly for the present context, Article 45 also has horizontal effect, meaning it may apply to the conduct of private parties. The Court of Justice has clarified that fundamental freedoms can bind private actors where their actions are capable of substantially restricting cross-border movement; employment relationships and private contractual obligations are included in this scope.[152] For this reason, post-employment agreements and broad confidentiality provisions may be examined under Article 45 where they have the potential to obstruct a worker's ability to take up employment in another Member State.

Post-employment clauses may limit a former employee's ability to work not only locally but across several Member States, thereby creating a potential restriction on free movement. Under EU law, however, not every restriction violates Article 45. A restriction may be permissible if it satisfies a proportionality test: the clause must pursue a legitimate objective (such as the protection of trade secrets or customer relationships), be suitable for achieving that objective, and not go beyond what is necessary.[153] A disproportionate or overly broad post-employment clauses, for example - one that covers the entire EU territory for an employee with relatively modest duties could raise concerns under Article 45 even if agreed by the parties.

Within the European Union, German law stands out as an exceptional and unique model for regulating post-employment restrictive covenants. Unlike most Member States, which apply a more flexible reasonableness-based approach, German law imposes strict statutory requirements rooted in §§ 74–75 HGB. Under these provisions, any post-employment non-competition agreement must be concluded in writing, limited to a maximum duration of two years, supported by a legitimate business interest, and proportionate in its geographic, temporal, and material scope. Most notably, the employer is obliged to pay mandatory financial compensation amounting to at least 50% of the employee's previous remuneration.[154]

In contrast, in the majority of EU Member States the validity of post-employment restrictions is assessed primarily through general principles of proportionality, with the courts determining appropriate duration and compensation on a case-by-case basis. The German regime

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[152] Case C-415/93, *Union Royale Belge des Sociétés de Football Association ASBL v Bosman* [1995] ECR I-4921, para. 96, the court confirmed that- Article 45 TFEU (then Article 48 EC) applies not only to measures of public authorities but also to rules of any nature aimed at regulating gainful employment collectively, such as rules adopted by sporting associations.
[153] Kolasa (n19) 238.
[154] Handelsgesetzbuch (HGB), §§ 74–75f.

therefore represents a uniquely strict national framework that interacts with, and in practice reinforces, the EU principle of free movement of workers.

Although Article 45 TFEU theoretically covers post-employment restrictions, it is unlikely to play a major role in the legal systems considered. These jurisdictions already have well-developed statutory rules and legal doctrines that are better suited for handling disputes about post-employment obligations. Former employees can rely on these national mechanisms to protect their freedom to move and work, both within their own country and across the EU. Article 45 therefore does not significantly increase the level of protection in these systems. It is more probable that Article 45 will become relevant in Member States that do not have specific legislation regulating post-employment covenants. This conclusion remains unchanged under the Trade Secrets Directive, which expressly excludes contractual obligations from its scope.[155]

5.7 Conclusion

In conclusion, the Directive deliberately leaves space for national regulation of post-employment contractual restraints because this area sits at the intersection of trade secret protection, employment law, and fundamental rights, fields that vary significantly across Member States and are deeply embedded in different legal traditions. On the one hand, restricting express confidentiality obligations to the scope of the implied duty would significantly diminish the practical value of contractual regulation and undermine legal certainty for both employers and employees, who benefit from clearly defined contractual boundaries.[156] On the other hand, the Trade Secrets Directive, while permitting Member States to allow more extensive contractual protection, expressly subjects such expansion to the preservation of safeguards protecting the interests of other parties, most notably the freedom of occupation and worker mobility.[157] Excessively permissive enforcement of far-reaching contractual clauses would therefore risk enabling employers to circumvent these fundamental policy objectives. The appropriate balance consequently lies in permitting contractual enhancement of protection only insofar as it remains consistent with proportionality and does not unduly restrict post-employment economic freedom.

Moreover, whether a court chooses to interpret an overly broad clause narrowly or to declare it invalid, the practical outcome will generally be the same: the dispute will be resolved

[155] Trade Secret Directive art 1(3)(c), recitals 13 and 39, Kolasa (n19) 239.
[156] Kolasa (n19) 171.
[157] Trade Secret Directive recital 10.

by applying the general legal rules that govern the use of confidential information in the absence of a contract, typically involving a broad balancing of interests. This also means that both the “narrow interpretation” and the “invalidity” approaches are compatible with the Directive, and national courts may simply apply whichever method aligns with their domestic legal tradition.

Chapter VI Conclusion

The balancing of competing interests is an essential component in defining the permissible scope of post-employment duties concerning confidential information acquired during employment, regardless of whether such information is protected under unfair competition law, contract law, equity, or specific statutory regimes, and irrespective of whether it is conceptualized as property. Across all jurisdictions analyzed, the law seeks to protect the employee’s interest in continuing in their chosen profession while making optimal use of the knowledge and skills acquired through professional experience. At the same time, the law also recognizes the employer’s interest in protecting its investment in the development of valuable information and in safeguarding its business assets as a whole. Likewise, the general interest in ethical conduct and fair competition are considered, i.e., former employees are deterred from exploiting information acquired dishonestly, yet post-employment obligations must not operate as a de facto prohibition on competition with a former employer. While contractual restraints may go further, they are enforceable only where they are supported by legitimate employer interests, are fair in scope, and are accompanied by compensation, or where their effects on competition remain reasonable.

6.1 Balancing Interests in the Absence of a Post-Employment Agreement

In situations where the parties have not contractually defined the scope of post-employment confidentiality obligations, courts must determine the limits by balancing a range of factors. The first question is how the employee obtained the information: if it was acquired dishonestly, its use is clearly prohibited. The next step is to assess whether the information is competitively significant for the employer and whether it is necessary for the employee to continue working in their professional field. Importantly, the value of the information is judged by its relevance to the employer’s competitive position rather than by the time or cost invested in creating it. The employee’s seniority and length of service can broaden post-employment obligations, especially where higher responsibility provides deeper insight into the employer’s operations. However, in fast-moving or highly technical industries, the position of the employee may matter more than the duration of employment. Conversely, long service is more relevant where the employee has gained detailed knowledge of the employer's business methods. A central consideration is whether the information can be separated from the employee's general skills and experience. Information closely linked to the employee's personal abilities or naturally retained in memory is more likely to be usable after employment, whereas deliberately memorized or extracted information may remain protected. Tacit knowledge, which is inseparable from the individual, cannot constitute a trade secret. Although separability plays an important role, it is not decisive on its own.

Courts also consider the nature of the information (technical versus commercial), how it was obtained and used, who developed it, its value to competitors, the existence of contractual restrictions, and whether the information is publicly known, easily reverse-engineered, or specific to the employer's business. From a broader policy perspective, information should generally receive stronger protection where it would not have been disclosed to the employee without trade secret safeguards, reflecting the role of secrecy in encouraging innovation and reducing transaction costs. At the same time, substantial weight must be given to the employee's ability to continue professional activity, even in competition with a former employer, as this promotes knowledge diffusion, market competition, and economic efficiency. Moreover, industry characteristics also influence the balance. In sectors with rapid innovation cycles, such as IT or marketing, information quickly loses value, which may justify short-term protection while limiting long-term restrictions on mobility. In industries dependent on knowledge spill-overs and high labor mobility, fewer restrictions may benefit both workers and the market. By contrast, in research-intensive sectors, stronger protection may be justified to support long-term investment and innovation.

Overall, determining post-employment confidentiality obligations through a balanced assessment of private interests and broader policy considerations allows the law to accommodate the diverse nature of trade secrets and remain adaptable to evolving labor markets and technological change.

6.2 Balancing the interest in Post-Employment Agreements

Contractual regulation of post-employment obligations is generally accepted because it promotes legal certainty, particularly where agreements are clearly drafted. Non-disclosure agreements are recognized across the jurisdictions examined and are considered an effective mechanism for clarifying the parties' rights and obligations. However, agreements that restrict not only disclosure but also the use of information require careful scrutiny, as they may unduly limit competition. Post-employment restraints are subject to an assessment of fairness and reasonableness. Employers must demonstrate a legitimate interest deserving protection, such as trade secrets or customer relationships, which must be balanced against the former employee's interests. In this regard, greater legal certainty is better achieved through statutory frameworks than through ad hoc judicial intervention. Comparative experience shows that legislative approaches can effectively limit the negative effects of post-employment restraints. Restrictive covenants should therefore be clearly defined, limited in duration and geographic scope, and supported by separate financial compensation. Mandatory compensation discourages employers from imposing unnecessary restrictions that do not protect genuinely valuable interests. In practice, many such agreements are never challenged, as former employees may be unaware that certain obligations are unenforceable and therefore comply with overly broad restrictions. Given the increasing standardization of post-employment covenants, the introduction of a statutory framework defining the permissible limits of contractual freedom would enhance legal certainty. Absent such regulation, excessive restrictions risk suppressing knowledge spill-overs, entrepreneurship, and innovation in the long term.[158] Judicial severance of excessive clauses should generally be avoided, as it encourages overbroad drafting, and employers are encouraged to draft reasonable clauses from the start.

Minimum harmonization of post-employment non-disclosure standards, requiring clarity, legitimate purpose, proportional limits in scope, duration, and territory, and due regard for employee and public interests, would enhance cross-border legal certainty without undermining contractual freedom. Regulation of non-competition agreements should remain distinct from trade secret harmonization, as it extends beyond the protection of undisclosed information.

6.3 Policy Recommendations for EU Trade Secrets Law

[158] Garden leave arrangements may partially address this concern, provided that additional post-employment restraints are not imposed once the employee remains contractually bound and remunerated.

The Trade Secrets Directive does not provide tailored solutions for regulating employee mobility. Nevertheless, by partially harmonizing the enforcement of trade secret protection, it is likely to enhance legal certainty and thereby indirectly promote labor mobility within the European Union. The Directive explicitly acknowledges the importance of fundamental freedoms, including the freedom to choose an occupation, to engage in economic activity, and to conduct business,[159] while recognizing the potential tensions between employer and employee interests in this context.

Article 1(3) confirms that the Directive must not be interpreted as limiting employee mobility, particularly with regard to the use of information that does not constitute a trade secret and to the application of knowledge and experience honestly acquired during employment.[160] Although employees are allowed to use their knowledge and experience, it is confusing that this rule appears as an exclusion from the scope of the Directive[161] instead of being included in the rules on lawful use in Articles 3 and 4. This strict separation does not work well in most European legal systems or with the unfair-competition approach used in the Directive. In practice, certain information may simultaneously qualify as a trade secret and form part of an employee's professional expertise. Rather than treating these categories as mutually exclusive, the more coherent approach is to consider whether the information has become part of the employee's skill and experience as one factor among others when assessing the lawfulness and fairness of its use.

The Directive is unlikely to significantly alter national approaches to implied post-employment obligations, since conduct permitted under Union or national law remains lawful. The concepts of lawful and unlawful acquisition, use, and disclosure broadly correspond to existing national standards, particularly in relation to acts such as unauthorized access or copying.[162] However, a non-exhaustive list of evaluative factors in Article 3 could have strengthened harmonization, including whether the information forms part of the employee's skill set, is necessary for continued employment in the field, and retains competitive value for the former employer.

The Directive deliberately refrains from imposing additional restrictions on employment contracts or regulating non-competition agreements, leaving these matters to Member State

[159] Trade Secret Directive recital 34.
[160] Ibid art 1 (3), recital 14.
[161] Ibid recital 14, "trivial information, information forming part of employees' general skills and experience acquired in the normal course of employment, and information that is generally known or readily accessible within relevant professional circles fall outside the scope of trade secret protection."
[162] Ibid art 3(2).

autonomy.[163] While this respects contractual freedom, the complete exclusion of post-employment agreements from the harmonization framework arguably undermines the Directive's objective. In practice, contractual regulation is increasingly relied upon to protect trade secrets. This is why introducing minimum standards for employee non-disclosure agreements, without mandating their use or unduly restricting freedom of contract, could significantly enhance legal certainty and promote mobility, innovation, and knowledge spill-overs across the internal market. On the other hand, harmonization of non-compete agreements would extend beyond the proper scope of trade secret law and such regulation does not appear to be possible under the EU's competence to establish competition rules necessary for the functioning of the internal market.[164]

Overall, while the Directive represents a positive step toward strengthening trade secret protection and acknowledges the particular challenges arising in post-employment contexts, its harmonizing potential remains limited. Greater clarity on the interaction between trade secret protection and employee mobility, modest minimum standards for non-disclosure agreements, and more coherent rules on employee liability would enhance legal certainty and better align the Directive with the objectives of innovation, fair competition, and labor mobility.

6.4 General Assessment

The regulation of post-employment obligations must be understood within a wider public policy framework that encompasses innovation, economic development, and labor market mobility. Trade secrets, as valuable intangible assets, arguably warrant an approach that recognizes their economic function and balances protection with broader societal interests. A nuanced, context-sensitive method of enforcement, rather than rigid rule-based solutions, is more likely to promote overall dynamic efficiency by encouraging both investment in innovation and the productive use of knowledge. In this regard, a legislative framework that provides flexible instruments while carefully mediating competing interests can contribute to greater legal certainty and predictability. The importance of such a balanced system should not be overlooked. In a modern, knowledge-driven economy, excessive restrictions on employee mobility can be counterproductive: while employers may seek to shield themselves from competition by former

[163] Ibid art 13, 39.
[164] Non-competition clauses regulate employment relationships rather than agreements between undertakings, and employees are not normally considered undertakings under Articles 101 and 102 TFEU. Accordingly, the EU's competence to harmonize such agreements on a competition-law basis is uncertain.

employees, overly stringent controls risk stifling the circulation of skills and expertise and, ultimately, may hinder their own ability to attract and retain talent.

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