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4, paragraph 2 of the Directive is applicable whenever an employee copies or otherwise appropriates trade secrets with the intention of gaining independent control. Uncertainty remains in situations where there may have been for example an IT policy in place but the employee has performed his or her duties in a different manner without an intention of gaining independent control. The Swedish legislator has determined that copying information in a manner not permitted under the employer's policy will not be enough to find an unlawful acquisition if there was no indication of an intent to gain independent control. Finally, the employee's situation with regard to an employer's trade secret after termination of the employment is not directly regulated in the Directive. Any obligation postemployment is to be derived from national law. The laws of Sweden, Germany and the UK have different approaches to former employees, but the multifactor tests that they all use probably, in the end, lead to quite similar outcomes. The Swedish government, though, has recently reiterated its belief in the value of keeping the assessment simple, and only in exceptional circumstances – disloyal behaviour during employment, those in very senior positions or if the intention from the beginning was to acquire trade secrets – place any implied duty on former employees to uphold trade secrets.

The new EU Trade Secrets Directive has not entailed major changes for employees, at least not in Sweden. The balances between employers and employees previously struck by national law are still more or less in place. As long as the EU does not harmonize agreed or implied contracts concerning trade secrets and employees, together with the very important issue of permissible scope of noncompetition provisions, the area will remain predominantly one of national law. The importance of employees and trade secrets for the internal market and labour mobility would favour harmonization, but the difficulty of finding a clear and common policy probably makes this unfeasible in the near future.

10. Choice of law in EU trade secrecy cases

Rochelle Cooper Dreyfuss and Mireille van Eechoud

1. INTRODUCTION

Trade secrecy law has become a popular way to protect innovative information. In 2016, the United States enacted its first federal civil trade secrets law, thereby supplementing the protection long available under the laws of every US state.¹ At the same time, the EU promulgated the Directive on the protection of undisclosed knowhow and business information (trade secrets), giving member states two years to implement protection into their own laws.²

The desire for strong trade secrecy protection is not difficult to understand. Patents do not cover all of the inventions of the modern economy. Software, computer-related business methods and genetic information are not always considered patentable,³ but because many of these advances can easily be exploited nonpublicly, they are amenable to protection as trade secrets. As importantly, modern global business practices increasingly put knowhow and other confidential information at considerable risk. Technical information is often on computers or in the 'cloud', from which it can be appropriated

¹ Defend Trade Secrets Act, Pub. L. No 114-153, 130 Stat 14th Congress, 1st Sess. 376 (2016) (codified mainly at 18 U.S.C § 1836(b)).

² Council Directive (EU) 2016/943 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 [hereinafter the Trade Secrets Directive or Directive].

³ See, e.g., Case C-428/08 *Monsanto Tech'y LLC v Cefetra BV* EU:C:2010:402, [2010] ECR I-06765 (limiting the scope of gene patents); Convention on the Grant of European Patents, 5 Oct. 1973, 1065 UNTS 199, art 52(c) (barring patents on methods for doing business and programs for computers). In the US, see *Ass'n for Molecular Pathology v Myriad Genetics, Inc.*, 133 S.Ct. 2107 (2013) (limiting gene patents); *Alice Corp Pty. Ltd. v CLS Bank Int'l*, 134 S.Ct. 2347 (2014) I (software and business methods patents).

remotely. Jobs are no longer held for life. With more employee mobility, the possibility that information will be taken increases. The internet enables firms to enter crossborder collaborations and joint ventures, or to employ workers who live at a distance.⁴ New business models, including geographically dispersed value chains, require information sharing among developers, manufacturers, distributors, sellers and service organizations.

The risks associated with these new arrangements were paramount in the EU when the Commission proposed the Trade Secrets Directive. The Explanatory Note to the Proposal discussed the importance of this 'long-standing form of appropriation over valuable information' in the context of its description of open innovation and new business models.⁵ The Commission also emphasized the transnational nature of the problem, mentioning two key difficulties with leaving protection to member states: 'sub-optimal incentives for cross-border innovation activities' and 'fragmented legal protection [that] does not guarantee a ... scope of protection and level of redress within the Internal Market'.⁶ It opined that 'the convergence of civil law remedies would allow innovative businesses to defend their rightful trade secrets more effectively across the EU'.⁷ Similarly, the Preamble to the Directive refers to 'collaborative research, including cross-border cooperation,' 'cross-border network research and development' and 'cross-border trade'.⁸

Despite the Directive's attempt to facilitate transnational R&D, it does not include rules on the law applicable in cases that affect multiple jurisdictions. The EU lawmaker assumes that existing generic applicable law instruments provide adequate solutions (see rec. 37 Directive). Yet crossborder business activities can span multiple locations. For example, information about a production process may be developed in one state, utilized in another, and the resulting products distributed worldwide. The result can be extraordinarily complex choice of law questions.

At first glance the Directive makes choice of law rules appear unnecessary. It protects information that is secret 'in the sense that [it] is not ... generally known or readily accessible', which 'has commercial value because it is

⁴ David H Autor, 'Wiring the Labor Market' (2001) 15(1) J of Econ Perspectives 25.

⁵ Commission, 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) 813 final [hereinafter: Proposal].

⁶ *ibid* 5.

⁷ *ibid* 6.

⁸ Directive, Preamble recitals 2 and 8.

secret' and which has been 'subject to reasonable steps ... to keep it secret'⁹ from 'unlawful acquisition use, or disclosure'.¹⁰ However, the Directive is not a Regulation.¹¹ Moreover, the experience of US states with a similar legal formulation suggests that courts can interpret these terms in radically different ways.

This chapter begins with the US experience and explains why, notwithstanding the states' widespread adoption of the Uniform Trade Secrets Act (UTSA),¹² the outcomes of US cases can be non-uniform, and raise difficult choices in multistate situations. After demonstrating that the same problems are likely to occur under the Directive, the Chapter considers how the EU regulations on applicable law ought to apply. Two regulations address this question. Misappropriation is generally considered a tort, which implies application of the Regulation on the law applicable to non-contractual obligations ('Rome II').¹³ Various conflict rules of Rome II may come into play in disputes over trade secrets, notably the general rules for torts, the provision on unfair competition, and perhaps the provision on intellectual property. But there is often also a contractual dimension at play in trade secret cases, notably in cases involving employees under secrecy obligations – and other cases involving other forms of collaboration and joint venturing, where confidentiality is imposed by contract. There may be reason to rely on the Regulation on the law applicable to contractual obligations ('Rome I').¹⁴

2. THE US EXPERIENCE

James Pooley, an eminent authority on trade secrecy law, refers to the UTSA as the 'non-Uniform Trade Secrets Act'.¹⁵ He does so for good reason. Like the Directive, the elements of a UTSA cause of action are that the information

⁹ Directive, art 2.1.

¹⁰ *ibid* art 4.1.

¹¹ See, e.g., arts 1.1, 1.2(b) & 5(d).

¹² Uniform Trade Secrets Act (amended 1985), 14 ULA 437 (1990) [hereinafter UTSA].

¹³ Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), OJ L199/40 [hereinafter: Rome II Regulation].

¹⁴ Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I), OJ L177/6 [hereinafter: Rome I Regulation].

¹⁵ James Pooley, 'The Top Ten Issues in Trade Secret Law' (1997) 70 Temp. L. Rev. 1181, 1188. Indeed, the lack of uniformity was one reason why the federal statute was enacted, see Defend Trade Secrets Act of 2016, S. Rep. No. 114-220 (2016) at 2 [hereinafter S. DTSA Rep.].

must be 'not ... generally known ... and not ... readily ascertainable by proper means';¹⁶ it must be subject to reasonable steps to maintain its secrecy;¹⁷ and it must be 'taken by improper means'.¹⁸ Despite a degree of coalescence on how these elements are interpreted, there are enduring conflicts.¹⁹

First is the question of what information can be protected. Must it be technical or can business information and ephemeral information – customer lists, marketing plans – also be protected?²⁰ Must it be positive or does negative information (knowing what not to try) or inchoate ideas also qualify?²¹ A second conflict involves the question of 'readily ascertainable'. It presumably means that the information cannot be easily invented independently, but it is not clear whether it also means that it cannot, perhaps with some difficulty, be reverse engineered. There is authority suggesting that the permissibility of reverse engineering is constitutionally required.²² However, jurisdictions differ on whether the *ability* to acquire the information lawfully means it is considered public, even if that is not how the defendant acquired it.²³ There is also disagreement on whether reverse engineering can be barred contractually,²⁴ and on who bears the burden of proof on these issues.

Perhaps the most disagreement revolves around 'reasonable steps to maintain' the secret.²⁵ Some jurisdictions do not require proof about these steps; most look to a constellation of factors to determine the adequacy of the measures taken, including how the information was maintained and whether employees were informed.²⁶ Some employers protect their secrets with non-compete agreements. However, there is a split on whether breaches of these agreements can be separately enforced.²⁷

¹⁶ UTSA, § 1(4)(i).

¹⁷ *ibid* § 1(4)(ii).

¹⁸ *ibid* § 1(1) & (2).

¹⁹ See generally, Linda B Samuels and Bryan K Johnson, 'The Uniform Trade Secrets Act: The States' Response' (1990) 24 Creighton L Rev 49; Charles Tait Graves, 'Trade Secrecy and Common Law Confidentiality: The Problem of Multiple Regimes' in Rochelle Dreyfuss and Katherine Strandburg (eds) *The Law and Theory of Trade Secrecy: A Handbook of Contemporary Research* (Edward Elgar Publishing 2011) 77.

²⁰ Pooley (n 15) 1183.

²¹ Robert C Denicola, 'The New Law of Ideas' (2014) 28 Harvard J L & Tech 195.

²² See, e.g., *Bonito Boats, Inc v Thunder Craft Boats, Inc*, 489 US 141, 160 (1989).

²³ See, e.g., *Hecny Transp., Inc. v. Chu*, 430 F.3d 402, 404–05 (7th Cir. 2005).

²⁴ See, e.g., *Bowers v. Baystate Technologies*, 320 F.3d 1317 (Fed. Cir. 2003).

²⁵ See generally Robert G Bone, 'Trade Secrecy, Innovation and the Requirement of Reasonable Secrecy Precautions', in Dreyfuss and Strandburg (n 19) 46.

²⁶ Ari B Good, 'Trade Secrets and the New Realities of the Internet Age' (1998) 2 Marq Intell Prop L Rev 51, 54.

²⁷ Sharon K Sandeen and Elizabeth A Rowe, 'Debating Employee Non-Competes and Trade Secrets' (2017) 33 Santa Clara High Tech L J 438.

While it is clear that certain actions, such as theft and bribery, are improper means of acquisition, there are many activities on which jurisdictions disagree. The issue may be decided by reference to honest commercial practices,²⁸ but that can vary from state to state. Jurisdictions also take different positions on what is known as 'tippee liability': the liability of a party who learned the secret from the misappropriator. The UTSA makes actionable the acquisition of information by a person who knew or had reason to know of the misappropriation.²⁹ But that formulation gives states leeway to decide what a tippee should reasonably have known (and when the tippee should reasonably have known it).³⁰

Beyond these elements, there is also considerable variation on infringement. Some states require head to head competition,³¹ but some jurisdictions impose liability even in its absence.³² It can even be enough that misappropriation is threatened or that the information will inevitably be disclosed.³³ As to remedies, the UTSA imposes a standard of reasonableness.³⁴ That allows jurisdictions to differ on the length of injunctions,³⁵ as well as the calculation of monetary damages.³⁶

These variations persist for several reasons. One lies in the common law origins of the law.³⁷ The states adopted the UTSA over a period of two decades and under different economic conditions.³⁸ More importantly, there is a considerable basis for normative disagreement. While trade secrecy incentivizes innovation, secrecy makes it difficult to build on earlier work and push forward the frontiers of knowledge. It can lead to wasteful reinvention and complicate

²⁸ See, e.g., TRIPS art 39(2).

²⁹ UTSA, § 1 (2)(ii)(B).

³⁰ See Samuels and Johnson (n 19) 61.

³¹ Compare *United Golf Ass'n v St. Andrews Sys. Data-Max, Inc*, 749 F2d 1028 (3d Cir 1984) (no competition required) with *Omitech Int'l Inc v The Clorox Co*, 11 F3d 1316 (5th Cir 1994) (permitting comparative use).

³² See, e.g., *InnoSys, Inc v Mercer*, 364 P3d 1013 (S.Ct. Utah 2016).

³³ See *Pepsico, Inc. v Redmond*, 54 F3d 1262 (7th Cir. 1995).

³⁴ UTSA, § 2.

³⁵ See, e.g., *Conmar Prods Corp v Universal Slide Fastener Co*, 172 F2d 150 (2d Cir 1949); *Shellmar Prods Co v Allen-Qualley Co*, 87 F2d 104, 109 (7th Cir 1936); and *Winston Research Co v Minnesota Mining & Mfg Co*, 350 F2d 134 (9th Cir 1965).

³⁶ Elizabeth A Rowe, 'Unpacking Trade Secret Damages' (2017) 55 Hous L Rev 155.

³⁷ See, e.g., *Vickery v Welch*, 36 Mass 523 (1837); Restatement (First) of Torts, §§757–758 (Am. Law Inst. 1939) and Restatement (Third) of Unfair Competition (Am. Law Inst. 1995).

³⁸ See Sharon K Sandeen, 'The Evolution of Trade Secrecy Law and Why Courts Commit Error When They Do Not Follow the Uniform Trade Secrets Act' (2010) 33 Hamline L Rev 493.

regulation on issues such as health, safety, the environment and privacy.³⁹ Moreover, it can significantly interfere with employee mobility.⁴⁰ Seasoned employees and their potential employers may be reluctant to enter into a relationship out of fear of liability. With less movement, salaries are depressed, leading fewer people to invest in developing the human capital needed to work in hightech sectors. Rather than promote innovation, trade secrecy can, at the end of the day, inhibit it.⁴¹

These polarized views lead inevitably to different outcomes and, in cross-border cases, difficult choice of law questions. Jurisdictions attuned to the incentives justification take a broad view on what information is protectable; those concerned with disclosure, regulatory authority and employment take opposing positions. To resolve conflicts among state laws, the American Law Institute's Restatement (Second) Conflicts of Laws, while not hard law, has been followed by most US states.⁴² Its main approach is to use the law of the jurisdiction with the 'most significant relationship to the parties and the transaction',⁴³ taking into account whether the significant interests of the relevant jurisdictions compete. However, it can be unclear which jurisdiction has the most significant relationship; it might be the place where the knowledge was developed or the place where it was used, especially if used by an ex-employee.⁴⁴

3. THE EU

To be sure, the EU is very different in that its drive to harmonize choice of law has led to the passage of regulations on applicable law. Moreover, since the Trade Secrets Directive is to be enacted everywhere within two years, there will be less policy drift and thus fewer national differences. And because of

³⁹ David S Levine, 'Secrecy and Unaccountability: Trade Secrets in Our Public Infrastructure' (2007) 59 Fla L Rev 135.

⁴⁰ Robert P Merges, 'The Law and Economics of Employee Inventions' (1999) 13 Harv J L & Tech L.

⁴¹ Cf Matt Marx, Deborah Strumsky and Lee Fleming, 'Mobility, Skills, and the Michigan Non-Compete Experiment' (2011) 55 Mgmt Sci 8759; Ronald J Gilson, 'The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not to Compete' (1999) 74 NYU L Rev 575.

⁴² On the influence of the Restatement (Second) Conflicts of Laws, see Symeon Symeonides, 'The Choice-of-Law Revolution Fifty Years after Currie: An End and a Beginning' (2015) 2 University of Illinois Law Review 1847.

⁴³ Restatement (Second) Conflicts of Laws § 145 (Am. Law Inst. 1971).

⁴⁴ See generally, Rochelle Dreyfuss and Linda Silberman, 'Misappropriation on a Global Scale: Extraterritoriality and Applicable Law in Transborder Trade Secrecy Cases' (2017) 8 Cybaris Intell Prop L Rev 265.

the civil law tradition in member states, the inertial forces of prior law will exert less pull. The greater specificity of the Directive relative to the UTSA may also spare national lawmakers and courts some interpretive difficulties. For example, the Directive lists the 'diverse range of information' that is protectable, thus eliminating issues about customer lists and ephemeral marketing schemes.⁴⁵ Similarly, it includes more detail about when information is ascertainable and whether reverse engineering can be prohibited contractually.⁴⁶ It makes clear who bears the burden of proof on the various elements in the case.⁴⁷ It has an express provision on what is considered unlawful acquisition, and one on tippee liability.⁴⁸

But despite its attempt to achieve harmonization,⁴⁹ the Directive leaves open many issues. It expressly relies on honest business practices.⁵⁰ It does not state whether negative information or ideas are protectable. Nor does it provide information on what steps to protect secrecy are reasonable. It is not clear whether the information taken must actually be used in competition with the trade secret holder. The remedies are described in terms such as fair, equitable and proportionate,⁵¹ which can be interpreted in a variety of ways. For injunctions, courts must apply a factors test, but there is no guidance on how to weigh them.⁵² In tippee cases, courts can substitute money for injunctive relief, but there is no direction about when that should occur.⁵³ Furthermore, there are many issues that are explicitly left to national law. In some respects, it permits member states to enact stronger protection and to make exceptions relevant to their interests;⁵⁴ it does not affect certain national rules on disclosure; and it does not attempt to regulate certain questions, such as the enforceability of postcontractual nondisclosure obligations of former employees or ownership issues.⁵⁵

⁴⁵ Directive, recital 2.

⁴⁶ *ibid* arts 3.1(b) & 4.3(c), and recital 16.

⁴⁷ *ibid* art. 11.1.

⁴⁸ *ibid* art. 4.

⁴⁹ *ibid* recitals 6 & 7.

⁵⁰ *ibid* arts 3.1(d) & 4.2(b).

⁵¹ *ibid* arts 6 & 7.

⁵² *ibid* art. 13.1.

⁵³ *ibid* art. 13.3; recital 29.

⁵⁴ *ibid* arts 1.1, 1.2(b) and 5(d).

⁵⁵ Roland Knaak, Annette Kur and Reto M Hilty, 'Comments of the Max Planck Institute for Innovation and Competition 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' (2014) 45(8) IIC 953 [hereinafter Max Planck Comments] 8-9.

As to undefined terms, on some issues the CJEU will no doubt follow its normal practice and achieve harmonization by promulgating autonomous interpretations of key terms.⁵⁶ However, the paucity of trade secret disputes means it could be many years before the Court has sufficient opportunity to do so. What is more, in many cases, deciding on a single meaning will be difficult because interpretation depends on the policies sought to be furthered and the Directive reflects the same polarization found in the US. Thus, some Recitals suggest a desire to encourage innovation, collaboration and honest business practices.⁵⁷ However, there are many more that emphasize countervailing considerations: information exchanges, power to regulate, freedom of expression and other fundamental rights.⁵⁸ And although the Directive acknowledges the right of employees to change jobs and use their skills,⁵⁹ it does not offer guidance on distinguishing between skills and secrets. Thus, an approach to choice of law for the crossborder cases is imperative.

The remainder of this chapter examines how the rules of the Rome II Regulation apply to disputes over trade secrecy and which complications arise in situations where contractual obligations come into play. It addresses two problems in particular. The first is the issue of multilocal disputes. As was noted, modern business practices are geographically dispersed. Do the choice of law rules of Rome II contribute to what the Trade Secrets Directive primarily seeks to deliver, namely to incentivize businesses to undertake innovation-related crossborder economic activity, with a view to optimizing the internal market?⁶⁰ Because, as suggested above, national differences are likely to remain, the Directive partly 'outsources' the realization of its objective(s) to choice of law rules. Rome II primarily aims to 'ensure the predictability of the outcome of litigation, legal certainty as to the law applicable and the uniform application of that regulation in all the Member States'.⁶¹ But these are policy objectives at the level of private international law (in the interest of the common market); they do not necessarily gel with the policies underlying the Trade Secrets Directive. The second issue is whether the current choice of law rules support the Trade Secrets Directive secondary policy objective of

⁵⁶ Examples in copyright include Case C-393/09 *Bezpečnostní Softwarová Asociace v Ministerstvo Kultury* EU:C:2010:816, [2010] ECR I-13971, 48 and Case C-5/08 *Infopaq Int'l A/S v Danske Dagblades Forening* EU:C:2009:465 [2009] ECR I-06569, 37–74, which announced an autonomous, EU-wide definition of originality.

⁵⁷ See, e.g., Directive, recitals 1, 2, 4 & 8.

⁵⁸ *ibid* recitals 3 (information exchange, albeit in the context of the benefits of trade secret protection), 11 & 35 (Regulation); 19, 21 & 34 (various freedoms).

⁵⁹ *ibid* art 1.3 sub b.

⁶⁰ *ibid* recital 8.

⁶¹ Case C-412/10 *Homawoo v. GMF Assurances* EU:C:2011:747, [2011] ECR I-11603.

protecting employee mobility. In particular, the relevance of Rome I and its employee protective conflict rules will be examined.

3.1 Application of Rome II

The Rome II Regulation is the outcome of a long harmonization process dating back half a century. Rules on jurisdiction were agreed early on (1968 Brussels Convention), culminating in the 2012 'Brussels I-bis' Regulation,⁶² which is why there is now rich case law on jurisdiction rules. By contrast, there is little more than a handful of judgments on applicable law to contracts and noncontractual obligations: until 2018 just ten for the Rome I Regulation and its predecessor the 1980 Rome Convention and (two of which also address Rome II), and another four on Rome II alone.⁶³ None of these cases deals with trade secrets and only one concerns intellectual property. This suggests that even if the Court of Justice could manage to dispel any ambiguities about the uniform choice of law rules, this would probably take decades. It also means that assessing how Rome I and II play out for trade secrets involves a certain amount of reasoned guesswork.

A number of interpretive questions have long enjoyed straightforward answers. In places, the instruments use identical wording and similar concepts. Although terms need not always be interpreted in the same way, consistency in interpretation is a standard concern of the CJEU. Thus, what constitutes a tort (no-contractual obligation) for the purposes of Rome II is negatively defined by what a contractual obligation under Rome I is. To interpret the latter, the CJEU also looks to its own reading of the Brussels I Regulation on the jurisdictional rule for matters relating to contract. A contractual obligation is a 'legal obligation freely consented to by one person towards another'; other obligations are noncontractual. How an issue would be characterized under national law is irrelevant, as the CJEU uses the concept of autonomous interpretation: to ensure uniform application, terms are interpreted independently, having regard to the Regulations' general schemes and objectives.⁶⁴

⁶² Council Regulation (EU) 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2012] OJ L351/1.

⁶³ From 2004 the CJEU had jurisdiction to hear referrals on the Rome Contracts Convention. It gave its first judgment in 2009: Case C-133/08 *Interfrigo v Balkenende Oosthuizen* EU:C:2009:617, [2009] ECR I-09687.

⁶⁴ See e.g. joined cases C-359/14 and C-475/14 *ERGO Insurance* EU:C:2016:40, [2016]; Case C-26/13 *Kásler and Káslerné Rábai* EU:C:2014:282, [2014]; Case C-548/12 *Marc Brogister/Fabrication de Montres Normandes* EU:C:2014:148, [2014]; Case C-375/13 *Harald Kolassa v Barclays Bank* EU:C:2015:37, [2015].

With respect to the question how trade secrets should be characterized for choice of law purposes, the picture seems fairly clear. In principle, unlawful conduct with respect to trade secrets triggers the application of the Rome II Regulation, not Rome I, unless the conduct is in direct breach of a contractual obligation, such as a nondisclosure agreement.⁶⁵ Rome II does however provide an escape clause (art. 4(3) Rome II) which may lead to application of the law that governs a contract under the rules of Rome I, an option to be discussed below.

Rome II provides special and different rules for unfair competition (art. 6) and intellectual property claims (art. 8). Trade secrecy is an area of law that in many jurisdictions interacts with intellectual property law.⁶⁶ And the legislative record of the Directive shows that the EU institutions were acutely aware of this. Thus, Recital 39 positions the Directive's provisions on measures, procedures and remedies as *lex specialis* to the IP Enforcement Directive; the latter's recital 13 suggests member states are free to apply the Enforcement Directive to unfair competition and similar activities. Whatever the historical status of trade secrecy in member states, the Directive does not categorize it as part of intellectual property law but as a species of unfair competition law (for example, recital 2 speaks of trade secrets as 'a complement or as an alternative to intellectual property rights', recital 16 of the Directive not creating 'exclusive rights').⁶⁷ Accordingly, as an initial matter, art. 6 Rome II will apply.

⁶⁵ Christopher Wadlow, 'Trade Secrets and the Rome II Regulation on the Law Applicable to Non-Contractual Obligations' [2008] EIPR 309 [suggests other cases where there is both a breach of contract and a tort]. On concurrent claims in general: Andrew Dickinson, *The Rome II Regulation: The law applicable to non-contractual obligations* (Oxford University Press 2008). On the distinction between contractual and noncontractual: the CJEU in *Brogstetter* (n 64) held there is a priori a matter of contract 'where the interpretation of the contract which links the defendant to the applicant is indispensable to establish the lawful or, on the contrary, unlawful nature of the conduct complained of against the former by the latter' (¶ 25). See also Case C-191/15 *Verein für Konsumenteninformation v Amazon EU Sàrl* EU:C:2016:612, [2016].

⁶⁶ Christopher Wadlow, 'The New Private International Law of Unfair Competition and the 'Rome II' Regulation' (2009) 4(11) JIPLP 789 (for UK); Martin Illmer in Peter Huber (ed) *Rome II Regulation: Pocket Commentary* (Sellier, European Law Publishers 2011) 154–5; Thomas Bauermann, *Der Anknüpfungsgegenstand im europäischen Internationalen Lauterkeitsrecht* (Mohr Siebeck 2015) 187–91.

⁶⁷ Commission, Amended Proposal for a European Parliament and Council Regulation on the Law Applicable to Non Contractual Obligations ('Rome II') COM 2006(0083) [hereinafter: Amended Rome II proposal] at 4; EC, Explanatory Memorandum "Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations" ('Rome II'), COM (2003)427 [hereinafter: Rome II proposal]. See also Christopher Wadlow (n 65) at 310.

However, for the typical trade secret case article 6 refers back to the general rules of Rome II, which are contained in article 4.

3.1.1 Applicable law in unfair competition cases

Article 6(1) subjects claims in unfair competition to the law of the country 'where competitive relations or the collective interests of consumers are, or are likely to be, affected' (also known as 'market rule').⁶⁸ Technically, then, article 6(1) contains two connecting factors, but the presumption seems to be that both will point to the same applicable law. Recital 21 Rome II presents article 6 as a 'clarification' of the general rule, which would apply the law of the country where the damage occurs, not an 'exception' to it.⁶⁹ This seems at odds with the claim made in the same recital that the use of a market-oriented connecting factor 'should protect competitors, consumers and the general public and ensure that the market economy functions properly'. It is widely recognized that unfair competition law indeed serves such multiple functions. However, the law of the country where the damage occurs (the '*lex loci damni*', a variation of the '*lex loci delicti*', or law of the country where the harmful event occurred) is supposed to capture the law of the country with the closest connection to the noncontractual relationship between injured party and tortfeasor. Unlike the 'market rule' used in many jurisdictions, it is not aimed at treating all actors in a particular market equivalently.⁷⁰ The connecting factors of article 6(1) reflect the function of the corresponding substantive law, so it is an instance of functional allocation,⁷¹ rather than one based on (geographical-factual) closest connection.

The term 'unfair competition' covers a broad range of unlawful conduct which, according to the legislative records, includes misleading advertising, industrial espionage, disclosure of business secrets or inducing breach of contract.⁷² However, the market rule does not apply when conduct targets a specific competitor, that is, where the act affects 'exclusively the interests of a specific competitor' (art. 6(2) Rome II). According to the European Commission, although such an act may have some negative impact on a given market, it must be regarded as 'bilateral' (between parties) and thus there is no justification why the normal rules of article 4 would not apply. An act of mis-

⁶⁸ The European Parliament in both first and second reading proposed to delete art 6.

⁶⁹ See also Amended Rome II proposal, p.6: 'aim is solely to determine more accurately the place where the damage arises' (Commission comment on amendment 29).

⁷⁰ TM de Boer, 'The Purpose of Uniform Choice-of-Law rules: The Rome II Regulation' (2009) 56(3) *Netherlands International Law Review* 295, 323.

⁷¹ On functional allocation in Rome II, see *ibid*.

⁷² Amended Rome II proposal.

appropriation, disclosure or use of a trade secret will generally be bilateral.⁷³ As article 6(2) is an exception to the market rule,⁷⁴ it stands to reason that it should be construed narrowly. A literal reading of the wording ('affects *exclusively*') further suggests so. However, a reading that dismisses application as soon as there is even a small impact on consumer or market interests would render the exception ineffective.⁷⁵ With respect to the 'collective interests of consumers', one might further ask if application of article 6(1) should be limited to cases where there is not just a noticeable but also an immediate *negative* effect. After all, consumers might actually benefit from the disclosure and use of a trade secret because the products that embody the secret are more available and usually cheaper. So consumer interests are affected, but not in a way that demands relief. There is no consideration of this aspect in the legislative record.

Article 6 refers back to the general rule of article 4 (discussed in more detail below). However, it gives no clear answer to the question whether parties to a dispute over trade secrets may also choose the applicable law, as article 14 Rome II permits. Arguably, if the absence or minimal presence of collective interests justifies abandoning the market rule, there is no reason to deny parties the benefit of making their own choice.⁷⁶

3.1.2 The law of the place of damage and its escapes

Article 4 Rome II is a composite provision, covering three situations: a main rule and two exceptions. The main rule of article 4(1) Rome II designates the *lex loci damni* as applicable, that is, the law of the country in which the damage occurs. Damage is only direct damage, such as (physical) injury to a victim as a result of a road traffic accident, not consequential damage, such as suffering

⁷³ Rome II proposal, Explanatory Memorandum at art 5 (later renumbered 6), Peter Mankowski, 'Internationales Wettbewerbs- und Wettbewerbsverfahrensrecht' in Peter Heermann and Jochen Schlinghoff (eds) *Münchener Kommentar Lauterkeitsrecht* (Beck München 2014) 246–7; Wadlow (n 66); Illmer (n 66).

⁷⁴ There is some discussion on whether art 6(1) should lead to application of laws of markets that are minimally affected: e.g. Stefan Leibe and Matthias Lehmann, 'Die neue EG-Verordnung über das auf außervertragliche Schuldverhältnisse anzuwendende Recht ("Rom II")' (2007) 7(10) RIW 729 argue that the fact that the adopted text no longer requires 'directly and substantially affected' consumer or competitive relations interests does not mean there is no de minimis threshold: the market must be 'affected'. Contra: Illmer (n 66) 50–1.

⁷⁵ See Mankowski 2011 (n 73) 245a, who suggests there must be some minimal threshold, as virtually any action aimed at weakening a competitor will affect the market in some way.

⁷⁶ TM de Boer, 'Party Autonomy and Its Limitations in the Rome II Regulation' (2007) 9 Yearbook of Private International Law 19–29; Dickinson (n 65) 426; Illmer (n 66) 174; Mankowski (n 73) 254.

caused to family members of the victim. According to the CJEU, the limitation to the place where direct damage occurs ensures foreseeability and legal certainty, as it prevents the tort from being 'broken up in to several elements, each subject to a different law'.⁷⁷

The preference of article 4(1) is informed by the policies that underlie substantive torts law generally. The legislator reasoned that modern tort law has a stronger focus on repairing damage than on regulating conduct. Therefore, the place where damage arises is to be preferred as a connecting factor over the place where active conduct takes place, should these places be in different jurisdictions. This is also supposed to achieve a fair balance between the interests of tortfeasor and injured party (recital 16 Rome II). In many cases the connecting factors will yield the same result. But in the case of multilocal torts – where the act or event takes place in one jurisdiction, yet produces damage in another jurisdiction – that will not be so. Under article 4(1), only the latter jurisdiction's law will matter.

For torts that involve the taking or use of information, it is not immediately evident where, geographically speaking, the damage is produced. If information is appropriated but not yet disclosed, should one look to the place of appropriation – for example, where the information was received – or the place where the holder of a trade secret is established? If a trade secret is disclosed or used, does damage arise in all jurisdictions where use is made or the information becomes available? Or is it only at the seat of the injured party? The Commission recognized that application of article 4(1) may lead to fragmentation.⁷⁸ Commentators have expressed concern about it.⁷⁹ A mosaic effect, where multiple laws apply, each to local damage arising from the same conduct, is difficult to reconcile with the Regulation's stated objective to 'improve the predictability of the outcome of litigation' (recital 6).

The broader the concept of damage used, the more potential laws come into play. In *Lazar*, narrowly defining the relevant place as limited to that of direct damages as opposed to indirect or consequential damage curbed a mosaic effect. In trade secret cases this would help as well. For example, it would rule

⁷⁷ Case C-350/14 *Lazar v Allianz* EU:C:2015:802, [2015] para 25. See for a discussion Heinz-Peter Mansel, Karsten Thorn and Rolf Wagner, 'Europäisches Kollisionsrecht 2016: Brexit ante portas!' (2017) 37(1) IPRax 36.

⁷⁸ Commission, Impact Assessment Accompanying the Document 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 (Staff working document) SWD (2013) 471 final 227.

⁷⁹ Wadlow (n 65) 313; Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations*, Oxford Private International Law Series (Oxford University Press 2010); Martin Illmer, 'Unfair Competition and Acts Restricting Free Competition' in Peter Huber (ed) 2011 (n 66).

out application of the laws of jurisdictions where the trade secret holder is not yet active but sees its potential diminished. But the real problem is not about distinguishing direct from follow-on damage. Rather, it is about identifying *where* direct damage results. A trade secret is an information asset. Its acquisition, use or disclosure diminishes the economic value for the trade secret holder: that is, it causes direct damage. Where is that damage situated? In all markets where the business is active? Or (only) where the holder of the trade secret is established? We return to these complications later when we discuss various alternatives to limit the number of applicable laws under article 4(1).

3.1.3 Common habitual residence

There is at least one circumstance where fragmentation will not occur. When the parties are habitually resident in the same place at the time the unlawful act took place, the law of the place of harm (*lex damni*) is displaced by the law of the country of their common residence (art. 4(2) Rome II). This rule is said to meet the legitimate expectations of the parties. It also promotes predictability as to the applicable law.⁸⁰ Given the situations under which trade secrecy misappropriation occurs, it is not, however, likely that this solution to the fragmentation problem will be available often.

3.1.4 Closer connection escape clause

There is another escape clause: it applies when there is a country that is manifestly more closely connected to the tort (art. 4(3) Rome II) than the law designated under the other provisions of article 4. The manifestly closer connection must be clear from all the circumstances. Factors to consider include a shared place of establishment (of some of the parties involved, otherwise article 4(2) would apply) and legitimate expectation of the parties.⁸¹ Important for trade secret cases is that article 4(3) recognizes the possibility that a closer connection may exist in particular because of a connected (contractual) relationship between parties, for example with a contract of employment between the holder of the trade secret and its (former) employee. Article 4(3) thus leaves some room for what is called accessory allocation: in that case, the law that governs the contractual relationship also governs the tort claim. However, the requirement that there must be a *manifestly* closer connection means that accessory allocation cannot be routinely used.⁸²

⁸⁰ Habitual residence is defined in art 23 Rome II.

⁸¹ See Rome II proposal at p.4.

⁸² For in depth discussion, see Chukwuma Okoli, 'The Significance of the Doctrine of Accessory Allocation as A Connecting Factor under Article 4 of The Rome I Regulation' (2013) 9(3) Journal of Private International Law 449–97, available at: <https://doi.org/10.5235/17441048.9.3.449> accessed 25 April 2019.

3.1.5 Party autonomy

Because of the dangers of fragmentation, parties may wish to choose the law for themselves. For contractual obligations, the Rome I Regulation gives priority to the law the parties have chosen to apply to their relationship. A notable exception regards employees who enjoy some protection against a choice imposed by the employer, since employees are seen as weaker parties. Rome II is less generous towards freedom of choice. Article 14(1) allows parties to choose the applicable law only *after* the tort occurred, which will likely be a rare occurrence. An *ex ante* choice can be made only by parties that act in a commercial capacity, that is, in the exercise of a trade or profession.⁸³ The prior choice of applicable law must be freely negotiated; it is not wholly clear what the status is of clauses in general terms and conditions.⁸⁴ The choice must be 'expressed or demonstrated with reasonable certainty by the circumstances of the case and shall not prejudice the rights of third parties' (art. 14(1) Rome II). The question whether a choice of law can also be implicit (as is accepted under Rome I) was a matter of disagreement during the legislative process.⁸⁵ The wording of the provision does not seem to rule this out.⁸⁶ The legislative record frequently mentions employees as parties that need protection from *ex ante* choice. However, the final text of the Regulation does not seem to limit *ex ante* agreements involving employees.⁸⁷ Until the CJEU clarifies the situation, legal uncertainty will persist.

What are the implications of tort party autonomy for trade secret disputes? In many cases, an employment contract, confidentiality agreement or other instrument that has a bearing on trade secrecy will contain a choice of law clause. This raises two questions. First, does the choice of law in the agreement also cover any and all tort claims in the absence of an explicit clause? Second, what is the situation with respect to employees?

On the first question, an abstract clause on applicable law for a contract does not necessarily cover all tort liability between parties. For jurisdiction clauses, the CJEU has clarified that an abstract clause does not extend to all disputes between parties, only to those that stem from the particular legal relationship that the contract regulates.⁸⁸ The same may be said for applicable law choices.

⁸³ Ivo Bach, 'Art. 14 Rome II Freedom of Choice' in Huber (n 66).

⁸⁴ Of note, various provisions of Rome II curb party autonomy. e.g. where there is no actual international case, or by way of *ordre public* exception. These are not discussed for brevity's sake.

⁸⁵ Amended Rome II proposal (n 67).

⁸⁶ For a discussion see Ivo Bach in Huber (n 66) 336–7.

⁸⁷ As opposed to the Amended Rome II proposal (n 67) recital 8.

⁸⁸ See *Interfrigo v Balkenende Oosthuizen* (n 63).

On the second question, if article 14 Rome II were to limit party autonomy for employees because they are considered 'weak', a choice of applicable law clause in an employment contract cannot cover liability in tort of the employee towards her employer (for example, for absconding with the employer's secret). This result is not desirable, nor is it necessary. After all, the Rome I Regulation already protects employees from the adverse effects of party autonomy. Regardless of the law chosen, an employee can still rely on the protection of the mandatory provisions of the law of the country where she habitually carries out the work in performance of the contract (typically this will be the employee's habitual residence: art. 8(1) Rome I). For example, if the mandatory law grants employees broader rights to make use of acquired skills and knowledge than the law applicable to the employment contract, they can avail themselves of such rights. Apart from the additional protection Rome I would bring, in general, the possibility to subject both contractual and non-contractual issues arising from or in close connection with employment to one particular law, promotes legal certainty for employer and employee alike. This in turn helps employees change jobs and move across borders, for they can more easily ascertain what information and skills they can take with them. In some cases they will be able to bargain for higher salaries or other favourable conditions. From the perspective of the employer, if the terms of the contract are couched in the language of a particular jurisdiction to meet requirements to maintain secrecy (compare § 1(4)(ii) USTA with art. 2 Trade Secrets Directive), a valid choice of applicable law for torts fortifies such efforts. In sum, much is to be said in favour of a liberal approach to party autonomy.

3.2 Means to Promote Predictability

At the outset we asked if the EU rules on applicable law in trade secret cases can help promote two key policy objectives of the Trade Secrets Directive: stimulating innovation by affording businesses protection against misappropriation, and maintaining employee mobility. The effect of Rome II is indirect. It can enhance predictability and legal certainty as to the applicable law, which make it easier for businesses to manage risks associated with keeping control over confidential information – or profit from third party knowledge. The rules on party autonomy are an important instrument for facilitating this objective. But there will be many instances where the applicable law will be determined on the basis of the general rules of article 4. Its focus on the place where damage materializes is unhelpful. What can be done to reduce the number of simultaneously applicable laws in trade secret disputes involving multiple jurisdictions? We consider two approaches suggested by the CJEU: Advocate-General Bobek's solution, which identifies one place of damage, and the Nintendo approach taken by the Court itself, which identifies one place

of active conduct. Of note, Bobek's solution was given for tort jurisdiction, not applicable law. The CJEU has had to address the question what to do when the tortfeasor acted in one jurisdiction and thereby produced harm in others. In the case of multilocal torts 'the place where the harmful event occurred' is both the place where the damage occurred and the place of the event giving rise to it. This mosaic approach, when applied to applicable law questions involving trade secret disclosure or use, produces serious fragmentation. For jurisdiction, in *Shevill* (1995) and *eDate* (2011) the Court opined that damage occurs in every place where a publication is distributed in print (*Shevill*) or accessible on the web (*eDate*) if the reputation is also allegedly harmed there.

If any place where the secret is accessible (whether on a publicly accessible website or on the dark web) and where the trade secret holder does (perhaps even could?) exploit the value of the information constitutes a place where damage occurs, questions on the unlawfulness of the act of disclosure and the consequences will be subject to many laws. The broad interpretation that the CJEU gives to tort jurisdiction in internet-related cases has been criticized because it creates so many alternative competent fora besides the main defendant's forum.⁸⁹

3.2.1 Single place of damage under Bobek's approach

As Advocate-General Bobek suggested in his opinion in *Bolagsupplysningen v Svensk Handel*,⁹⁰ a case on a defamation tort on the internet: the exception that the place of damage creates jurisdiction became the rule. Bobek advised the Court to reduce the number of competent courts by redefining the test for special tort jurisdiction (art. 7(2) Brussels Ibis) so that only two possible types of fora are left. The first would be where the event giving rise to the damage took place, and that should be the place where the person controlling the information (and thus its disclosure) is situated. Technical aspects, such as where information is stored, should not be relevant. The second type of competent forum is where the harm occurred. Here the Advocate General invited the

⁸⁹ See e.g. Kristina Sirakova, 'Is the Shevill Doctrine Still Up to Date? Some Further Thoughts on CJEU's Judgment in Hejduk (C-441/13)' (Conflict of Laws 24 January 2015) <http://conflictoflaws.net/2015/is-the-shevill-doctrine-still-up-to-date-some-further-thoughts-on-cjeus-judgment-in-hejduk-c-44113/> accessed 24 October 2019; Martin Husovec, 'Comment on "Pinckney"' (2014) 45(3) IIC 370–4; MMM van Eechoud, 'De Grensoverschrijdende Inbreuk: Daad, Plaats en Norm na Football Dataco & Pinckney' (2013) 37(6) AML 169; European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary* (Oxford University Press 2013).

⁹⁰ Case C-194/16 *Bolagsupplysningen v Svensk Handel* [2017] EU:C:2017:554, Opinion of AG Bobek.

Court to limit jurisdiction to the place where the reputation of the injured party is 'most strongly hit'.

That, he proposes, is likely to be the place where that party has its centre of interest, that is, where a person does business or is professionally active. For legal persons this will often be the place of establishment or domicile. The size of turnover, quantity of customers or business partners and other professional contacts are among the other factors that help pinpoint the centre of interest. Bobek's test does away with territorially limited jurisdiction for courts situated in other countries where (direct) damage occurs. Unfortunately, the Court declined the opportunity to thus reinterpret the test. It did however accept that *injunctive relief* cannot be sought in every country where the information is published or accessible, but only in the courts of the state where the injured party has its centre of interest. It is of note, however, that if a holder of a trade secret seeks injunctive relief to prevent disclosure, a territorially limited order would be of little use.

How would Bobek's refined test for jurisdiction work if applied by analogy to choice of law cases involving the use of goods produced using a trade secret in multiple jurisdictions or their sale, such as on the internet? It might work for Rome II. If the place where the economic value associated with the trade secret is hit hardest is the place where the trade secret holder has its centre of interest, that would reduce the number of applicable laws considerably: law(s) of the place(s) where the tortfeasor acted, and law of centre of interest of the injured party. Although this creates a certain level of predictability, for example in cases of crossborder trade or collaboration (R&D, shared services, and so on), it is still likely to produce multiple applicable laws. This may drive risk-averse parties to adopt conservative strategies, such as taking account of the lowest standard of protection (if they have information to protect) or the highest (if they seek to use third party information). So is there a way to further reduce the potential number of laws based on where the defendant acted? The *Nintendo* judgment of the CJEU offers an idea how this may be achieved.

3.2.2 The *Nintendo v Big Ben* solution

Rome II provides in article 8(1) that the 'law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed' (the *lex protectionis*). This rule generally produces a mosaic effect in cases where protected subject matter is reproduced and then distributed in various countries. In its operation, the conflict rule resembles the market rule of article 6(1) Rome II: both lead to a territorial application of the law.

For unitary intellectual property such as the EU trademark and Community designs, aspects that are not covered by the unified IP law are subject to 'the law of the country in which the act of infringement was committed'. From

Nintendo v Big Ben Interactive,⁹¹ it follows that in cases where a defendant is claimed to have infringed the unitary right in several countries, one must make an 'overall assessment of that defendant's conduct in order to determine the place where the initial act of infringement at the origin of that conduct was committed or threatened by it'.⁹² The CJEU focuses on the active conduct at the source, not the harm produced by multilocal torts, and thus stays well clear of the solution given by article 4(1) Rome II. This has the advantage of simplicity. Applied to trade secrets, once the place of initial unlawful acquisition is determined, only a single law would govern, rather than several. It reduces the risk of contradictory outcomes, for example if confidential information is acquired in one country and then used in services offered in several others.

To arrive at the conduct as connecting factor the CJEU compared language versions of article 8(2) and also considered that according to the legislator, the general *lex loci damni* rule does not 'allow a reasonable balance to be struck between the interests at stake' (between the injured party and the alleged tortfeasor) in case of intellectual property infringements. Unfortunately, the CJEU did not elaborate on why this would be so. The CJEU did flag that the use of a 'single connecting factor linked to the place where the act of infringement at the origin of several acts alleged against a defendant was committed'⁹³ makes life simpler for courts. It also serves the overarching objectives of Rome II: to ensure general predictability of the outcome of litigation, legal certainty as to the law applicable and the uniform application of that Regulation in all the Member States. These arguments of course also hold for trade secret cases. Also, arguably, trade secrecy law is geared more towards regulating conduct in the interest of stimulating innovation than towards repairing damage. From that perspective, too, using the place where the misappropriation took place as a connecting factor makes sense. Although the *Nintendo* approach transplanted to trade secrets would simplify identification of the applicable law, there is little prospect of it being adopted. As we saw, the current wording of article 4(1) leaves no room to consider the place of harmful conduct, as it explicitly says that the *lex loci damni* governs irrespective of where the event giving rise to the damage took place. What is more, to the CJEU, it was also relevant that article 8(2) Rome II applies to infringements of *unitary* intellectual property rights. As we saw, the Trade Secrets Directive does not create a truly uniform regime, and a distinct choice was made by the EU legislator not to treat trade

⁹¹ Joined cases C-24/16 and C-25/16, *Nintendo Co. Ltd v BigBen Interactive GmbH and BigBen Interactive SA* [2017] EU:C:2017:724.

⁹² *ibid* 103.

⁹³ *ibid* 104.

secrets as intellectual property. So applying Bobek's solution to trade secrets would be an easier route to take.

4. CONCLUSION

Arguably, at the level of conflicts law, what will matter most to businesses seeking to protect or use information is predictability as to the applicable law, because that makes it easier to manage the risks associated with doing business in other countries. The principle of party autonomy creates the highest level of predictability. Parties to a dispute may normally not be inclined to agree on choice of law. But for breaches of confidence associated with, for example, exclusive distribution agreements, production agreements and research and development agreements, article 14 of Rome II coupled with article 3 of Rome I does offer a trade secret holder the possibility to subject both obligations in contract and tort to the same law. Or to different laws: the point is that parties control the issue. Whether choice of law clauses in employment contracts may extend to claims in tort against the employee for dealings with trade secrets is uncertain, and a pressing question in need of clarification by the CJEU. In cases where damage arises in several countries, the *lex loci damni* rule of article 4(1) Rome II creates legal uncertainty unless the parties share a common habitual residence. The *lex loci damni* invites trade secret holders to 'steer' the applicable law by constructing their claims, thus exercising a measure of control. On balance, then, it would help if the CJEU adopted a restricted interpretation of the place where damage results.

The quest for a single governing law is by no means new. As far back as its 1983 proposal on choice of law for unfair competition,⁹⁴ the Institut de Droit International opted for a solution that would yield a single applicable law, that of the country with the most significant relationship. If a country could be identified where the unfair conduct (such as misappropriation of a trade secret) had the greatest immediate impact on the injured party's business, then that would govern the totality of the harmful conduct. In a profoundly internationalized world there may be many instances in which *one* such place cannot be reliably determined. But that should not keep courts (and legislators where necessary) from adopting rules that at least bring more certainty in the majority of cases.⁹⁵ It is not insignificant that after a long history of relying on state trade

⁹⁴ Institut de Droit International, *The Conflict-of-Laws Rules on Unfair Competition* (Twenty-first Commission 1983).

⁹⁵ See de Boer (n 71) 329, who concludes that 'the "Rome II" preamble promises much more than its rules can possibly deliver' and that the only justification for Rome II lies in making it predictable for potential litigants to know which law governs their relationship, irrespective of the forum in which their dispute might be adjudicated.

secrecy law, the United States enacted a federal law, the Defend Trade Secrets Act. Ultimately, the EU may similarly find that a unitary regime will better suit the needs of trade secret holders and their customers, employees and licensees.