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In the first three episodes of our Trade Secrets Series we gave an introduction to the legal framework governing trade secrets in Belgium and explained in more detail the acts against which a trade secret holder can take action and what measures and remedies he can obtain. In this fourth episode we will focus on the position of trade secrets in the employer-employee relationship.

EMPLOYER-EMPLOYEE RELATIONSHIP

The Belgian Act on Employment Contracts has been modified by the Trade Secrets Act to comply with the new definition of trade secrets and imposes specific confidentiality obligations on employees. The Act on Employment Contracts now provides that an employee is obliged to refrain, both during the contract and after its termination, from unlawfully acquiring, using or disclosing a trade secret, of which he may become aware in the performance of his professional activity, as well as disclosing secrets relating to personal or confidential matters, of which he may become aware in the performance of his professional activity.

The scope of the Act on Employment Contracts has moreover been extended in terms of the targeted acts because (in addition to disclosure) it now also targets the acquisition and use of trade secrets. This extension certainly benefits the uniformity and coherence of the legislation on trade secrets which is more in favour of employers. Whereas previously the mere acquisition of a trade secret did not constitute a breach of the trade secret, such conduct can now be punished even in the absence of any use or disclosure.

This specific confidentiality obligation applies both to trade secrets of which: (a) the employee already has legitimate knowledge in the exercise of his professional activity, but which he might want to use or disclose in an unlawful manner, or (b) the employee knows the existence through his professional activity (without unauthorised knowledge of the secret itself) and which, on the basis of this knowledge, he would acquire, and possibly use or disclose, in an unlawful manner.

It is worth noting that merely being aware of the existence of a trade secret through the exercise of professional activity, without unauthorised knowledge of the secret itself, does not constitute a breach of the trade secret.

Since the entry into force of the Trade Secrets Act, trade secrets in Belgium are better protected, but companies are still advised to include clauses in their employment contracts to maximise protection, such as confidentiality clauses, penalty clauses, non-competition clauses and restitution clauses.

We will discuss confidentiality and non-competition clauses in more detail hereafter.

PROTECT YOUR TRADE SECRETS

EMPLOYER-EMPLOYEE RELATIONSHIP



Covenants not to compete

Properly drafted non-competition clauses are recognised by the Belgian courts. A non-competition clause facilitates the employer's burden of proof since he merely has to establish that his former employee is engaged in one of the prohibited activities listed in the clause.

A non-competition clause is defined as: *“a clause whereby the employee undertakes not to engage in similar activities on leaving the enterprise, either by starting up his own business or by being employed by a competing employer, thereby having the possibility of damaging the firm he has left by using for himself or for the benefit of a competing firm the knowledge peculiar to that firm which he has acquired in the industrial or commercial field in that firm”.*

The validity of non-competition clauses is typically subject to the following conditions :

- it must be limited to business activities that are similar to the employees' former activities;
- it should be limited to the territory where the employee is in a position to effectively compete with his former employer (it will in any case be limited to the Belgian territory);
- it may not last for more than twelve months from the termination of the employment contract;
- it must provide for fixed compensation in exchange for the employee's non-competition to be paid by the former employer.

Non-competition clauses can play an important role in the protection of trade secrets. For instance, some courts have considered the absence of a non-competition clause in an employment contract as an indication that parties did not intend to restrict the employee's use of the confidential information that was acquired during the course of employment.

Contractual obligations of non-disclosure

An employer can also strengthen the protection of its trade secrets by including a confidentiality clause in its employment contracts. Notwithstanding the recently extended legal protection of trade secrets, confidentiality clauses in employment contracts still offer certain benefits:

- a confidentiality clause draws an employees' attention to the confidentiality of certain company information;
- a confidentiality clause makes it possible to identify in concrete terms what information is confidential in the eyes of the employer;
- in the event of a dispute, the inclusion of a confidentiality clause in employment contracts will show that the employer acts proactively to protect its trade secrets and that he has taken the required “reasonable steps” to keep the information secret.



The way in which confidentiality clauses are drafted and their scope are crucial. They may, for example, not unduly limit the rights of the employee or place legally unacceptable burdens on the employee.

OWNERSHIP OF INVENTIONS AND TRADE SECRETS MADE BY AN EMPLOYEE

The basic rule with respect to ownership of (non-patentable) inventions and trade secrets made by employees is derived from general rules of employment law: any product or result of the employee's contractual work becomes the property of the employer, as a result of which, in the absence of any statutory compensation rule, the employee cannot claim any compensation for producing that product or result.

With respect to patentable inventions, the basic rule is that the patent rights belong to the inventor, unless specified otherwise in the employment contract. If the employment contract is silent on the question of ownership, case law and legal theory have adopted for a long time a tripartite division between "employment" inventions, "independent" (or "free") inventions and "dependent" inventions.

- i. Employment inventions (*inventions de service, dienstuitvindingen*) are inventions conceived while performing under the terms of an employment contract or pursuant to a mission which an employer has given explicitly to an employee. It is unanimously considered that the employer will automatically be the owner of the patent rights relating to such an invention. The legal mechanism to that end is a rebuttable presumption of agreed transfer of ownership to the employer in the context of the employment contract; accordingly, the employee will in principle not be entitled to claim a separate compensation for such inventions.
- ii. Independent or free inventions (*inventions personnelles, vrije uitvindingen*) are developed by the employee independently of his or her employment contract and do not have any relation whatsoever with the employee's professional activities on behalf of the employer. The employee will be considered the exclusive owner of the patent rights relating to this type of invention without the employer being entitled to any compensation.
- iii. Dependent inventions (*inventions dépendantes, afhankelijke uitvindingen*) are developed outside the performance of the employment contract or the agreed mission, but which could not have been developed without the material, financial or intellectual support of the employer. Case law and legal theory are divided on the ownership of such inventions. Some legal scholars take the view that the patent rights relating to such dependent inventions are the joint property of both employer and employee. Others advocate that either the employee alone (on the basis of patent law) or the employer (on the basis of labour law) should be considered the owner of the patent rights related thereto. Others have proposed that if the employee should be considered the owner of the invention, the employer should be granted a license or a right of first refusal if the invention is assigned or licensed. The ownership of dependent inventions will be determined on the basis of the specific circumstances surrounding each case.



Obviously, the inclusion of a clause in the employment contract dealing with ownership and remuneration in relation to employee-created trade secrets and (patentable and non-patentable) inventions is highly recommended. However, such clauses require careful drafting in view of the rule prohibiting the extension of the employee's obligations beyond the statutory rules.

STAY TUNED

In episode five of our Trade Secrets Series we will elaborate on the confidentiality of trade secrets during legal proceedings.

**For any questions or assistance, please reach out to our
Intellectual Property Team | IP@simontbraun.eu – +32 (0)2 543 70 80**

This newsletter is not a legal advice or a legal opinion. You should seek advice from a legal counsel of your choice before acting upon any of the information in this newsletter.



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