

## **Provisions Related to the Legal Protection of "Know-how": Implemented Solutions from the Macedonian Legislation**

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### **Abstract**

*The aim of this article is to provide a comprehensive analysis of the provisions that are applicable for regulation of the legal protection of "know-how". Since, there are no universally adopted provisions for regulation of the legal protection of this institute within the countries' legislations, nor in the international regulations, the legal protection of this institute is still provoking a significant controversy. The provisions for its protection are mainly contained within the laws that are regulating the transfer of the intellectual property rights; the laws regulating competition; laws of obligations and criminal codes, which by their nature only partially cover all the cases where "know-how" could be violated and protected. Therefore, in order to obtain a more precise perspective on how these laws are applied on the legal protection of "know-how" and the agreements that are allowing its transmission, we have provided a detailed analysis of these issues, by dividing the elaborations, under this article into three parts. The first part is devoted to the analysis of provision related to the legal civil protection of "know-how", whilst the second part is devoted to the elaboration of the provisions related to the legal criminal protection of this institute. Finally, considering the fact that the topic is addressing to the legal protection of "know-how" in Macedonia, the article will give a further analysis of the adequacy of the solutions contained within the Macedonian legislation, and the possible directions towards its harmonization with the European legislation in this domain.*

**Keywords:** "Know-how", Trade Secret, Competition Law, Legal Civil Protection, Legal Criminal Protection.

## Introduction

Generally under the legal term "know-how" is presumed a secret knowledge and experience that is a result of the investment of time and finance in research and development (R&D), which brings profit to its owner, only as long as he keeps it a secret from the competitors.<sup>1</sup> In addition to patents, trademarks, utility models, etc., "know-how" is also considered as an industrial property right (Polenak-Akimovska, Dabovik-Anastasovska, Buchkovski, & Pepeljugoski, 2004, p.96). But unlike the other industrial property rights, "know-how" may, or may not be protected by the provisions related to this type of rights, either because the owner does not want to register it (in order to avoid publication), or because the "know-how" is inadequate to be protected under that legal regulations. Hence, it could be concluded that "know-how" gives its owner only factual, not a legal monopoly. This factual monopoly gives to the owner of the "know-how" an exclusive market position over the competition, which can often be much stronger than the legal monopoly (Damjanovič & Marič, 2007, p.195).

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<sup>1</sup>Currently, within the International law are existing a large number of definitions that are defining this legal institute. However, the unanimous definition is yet to be adopted. One of the most frequently cited definition for "know-how", is contained within the EU legislation, more precisely in the *Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements*, (OJ L 93, 28.3.2014, p. 17–23), which in Article 1(i)(i-iii) defines this institute as follows:

- (i) 'know-how' means a package of practical information, resulting from experience and testing, which is:
  - (i) secret, that is to say, not generally known or easily accessible,
  - (ii) substantial, that is to say, significant and useful for the production of the contract products, and
  - (iii) identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality.

As we mentioned above, currently there still have not been adopted special provisions related to the protection this type of information neither within the separate legislations of the countries worldwide, nor in international conventions in the field of the protection of the intellectual property rights. The legal and economic interest that constitutes "know-how", outside of contractual provisions (*contractual protection*) is protected by the law of unfair competition (*lawsuits for legal protection against unfair competition*), or through criminal law sanctions (*legal criminal protection*). Since "know-how", is not subject to registration, there is no special procedure for its protection before the administrative institutions.

### **Provisions related to the legal civil protection of "know-how"**

**1. Regulation of civil protection of "know-how" in some of the European legal systems.** Within the French law, the legal protection of unauthorized disclosure of trade secret is regulated with the scope of the provisions that are applied to a general tort liability - Code Civil (Article 1382).<sup>2</sup> The same applies to the former Civil Code of the Netherlands (Art. 1902) and the Civil Code of Belgium<sup>3</sup> (Art. 1382). There are no obstacles, these provisions for tort liability to be applied on the unauthorized disclosure or misuse of a "know-how" and trade secret by a third party. This is mainly derived from the fact that the trade secret, or the "know-how" is a part of the damaged property, so its discovery will cause a direct damage to his owner (Parivodič, 2003, p.165).

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<sup>2</sup>French Civil Code, consolidate version from 22 March 2015, available at:<http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006070721>, last seen 20.04.2015. (Published in French language).

<sup>3</sup> Civil Code of Belgium, consolidate version form 09 July 2014, (published in French language) available at:  
[http://www.ejustice.just.fgov.be/cgi\\_loi/loi\\_a1.pl?DETAIL=1804032133%2FF&caller=list&row\\_i d=1&numero=10&rech=14&cn=1804032133&table\\_name=LOI&nm=1804032153&la=F&dt=CO DE+CIVIL&language=fr&fr=f&choix1=ET&choix2=ET&fromtab=loi\\_all&trier=promulgation&chercher=t&sql=dt+contains++%27CODE%27%26+%27CIVIL%27and+actif+%3D+%27Y%27&tri=dd+AS+RANK+&imgcn.x=74&imgcn.y=6](http://www.ejustice.just.fgov.be/cgi_loi/loi_a1.pl?DETAIL=1804032133%2FF&caller=list&row_i d=1&numero=10&rech=14&cn=1804032133&table_name=LOI&nm=1804032153&la=F&dt=CO DE+CIVIL&language=fr&fr=f&choix1=ET&choix2=ET&fromtab=loi_all&trier=promulgation&chercher=t&sql=dt+contains++%27CODE%27%26+%27CIVIL%27and+actif+%3D+%27Y%27&tri=dd+AS+RANK+&imgcn.x=74&imgcn.y=6) last seen: 20.04.2015.

More precisely the civil legal protection of "know-how" is foreseen as:  
**1. contractual and 2. non-contractual.**

**1.1 The protection of "know-how" within the contractual provisions** - Contractual protection has its basis within the signed agreement between the parties, and is realized through the obligation of confidentiality (keeping secrecy) imposed mostly on the licensee of the "know-how". The imposed provisions determine the way in which he should act in a relation with the obtained "know-how", so the "know-how" will not become easily accessible by the third parties.

The same is prescribed by The Law on Obligations of Republic of Macedonia (Official Gazette of RM, N.18/2001),<sup>4</sup> which, in article 754 entitled *Keeping Secret the Subject of License* stipulates: "Should the subject of license be a non-patented invention or secret technical "know-how", the licensee shall be bound to keep it confidential."

Apart from the obligation to maintain secrecy, the contract may stipulate additional limitations on the licensee of the "know-how" in order to provide a better protection for this intangible value. For example, in some cases, the licensee must allow the use of "know-how" by others within the same territory (for which he has obtained a license, non-exclusive in this case). In other cases, in order to provide a better protection for the "know-how" that he possesses, the licensor enables the licensee to give a sub-license for the transferred "know-how", or he could to give it, but only under certain limited conditions. Additionally, the transferred "know-how" could be limited only to a certain extent, which will allow to licensee to produce only certain types of products. It is important to note that these types of limits are applied only to cases when the parties have signed a *license agreement* for "know-how". In case of a complete and definitive transfer - *assignment* of "know-how", this type of restrictions could not be applicable.

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<sup>4</sup> Law on Obligations of Republic of Macedonia, Закон за облигационите односи на РМ, Official Gazette of RM, Number 18/01, 78/01, 04/02, 59/02, 05/03, 84/08, 81/09 and 161/2009) [hereinafter LOO], available at: <http://www.pravo.org.mk/documentDetail.php?id=33> (published in Macedonian language) last seen: 20.04.2015.

Another type of contractual protection of "know-how", presents the *secrecy agreement* concluded between the potential licensor of "know-how" and a potential licensee of "know-how". This agreement is signed in order to provide an insurance for the licensor in the process when the potential licensee is getting familiar with the essential characteristics of "know-how", based on what he will decide whether to enter into an agreement for transfer of "know-how" or not<sup>5</sup>

Additionally, secrecy agreement can be concluded between an employer and his or her employees who during the daily operation are getting employees with the contents and characteristics of the "know-how". Hence, employees can be obliged to exploit the "know-how" only at the workplace, and to be obligated to not exploit it on a different way than that way, which is required for successful completion of tasks. Also, during the employment the employees can be barred from performing any activity that could bring them into conflict with the interests of the employer. In this regard, employees may be bound by a *non-competition clause* in relation to the employer, which may be imposed, even after the termination of employment. This clause causes many controversies in practice, because the extension of its validity after the termination of the employment relationship may compromise the freedom of choice of employment of the employee and in some cases its economic existence. Therefore, the English courts have adopted the position that the restriction of competition after termination of employment must be reasonable and justified, otherwise it would be void. The reasonableness and justification of the non-competition clause should be assessed cumulatively in terms of the size of the territory and the length of its duration. (Parivodič, 2003, p.169). This position is also accepted by the Swiss Code on Obligations (Code on Obligations, 1911, Art. 340).<sup>6</sup>The Code in Article 340a§1, devoted to the regulation of the prohibition of the competition for the cases where employment relationship has ended, stipulates: "*The prohibition must be*

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<sup>5</sup>Secrecy agreement can also be concluded with the person who might prepare a certain item (on the basis of the transferred "know-how") ordered by a third party.

<sup>6</sup>Swiss Code of Obligations of 30 March 1911 of The Federal Assembly of the Swiss Confederation, (Status as of 1 July 2014) available at: <https://www.admin.ch/opc/en/classifiedcompilation/19110009/20140701000/0/220.pdf>, last seen 20.04.2015 (Published in English). The Article 340 entitled *Prohibition of the Competition* contains a detail provisions for regulation of competition after the employment relationship has ended by dividing the provisions into four paragraphs: Requirements (§a); Restrictions (§b), Consequences of infringement (§c) and Extinction (§d).

*appropriately restricted with regard to place, time and scope such that it does not unfairly compromise the employee's future economic activity; it may exceed three years only in special circumstances."*

### **1.2 Protection of "know-how" within a non-contractual provisions.**

This protection of "know-how" is provided on the basis of regulations governing the suppression of unfair competition and groundless enrichment. The Law of unfair competition, or the Competition law (in some countries), is a set of legal rules and norms governing unfair competition on the market. Systematically, it is incorporated into the system of the Intellectual property law. However, unlike the patent right, trademark right, industrial designs, etc., which are regulating the relations on the market in a specific way - *by determining specific subjective rights for their holders, as well as sanctions for their violation*, within the provisions contained under the Law of Unfair Competition, this regulation is stipulated out in a negative way - *by sanctioning a behavior that is characterized as unfair conduct*. What is common to all legal norms in the field of the Intellectual property law is the fact that they govern the relations arising in the system of competition. The Law of unfair competition not only regulates the relations arising between holders of business activities that are competitive with each other, but also between them and the consumers (Dabovik-Anastasovska, 2009).

The violation of a trade secret represents a special act of unfair competition and by suppression, i.e. by elimination of this act of unfair competition, "know-how" is protected in most convenient manner. The notion *trade secret* includes anything that is secret, and that imparts value to its holder as a consequence of that very secrecy. Technical and scientific information, such as formulae, manufacturing methods and specifications, designs, computer code and the like receive protection as trade secrets. Commercial and financial information may also qualify as a trade secret. Pricing information, marketing and business plans, internal cost structure, supplier arrangements, customer lists, the buying preferences and requirements of the customers, and other similar non-public information can be also protected as trade secret. Although the subject of trade secret can be almost anything, to be considered as a trade secret, it must meet two additional conditions. These conditions are: *secrecy and business value*. Besides these

two conditions the owner of the trade secret must present an intention to keep this subject as a confidential business value (TRIPS, 1994).<sup>7</sup>

Violation of the trade secret (and by analogy of "know-how") can occur if the person entrusted with keeping its secrecy (the acquirer of the "know-how" or the holder of the "know-how") *discloses* and *disseminates* it. A trade secret/"know-how" has been *disclosed* when this disclosure was made in such a manner that have allowed a possibility for other parties to use the information contained within it, which use by its nature is illegal. Also, to be considered as an act of unfair competition the trade secret/"know-how" has to be revealed to the parties that can use the secret information for a competitive production. The *dissemination* of trade secret and "know-how" is illegal, in case when the person who has disseminated the secret, came to it in a manner contrary to good business practices, or has learnt it by people who came to it in the same way.

The legal civil protection of the acts of unfair competition can be obtained by submitting a lawsuit to the Court which is competent to settle disputes regarding industrial property rights (Law on Industrial Property, Official Gazette of RM, N.21/09, Art.291§1).<sup>8</sup>The owner of the "know-how", whose rights have been violated, could use some of the following lawsuits: *Lawsuit aimed towards termination of the performing activities which caused an infringement; Lawsuit aimed towards a removal of the created infringement; Lawsuit aimed towards reimbursement of the caused damages; Lawsuit for determination, and lawsuit for compensation of the legally unfounded depleted (enriched).*

***1.2.1 Lawsuit aimed towards termination of the performing activities which caused the infringement of the rights of the owner.***<sup>9</sup>This lawsuit allows to the owner of the right, (in this case the owner of the "know-how") to demand from the court an order to prohibit further performance of the

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<sup>7</sup> Article 39, paragraph 2 (a), (b), (c) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS - Agreement), April 15, 1994.

<sup>8</sup> Law on Industrial Property, [hereinafter LOIP] (Official Gazette of RM, N. 21/2009, 24/11, 12/04 and 41/14), published in English, available at: <http://www.ippo.gov.mk/docs/xFiles/articles/LAW%20ON%20INDUSTRIAL%20PROPERTY/LAW%20ON%20INDUSTRIAL%20PROPERTY.pdf> last seen: 20.04.2015.

<sup>9</sup> Within the Macedonian legislation the submission of this lawsuit has its basis in the Article 294§2 of the LOIP, and articles 9 and 143 of the LOO.

infringement. This lawsuit may be filed not only when the forbidden act caused damage, but also where there is a real danger for the occurrence of the damage. The effect of this lawsuit is preventive, because the goal that the plaintiff wants to accomplish with its submission is to prevent the exercise of the harmful action in the future (Polenak-Akimovska et al. 2004, pp.261-262). This lawsuit must indicate precisely which actions need to be restricted in order "know-how" to be protected in the future. This lawsuit may be filed against any persons who participated in the execution of harmful action. For example, such lawsuit may be filed against a person who produces labels for labelling certain products which contain an indication that they are produced on the basis of a "know-how" license (but they actually are not), and also against person who uses these products without authorization (ibidem). Along to this lawsuit, may be amended additional request that will contribute towards the suspension of the illegal situations or destroying of assets to further commitment of the act of unfair competition.<sup>10</sup> The burden of proof within this lawsuit should be limited only to the existence of the act of unfair competition. Since the intent of the plaintiff is not focused on receiving a compensation under the general rules of compensation, but only on prevention of further performing the of illegal action, the plaintiff should not be obligated to prove the existence of the guilt of the party that has committed the act.

***1.2.2 Lawsuit aimed towards a removal of the created infringement -*** as previously mentioned, this lawsuit could be submitted together with the lawsuit for termination of performing the activities which are violating the rights of the owner and seeks to eliminate the possibility of repetition of the illegal act. This is necessary because if the court imposes an obligation to the party (which has committed the violation of the rights of the owner) to stop with the violation in the future, that does not necessarily mean that the party will comply, if the conditions under which the violation was created are not changed or removed. With this lawsuit the plaintiff can require a destroying of the means that could enable a possible future damage (destruction of labels, packaging machines for their production, etc.). The plaintiff is not obliged to prove the liability of the defendant, whose liability fits under the principle of

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<sup>10</sup> In the everyday practice, the purpose of this lawsuit is achieved for example, by: destroying the marking labels of the goods produced without the authorization of the owner of the "know-how"; by destroy the packaging, advertising billboards, and additionally it may require destruction of machinery, and all the additional appliances which are used for making this products. (Article 294§4, LOIP).



causality. The situation created by the violation whose elimination is required is a consequence of the committed violation and that is sufficient reason to the court to grant a request for removal of the created situation (ibid, p.263).

**1.2.3 Lawsuit aimed towards reimbursement of the caused damages-**A person who is harmed by an act of unfair competition can according to the general rules of civil law require a reimbursement (compensation) of damages.<sup>11</sup> The injured party must prove: the existence and the amount of the damage, the harmful action of the party who caused the act, and the causal link between the harmful act and damages (Chavdar, 1997, p.6). In case where the violation has disrupted business reputation of the plaintiff, he can require a compensation of ordinary damages, lost benefit and non-pecuniary damage.<sup>12</sup> The damage is usually *lucrum cessans*, and rarely *damnum emergens* (Prica, 1962, p.88). In case when the exact amount for compensation could not be determined by the parties, this amount will be determined by the court taking into account all relevant facts and evidence.<sup>13</sup>

**1.2.4 Lawsuit for determination** - with this lawsuit, the plaintiff may seek confirmation of the fact that the defendant committed the act of unfair competition and that it had damaged the plaintiff.<sup>14</sup> The legal interest in filing this lawsuit might consist of the fact that, for example, the publication of this

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<sup>11</sup> Within the Macedonian legislation the submission of this lawsuit has its basis in the Art. 294§3 of the LOIP, and articles 9 and 143 of the LOO.

<sup>12</sup> According to the Article 299§2-4, LOIP: “(2) *In the lawsuit, payment of reimbursement may be requested, to the amount that, depending on the circumstances, may be demanded from the License Agreement if there is any.* (3) *The person who without legal basis, court decision or law, in an unauthorized manner undertakes certain actions that violate the right acquired on the basis of this Law and gained with a specific benefit, may by a lawsuit be demanded to recover or reimburse that benefit, in accordance with the general rules for groundless gaining of the Law on Obligations.* (4) *The requirements referred to in paragraphs (1), (2), and (3) of this Article shall not be exclusive. In case when the requirements referred to in paragraphs (1), (2), and (3) are cumulatively set, the court shall proceed in accordance with the general rules of the Law on Obligations.*”

<sup>13</sup> If the violation was caused by several persons, their liability will be determined according to the general rules applying for a joint liability of the persons who caused damage along, (Article 195 §1-4, LOO).

<sup>14</sup> See Article 294§1(1), LOIP: “(1) *The person whose right shall be infringed may, with a lawsuit demand from the court: 1) to determine if there is violation of the right.*”

judgment<sup>15</sup> may not be enough to remove the consequences caused by the violation of rights of the plaintiff, or for preventing a causing a similar damage in the future.

**1.2.5 Lawsuit for compensation of the legally unfounded depleted (enriched).** This lawsuit may be submitted by the plaintiff, for example, during the negotiations, if the other negotiator has revealed information concerning the "know-how", and afterwards this negotiator refused to sign the contract, but he has continued to use the information obtained during the negotiations. That way he uses the "know-how", without legal basis, depleting the owner of the "know-how", so he is entitled to file this lawsuit.<sup>16</sup>

### **Provisions related to the legal criminal protection of “know-how”**

The violation of "know-how", and the trade secret constitutes a criminal offense. Knowing the fact that the legislator with these provisions often aims towards protection of another public interest, not just the "know-how", the essence of this violation is often described only partially and does not cover all possible violations of the "know-how" (Prica, 1981, pp.42-46). Generally, *as a secret information or data could be considered all the data that are declared as such based on the Constitution, law or other regulation, general act or decision of the competent authorities.* The owner of "know-how" has an exclusive right to determine which information and data contained in "know-how" that he poses will be considered as a secret. Thus the violation of the confidentiality of these information and data and their unauthorized disclosing to third parties can lead to criminal sanctions.

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<sup>15</sup> The LOIP in Article 304 prescribes special provisions for the publication of the verdict. More precisely Art. 304 stipulates: *“The plaintiff may request legally effective verdict by which even partially shall accept the lawsuit to be published in the media at the defendant’s expense. The court, within the frames of the lawsuit request, shall decide in which medium the verdict will be published as well as whether to publish the verdict fully or partially. In case the court decides to announce only part of the verdict, then at least the purview shall be published and, if necessary, the part of the verdict showing clearly the type of the violation and the person that made the violation of the right.”*

<sup>16</sup> So far in Republic of Macedonia, there are not yet registered any lawsuits concerning this type of violation of "know-how". Special provisions related to this lawsuit could be found in Art. 299, LOIP.

Currently within the European legal systems, exist two basic models of legal criminal protection of trade/business secrets, and thus "know-how". Those are French and German model.

The French model (which is followed by Switzerland, Italy and Spain) contains specific provisions within the Criminal Code - (Code Penal, Art. 226-12 to 226-13)<sup>17</sup> which prescribes a sanctions for unauthorized disclosure (or attempt to disclosure) of business secrets by employees or former employees of the company.

The German model stands out for several characteristics. The blanket criminal norms for violation of business secrets contained are in the Law on Unfair Competition (UWG),<sup>18</sup> which provides a detailed list of the activities that would be considered as illegal. Thus, Article 17§1 prohibits the disclosure of business or trade secrets by the employees, and Article 17§2 imposes a penalty for unauthorized use or transfer of business or trade secret. The same Law, in Article 18, bans the disclosure of secrets and all other persons who will perform some of the aforementioned actions (Parivodič, 2003, pp.163-164).

The Criminal Code of the Republic of Macedonia, (Official Gazette of RM N.137/96)<sup>19</sup> defines the unauthorized disclosing of a business secret as a criminal offense within the Article 281 under which is prescribed:

*“(1) Whosoever announces, hands over or in any other manner makes available to an unsolicited person the data declared by law to be a business secret, as well as whosoever acquires such data for the purpose of handing them over to an unsolicited person, shall be sentenced to imprisonment of one to five years.*

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<sup>17</sup>French Criminal Code (Code Pénal) consolidate version for 28 March 2015, available on <http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006070719>, (published in French language), last seen: 20.04.2015

<sup>18</sup> Gesetz gegen Unlauteren Wettbewerb (UWG), consolidate version form 3 July 2010, available on: [http://www.gesetze-im-internet.de/uwg\\_2004/BJNR141400004.html](http://www.gesetze-im-internet.de/uwg_2004/BJNR141400004.html), last seen: 20.04.2015, (published in German language).

<sup>19</sup> Criminal Code of Republic of Macedonia, Official Gazette (N. 37/96, 80/99, 48/01, 04/02, 43/03, 19/04, 81/05, 60/06, 73/06, 07/08, 134/08, 114/09, 51/11, 135/11, 185/2011, 142/2012, 166/2012, 55/201382/2013, 14/2014, 27/2014, 28/2014, 41/2014, 115/2014, 132/2014, 160/2014 and 199/2014).

(2) *Whosoever announces, hands in or in any other manner makes available to an unsolicited person the data declared by regulation or a decision of a competent management body as a business secret, and if the disclosing of these data has caused or might have caused more severe harmful consequences, as well as whosoever acquires such data with the intent to hand them in to an unsolicited person, shall be sentenced to imprisonment of three months to three years.*

(3) *If the data referred to in paragraphs 1 and 2 are of special importance or the disclosing, respectively the acquisition of the data was done for the purpose of exporting them abroad, he shall be sentenced to imprisonment of one to ten years."*

It also could be considered that the penal provisions contained in this Article shall apply to all persons who have acquired confidential information for one purpose, and later misused them by unauthorized transfer to other people in order to achieve different goals. Additionally, the provisions set up in this Article shall apply to the responsibility of the third party (instigator) who intending to obtain confidential information, inspired another person to disclose the same, though aware of the obligation to maintain secrecy of the instigated person.

**Towards the degree of legal protection of "know-how" within the Macedonian legislation – Possible directions towards future development and harmonization vis-à-vis the European legislation**

From the analysis of the above-mentioned regarding the legal protection of "know-how", we can conclude that the fact that "know-how" is a non-registerable right makes it more susceptible to violations compared to the other industrial property rights. Currently in Macedonia there is no specific law for the protection of "know-how", trade secrets and databases. Hence, the owners of "know-how", in case of violation of the rights deriving from "know-how", could use the provisions related to obtaining a civil and criminal legal protection contained in: Law on Industrial Property; Law on Obligations; Law on Protection of Competition; Criminal Code and other regulations. The provisions contained in these laws are not directly related to "know-how" and only partially cover all possible violations of "know-how",

but they present a sufficient and adequate basis for its protection from unlawful and unauthorized use of by third parties.

However, following Macedonia's efforts for Accession to the European Union, and becoming part of the Internal Market, it will be necessary to take efforts for harmonization and implementations of the provisions contained within the European legislation in this area. In this context, and in accordance with Article 114 of the Treaty on the Functioning of the European Union (TFEU, 2007),<sup>20</sup> Macedonia should promptly take all necessary measures for harmonization of the provisions for protection of secret knowledge and experience – "know-how" and business information, according to the *Proposal for the Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ((COD)2013/0402)*.<sup>21</sup>

The objective for the adaptation of this Proposal for a Directive<sup>22</sup> could be found in the fact that while the development and management of knowledge and information have become ever more central to the performance of the EU economy, the exposure of valuable undisclosed "know-how" and information (trade secrets) to theft, espionage or other misappropriation techniques has and continues to increase (globalization, outsourcing, longer supply chains, increased use of ICT, etc.)(Explanatory Memorandum of EC, 2013, p.3).

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<sup>20</sup>Article 114 of the Treaty of the Functioning of the European Union (TFEU) provides for the adoption of EU rules harmonizing national legislation, whenever necessary for the smooth functioning of the Internal Market, Consolidated version of the Treaty on the Functioning of the European Union OJ C 326, 26.10.2012, p. 47–390; available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT> last seen: 20.04.2015.

<sup>21</sup>Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure / COM/2013/0813 final - 2013/0402 (COD). Available at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013PC0813> last seen: 20.04.2015.

<sup>22</sup>This Directive is a part of the wider *Europe 2020 strategy* which is a result of the efforts of the Commission to undertake and to create an Innovation Union, protecting investments in the knowledgebase, reducing costly fragmentation, and making Europe a more rewarding place for innovation.

In relation to the protection of "know-how" is especially significant Article 3 entitled *Unlawful acquisition, use and disclosure of trade secrets*, who sets the circumstances under which the acquisition, use and disclosure of a trade secret is unlawful, thus entitling the trade secret holder to seek the application of the measures and remedies foreseen in the Directive (ibid, p.7). More precisely, the Article 3, stipulates the follows:

*“1. Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of a trade secret.*

*2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful whenever carried out intentionally or with gross negligence by:*

*(a) unauthorised access to or copy of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced;*

*(b) theft;*

*(c) bribery;*

*(d) deception;*

*(e) breach or inducement to breach a confidentiality agreement or and other duty to maintain secrecy;*

*(f) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.*

*3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, intentionally or with gross negligence, by a person who is found to meet any of the following conditions:*

*(a) has acquired the trade secret unlawfully;*

*(b) is in breach of a confidentiality agreement or any other duty to maintain secrecy of the trade secret;*

*(c) is in breach of a contractual or any other duty to limit the use of the trade secret.*

*4. The use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of use or disclosure, knew or should, under the circumstances, have known that the trade secret was obtained from another person who was using or disclosing the trade secret unlawfully within the meaning of the paragraph 3.*

*5. The conscious and deliberate production, offering or placing on the market of infringing goods, or import, export or storage of infringing goods for those purposes, shall be considered an unlawful use of a trade secret."*

The key element for those acts to be unlawful is the absence of consent of the trade secret holder. Article 3 also determines that the use of a trade secret by a third party not directly involved in the original unlawful acquisition, is also unlawful, whenever that third party was aware, should have been aware, or was given notice, of the original unlawful act (Explanatory Memorandum, 2013, p.8). Additionally, according to the Article 3(3)(c) an additional clause referring to the legitimate interest of former employees could be included for the purpose of ensuring that the use of knowledge acquired through experience is not limited. Such a clause could read as follows: "...unless such duty limits the use of personal information and experience gained honestly in the course of employment or any other contractual relationship in an inappropriate manner." (Knaak, Kur & Hilty, 2014, p.9).

Our point of view is that the Macedonian legislator should consider the adaptation of the solutions contained in the proposed Directive, knowing the fact that it contains provisions that are sufficient basis for protection of "know-how" against its unlawful and undisclosed acquisition. The implementation of the provisions of the Directive should not be challenging considering the fact that from a technical perspective, the Directive is not particularly complex, contains only a limited number of legal obligations that require transposition into national law and deals with a well delimited issue that has already been regulated at national level as regards the neighboring

area of intellectual property rights (Explanatory Memorandum, 2013,p.9).Additionally, on a broader scale this solutions should be complied with the provisions contained in the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights - *Enforcement Directive (2004/41/EC)*,<sup>23</sup>which concerns the measures, procedures and remedies necessary to ensure then forcement of intellectual/industrial property rights. The adoption of such legal framework for protection of intellectual/industrial property rights, especially "know-how" will allow the inventors or creators to easily derive a legitimate profit from his/her invention or creation. It will also contribute towards widest possible dissemination of works, ideas and new "know-how", and in the same time, it will not hamper the freedom of expression and the free movement of information or personal data.

### Conclusion

As a final conclusion we could say that knowing the fact that the frequency of international transactions of transferring "know-how" has significantly increased, the need for a commonly understood and universally recognized form of protection for this type of unpatented information has become more obvious than ever. From the perspective of innovative companies, the harmonization of protection of "know-how" will lead to positive effects, considering the fact that the risk of losing its secrecy in the event of cross-border transactions will be substantially diminished. In order to create incentives for innovation e.g. in the case of start-up activities, it is necessary to enact legislation that is clear on issues such as when the use of "know-how" is unlawful or to what extent the use of trade "know-how" obtained through reverse engineering is allowed.

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<sup>23</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004) OJ L 195, 2.6.2004, p. 16–25. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004L0048R%2801%29>, last seen: 20.04.2015. It is important to note that in case where the scope of application of Directive 2004/48/EC of the European Parliament and of the Council and the scope of the Proposed Directive overlap, the Proposed Directive takes precedence as *lex specialis*.



We sure hope that the near future holds a promise of a uniform law or convention governing such transactions, and that the Macedonian legislation will be able to promptly implement them.

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