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New protection for trade secrets: Amendment to the Unfair Competition Act to implement the EU Know-how Directive

The European Union Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure should have been implemented in Austria by 9 June 2018. On 13 June 2018, the Federal Ministry for Digital and Economic Affairs presented a draft bill to amend the Federal Act Against Unfair Competition and the Code of Civil Procedure (2018 Amendment to the Unfair Competition Act). The government bill was presented to Parliament on 22 November 2018.

Current legal situation

Rules governing trade secrets are provided in the criminal law sections of the Unfair Competition Act (UWG) and the Criminal Code. Under Section 11 UWG, employees commit an offence when they disclose, without authorisation, business information entrusted or accessible to them due to their employment status to obtain a competitive advantage. Under Section 12 UWG, an individual who, without authorisation, utilises or discloses technical documents or regulations in order to obtain a competitive advantages commits an offence. Section 13 UWG grants the right under civil law to obtain an injunction and claim damages. There

is no definition of trade secrets in any law. According to the prevailing view, trade secrets are:

- enterprise-related facts of a commercial or technical nature,
- which are known only to a defined and limited number of individuals or are difficult to access, and
- which the authorised individual does not wish to spread beyond those in the know,
- and with regard to which the owner of the enterprise has an economic interest in not disclosing them.

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New protection

The EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure defines what is meant by trade secrets.

According to Article 2 of the Directive, "trade secret" means information which meets all of the following requirements:

- it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- it has commercial value because it is secret; and
- it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;

These requirements, while overlapping existing criteria, still are not fully identical. They are to be implemented in the new Section 26b UWG. In order to claim the new type of protection, each of the three criteria must be met, with particular attention to be given by enterprises to proving the commercial value and the taking of reasonable secrecy measures.

The commercial value of a trade secret may be evidenced by the cost of purchase or development.

Evidence of having taken reasonable security steps is more difficult to furnish. Their sufficiency will likely depend on the scope and industry concerned as much as on the type of secret involved. Examples for documenting reasonable steps are listed in the explanatory remarks of the bill, including:

- recording the trade secrets,
- identifying the trade secret holders,
- restricting disclosure to selected trusted individuals (those who "need to know"),
- an "in-house policy for trade secrets and their comprehensible documentation", and
- ongoing efforts to keep the secret confidential.

To the extent that such measures have not already been put in place, attention in the future will have to focus on documenting trade secrets, restricting knowledge of them to a small group of initiates, the routine inclusion of non-disclosure clauses in employment contracts, and the conclusion of confidentiality agreements for technical or commercial cooperations and negotiations on the sale of businesses.

Sanctions

The criminal law provisions of Sections 11 and 12 UWG and their penalties remain intact. The civil law rights of injunction, remedy and damages are moved to the new Section 26c UWG. The subsequent Sections 26d ff UWG regulate unlawful acquisition, unlawful use and disclosure of trade secrets, lawful acquisition, lawful use and disclosure of trade secrets, and the details of applications for injunctions and remedy. Newly introduced features are the right to request surrender of "unfairly obtained profits" and liquidated damages pursuant to Section 26c UWG, an extension of the right to have items (products, documents, materials, data files) recalled under Section 26g UWG and the introduction of an adequate compensation when a person originally acting in good faith finds out facts from which s/he knows or must know that s/he has gained knowledge of a trade secret, whether directly or indirectly, through another person who has unlawfully used or disclosed such secret ("subsequent bad faith").

Section 26i UWG offers several new tools for injunctions (prohibition to use or disclose the trade secret, prohibition to make, offer, market or use infringing products, seizure (!) of infringing products). In the event that an injunction is subsequently lifted, Section 26j (5) UWG provides that third parties may also claim damages regardless of who is at fault; previously only the adversary was entitled to such a claim.

Safeguarding trade secrets in court

One problem when prosecuting a claim of infringement of trade secrets has so far been the need to disclose the secret during proceedings. The bill provides that the trade secret has to be disclosed initially only

insofar as it is necessary to plausibly submit the existence of a trade secret and its infringement. It is sufficient to submit the existence of a trade secret and to substantiate the submission to an extent that the trade secret and the asserted claim to such extent that it allows conclusively deriving the asserted claim.

Upon application or ex officio the court has to take such measures that the opponent and third parties do not receive information beyond their existing knowledge. The measures may comprise disclosure of the alleged trade secret to a court-appointed expert. The court may instruct the expert to provide the court with a summary which does not contain confidential information on the trade secret. The court may

designate parts of the documents and the expertise as secret and may exclude these parts from access to the records (in-camera-proceedings).



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Risk that wills drawn up by a third party are invalid

The Austrian Supreme Court recently created quite a fuss when it ruled on the formal requirements for wills drawn up by another person than the testator, i.e. wills not written in the testator's own hand. Such a will requires the signatures of the testator and three witnesses in order to be valid.

In the specific case, the testatrix shortly before her death in hospital signed a will drawn up by a law office which consisted of two loose sheets. The text of the will was placed on the front and back of the first sheet which was signed by the testatrix; the second sheet held the signatures of the three witnesses. The two sheets were then tied together with a paper clip.

In its decision 2 Ob 192/17z, the Supreme Court ruled that this arrangement did not comply with the formal requirements of a will not written in the testator's own hand. According to the law, the witnesses need to sign "on the deed" itself. If the deed consists of

several loose sheets they need to be connected in terms of content. The will is thus invalid when the witnesses, rather than signing the sheet that holds the text of the will, have put their signatures on an additional loose and empty sheet.

In order to avoid the risk that a will might be invalid, it is thus recommended to check it for compliance with the formal requirements.



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New regulation for application thresholds

The **Application Thresholds Regulation of 2018** (Federal Law Gazette 211/2018) was published on 20 August 2018 – on the same day as the Public Procurement Reform Act 2018. The known possibilities for awarding of contracts valued below the threshold can therefore also be used in the future. The term of the new regulation is (for the time being) limited to 31 December 2020.

Under the Regulation, works, supply and service contracts may be awarded **directly** and in a negotiated procedure without prior publication **up to an estimated value of EUR 100,000**. Moreover, it permits choosing the restricted procedure without publication for works contracts with estimated values up to EUR 1,000,000.

The **European thresholds** continue to apply to distinguish between public procurement contracts above and below the thresholds:

Type of contract	Threshold
Works contracts by all contracting authorities	EUR 5,548,000
Supply and service contracts	EUR 221,000
Supply and service contracts (ordered by central contracting authorities)	EUR 144,000
Supply and service contracts (ordered by sectoral contracting authorities)	EUR 443,000
Specific service contracts	EUR 750,000
Specific service contracts (ordered by sectoral contracting authorities)	EUR 1,000,000



*We wish to thank all our clients for their trust
in our work and wish you all a Merry Christmas
and a successful New Year!*

Your Preslmayr-Team



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