Post-employment protection of undisclosed information in an intellectualized economy

A study on how to prevent undisclosed information from walking out of the door after the termination of employment.

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Summary

Secrecy has been used in commercial activities for thousands of years as a tool to create and control competitive advantage. In today’s economy, the control and protection of undisclosed business or technical information are, regardless of industry, imperative to obtain first-mover returns from innovation-related activities and facilitate innovation-driven collaborations across industries and countries.

Trade secret law is the legal instrument which provides a diverse range of undisclosed information legal protection and is one of the most commonly used forms of legal protection relating to intellectual creations and innovations. By protecting such diverse range of undisclosed information, trade secret protection allows firms to capture and control the commercial value deriving from investments in and execution of R&D activities, and to mitigate risks when engaging in information exchanges or dissemination.

Even if trade secret protection by no means should be understood as a default level of protection which all types of undisclosed information can enjoy, the protection does not entitle a proprietary status to the undisclosed information. Meaning that market actors are free to develop and exploit the same, similar, or alternative information deriving from independent efforts, but are not allowed to acquire, exploit, or disclose such undisclosed information which lawfully controlled by others and enjoys such legal protection.

As firms are becoming increasingly dependent on their ability to invest in and control intellectual capital, assets, and property, they are also increasingly exposed to dishonest practices by actors seeking to misappropriate other firms’ undisclosed business or technical information. Among such actors, former employees have been identified as primarily responsible for acts of misappropriation of such undisclosed information.

However, even though post-employment exploitation or disclosure of undisclosed business or technical information have been identified as frequently occurring and having a negative impact on the firm’s growth, competitiveness, and innovative performance such information seldom has commercial applicability or monetary value if not shared among the firm’s departments and employees. Meaning that in order to commercially utilize the undisclosed business or technical information, such information must be shared within the firm.

This thesis investigates the legal and contractual post-employment protection of undisclosed business or technical information against acts of exploitation and disclosure by former employees, and the interplay between law and management when seeking to achieve such protection in the given context of the industry of medical technology. An industry which is characterized by intensive R&D activity and reliance on the protection and commercial exploitation of intellectual assets.

Furthermore, the legal findings are presented in the form of a managerial framework which could be used as a guide by ventures operating in such business environments in how to arrange internal processes and functions to adequately manage undisclosed business or technical information as information which enjoys legal protection under Swedish trade secret law and reduce the risks that former employees exploit or disclose such information after termination of employment.
Forewords

“And you assume you got something to offer,
secrets shiny and new,
but how much of you is repetition..”

- Sixto Diaz Rodriguez

The ever-present doubt which manifests itself when writing and presenting an academic work that represents your hard work and dedication is shamelessly captured in Rodriguez’s song “Crucify Your Mind”.

A great reminder that you should never place yourself on a pedestal and presume that your intentions enjoy a moral or intellectual superiority, however never to be enslaved by your self-conscious driven doubt. The balance between the two is a paradox because the means which is needed to combat your doubt is what fuels your belief of superiority.

However, a master thesis is not only a pendulum between two absolute and contradictory notions of belief, but it is also the representation of the end of what has been. Because every word that is written represents the venture towards the unfamiliar and unknown and by that the growing distance from the familiar and known. And by submitting your master thesis, to become subject to scrutiny and other unpleasantries, you take the leap of faith, and a new day is dawning. A day which you have not yet experienced, a day wherein academia is nothing but a distant memory, a day which represent the end of the known, and the beginning of the unknown.

And through this, by assembling the pieces of my confident when I been overwhelmed by doubt, by removing the pedestal upon which I have rested in times of hubris, and by reminding me that you will forever venture at my side, through the known and the unknown, you have created order out of chaos and made this possible. Aida, without your guidance, care, and love, I would be forever drifting throughout life without meaning, and this thesis would have been merely fragmented ideas without much substance.

And to the entrepreneurs, and in particular to the MedTech entrepreneurs to come, I salute you. Your venture is admirable, and the path you will commence is a path full of challenges and pitfalls. A path during which you will be put to the test – I sincerely hope that you will find this work useful during such times.

And to the community which brought me in, introduced me to the complex world of knowledge-based business models and intellectual value creation, and gave me access to a plethora of competence from which I have acquired the tools necessary to succeed in spite of. Thank you, Bowman, Christoffer, Henric, and Ulf. I will stand at disposal for collaborations and exchanges, to offer future generations of ICM:ers what was once offered to me – knowledge.

And to Rouse, which has given me experience, exposure, and support working in an international and interdisciplinary environment, advising firms in how to strategically capture, manage, and monetize their intellectual assets and property in the ever so complex
emerging markets. It is true about what they say – if you want to become the best, you must learn from the best. Thank you, Chris, Nigel, and Luke, for that opportunity.

And to my grandfather, who have taught me the principles of respect and dignity, and the importance of remaining curious, courageous, and honest throughout life. Thank you Gösta, for the advice that you have given and the stories you have told – your wisdom, endeavors, and accomplishments have given me the determination to proudly sacrifice the pleasure of the present for the benefit of the future.

And last but not least, thank you Kristoffer for your professional guidance and honesty.

Carl Oscar Rosén

Shanghai & Gothenburg
Dictionary

AD  Arbetsdomstolen.

Contracts Act  Act (1915:218) on agreements and other legal acts in the field of property law.

CIP  Center of Intellectual Property.


EEA  Economic Espionage Act of 1996.


IKL  Act (1931:152) with certain provisions against unfair competition.

NJA  Nytt juridiskt arkiv.


PCPIP  The Paris Convention for the Protection of Industrial Property.

Repealed FHL  Act (1990:409) on Protection of Trade Secrets

R&D  Research and development.

SOU  Statens offentliga utredningar.

TRIPS  The Agreement on Trade-Related Aspects of Intellectual Property.


URL  Act (1960:729) on Copyright in Literary and Artistic Works.
<table>
<thead>
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>WIPO</td>
<td>World Intellectual Property Organization.</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization.</td>
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<tr>
<td>1969 Agreement</td>
<td>The 1969 agreement regarding the limitation of use and content of competition clauses in employment agreements.</td>
</tr>
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1 Introduction

“During the process of research and creation, significant information is compiled and developed, progressively building knowledge of a substantial economic value that often does not qualify for IPR protection, but which is equally important for innovation and for the competitiveness of businesses in general. When securing such assets and attracting financing and investment requires IP to be kept secret, companies, laboratories, universities, as well as the individual inventors and creators, use the most relied upon and long-standing form of appropriation over valuable information: confidentiality.”

As described in the explanatory memorandum of the Proposal Directive 2016/943 the importance of legal protection of undisclosed business or technical information against unauthorized acquisition, exploitation, and disclosure is undisputed. The legal protection which trade secret law provides is a complement or an alternative to traditional intellectual property rights and gives the legal means to the holder of the undisclosed information to hold parties liable for acts of misappropriation and unfair competition.

The quote has made me think about the nature of the legal concept of trade secret law, and how the legal definitions of FHL and Directive 2016/943 overlap with the legal definitions of intellectual property laws. Meaning that even though such legal definitions deploy different terminology and are bound by its own rationale they can very well recognize and describe the same underlying object. Therefore, the undisclosed business or technical information which falls within the scope of FHL and Directive 2016/943 is not exclusively limited or restricted to that legal concept of trade secret law and can, as the quote suggests, be conceptualized in different legal bodies. As a consequent business or technical information should be referred to as the de-facto object or subject matter rather than the legal phenomena which provide the legal protection.

Furthermore, the quote has also made me think about the interplay between law and management. Because in order to enjoy protection under FHL and Directive 2016/943 the undisclosed business or technical information must be managed so that it enjoys the legal status as a trade secret. Meaning that the legal status which gives the holder of such information the means to control the information and hold other parties liable for unauthorized acquisition, exploitation, or disclosure of such information, is dependent on the managerial domain in which the information resides.

However, the quote also touches upon the fundamental aspects of control over information and human capital – the interplay between knowledge that can freely flow between humans, and firms seeking to restrict that flow by using legal and managerial instruments to control knowledge. Because information is knowledge, and knowledge is non-rival. Meaning that knowledge can simultaneously reside in the domain of the business activities of the employer as well as in the domain of the employee’s private intellectual capacity, thus being an integrated part of the employee’s professional competence. Therefore, when seeking to prevent that undisclosed business or technical information is disclosed by former employees

the employer must impose contractual post-employment obligations on the employees, which could limit their ability to compete on the market.

However, this conflict of interest is complex, and especially in intellectualized industries such as the industry of medical technology. Because if individuals cannot by their choice transact their knowledge to other humans or institutions we will further down the line renounce our individualism for the benefit of the organization’s collectivism, but at the same time if we cannot provide firms with legal instruments which can be used to control knowledge there will eventually exist no incentive to invest in R&D, open platforms, collaborations or other innovation creation activities.

The challenges ahead indicate a need for interdisciplinary expertise in how to design, claim, control and manage the currency of the knowledge-based economy – knowledge.

1.1 The commercial utility & value of undisclosed information

First, we start with a history lesson. In 1605, Francois Hannibal d’Estrees, at that time the marshal of the king’s artillery, gave the Carthusian monks, a Catholic religious order with roots back to the 11th century, an already ancient manuscript allegedly titled “Elixir of Long Life”. The manuscript was when received at their monastery in Vauvert, located in the outskirts of Paris, directly transferred to La Grande Chartreuse, the head monastery of the Carthusian order. At La Grande Chartreuse the monks undertook the task to decipher and translate the complex manuscript. It was not until 1737 when the monks finally completed the translation of the manuscript. The manuscript contained a formula of a high percentage liqueur based on 130 specific herbs and spices - the liqueur that we as of today refer to as Chartreuse.²

Ever since the manuscript was deciphered and translated by the Carthusian order the monks have not only successfully been maintaining the recipe undisclosed to the outside world but also managed to build an entire business empire around the recipe. The Carthusian order is still to this day the only producer of the famous liquor Chartreuse, and the recipe still remains undisclosed.³

But how did the Carthusian monks manage to keep their recipe a secret for more than 300 years? The answer is that the monks established a managerial framework, even though rudimentary, that has allowed the monks to keep their recipe undisclosed to the outside world while commercializing its content. For example, at any given time, there are only two monks in the Carthusian order, which are the only persons in the world, that know which the recipe’s 130 herbs and spices are and how the herbs and spices should be processed. After the herbs and spices been processed they are transported to the distillery in carefully numbered bags. Upon arriving at the distillery only the two monks and two laymen may enter – mixing the content of the bags with alcohol and later distilled for hours.⁴

In today’s increasingly intellectualized economy a firm’s commercial success is often not determined by the firm’s ability to decipher ancient manuscripts, but instead by its ability of invest in and control intellectual capital, assets, and property.\(^5\) However, the principles of conducting business still remain the same – if you have something which can be translated into a favorable market position, commercial value, or welfare, then you better manage it with care. Today, that something is most likely an intangible asset\(^6\), as can be seen in Figure 1.

Figure 1 represents the findings of a study conducted by Ocean Tomo, wherein the market value of the S&P 500 was broken down into tangible assets and intangible assets, and suggests that the role and importance of intellectual assets have over the last decades been increasing and have never before represented such value and business significance as of today.\(^7\) 

Implying that intellectual assets are the crown jewels of many operating firms. However, intellectual assets are assets which are not physical in nature and inherently hard to manage, due to its volatile nature.\(^8\)

One way to acquire intellectual assets is through investments in and execution of R&D activities. The R&D expenditures by both the private and the public sector within the OECD member countries in 2000 amounted to $773 billion and in 2015 $1,1 trillion.\(^9\) Indicating that there is a correlation between the commercial value which intellectual assets can represent and the willingness to invest in R&D activities. However, intellectual assets seldom have commercial value if not claimed and controlled as business assets belonging to the domain of

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\(^6\) The term ‘intangible asset’ has its own rationale and professional use. An intangible asset is a technical term used in finance and accounting for the purpose to account and evaluate corporate intellectual property and some intellectual assets on the balance sheet. The term intangible asset is therefore bound by its own rationale which means that it cannot be considered a synonym to the term ‘intellectual asset’, since not all types of intellectual assets fall within the scope of the definition of an intangible asset. The term ‘intellectual asset’ is a broader term and should be understood as assets which lack physical substance but are objectifiable, valuable, controllable and transactable. However, without saying that the intellectual asset cannot have physical manifestations. Such assets which can be considered an intellectual asset are data correlations, databases, observations, theoretical frameworks, visualizations, software, and technical solutions. See also, the definition of an intellectual asset in U. Petrusson, ‘Research and Utilization’, pp. 322-337, 2015 & OECD, ‘Creating Value From Intellectual Assets’, pp. 8-9, 2006. Hereinafter, intellectual assets will be used to describe assets which are not physical in nature but are objectifiable, valuable, controllable and transactable.


\(^8\) Knowledge, which evidently is the core component of any intellectual asset, is by nature non-rival, non-reversible and partly non-excludable, which means that i) knowledge can be created and reside at two or more places at the same time, ii) once communicated it cannot be recalled, and iii) if not subject to any legal rights which entitles exclusivity it is difficult to exclude others from using the same knowledge.

the business activities of the firm. Meaning that understanding how and which intellectual assets to protect that are generated via the R&D activities is a precondition for firms to innovate and develop or maintain a competitive advantage.

Consequently, what the Carthusian order understood hundreds of years ago, is perhaps more relevant today than ever before, that some intellectual assets need to be controlled and maintained undisclosed. Such undisclosed intellectual assets would within the context of trade secret law be described as business or technical information which is not generally known or readily accessible and intended to remain undisclosed in order to generate commercial utility or value for the firm. The undisclosed business or technical information can vary from industry to industry, but formulas and recipes, such as the Carthusian order’s secret elixir, compilations of data, computer code, devices, methods and technical solutions are often throughout their life-cycle fully or partially treated as information which enjoys trade secret protection.

1.2 The legal protection of undisclosed information

In Sweden, undisclosed business or technical information can, if it fulfills the legal requirements, enjoy the legal status as a trade secret, and thus, enjoy the protection under FHL. FHL gives the holder of the information protection against unauthorized acts of acquisition, exploitation, or disclosure of that information. However, the holder of such information which enjoys protection under FHL is not given an exclusive right to the information.

FHL is a new law which replaced the Act (1990:409) on Protection of Trade Secrets (hereinafter referred to as Repealed FHL) and originates from the consolidation of Directive 2016/943 into Swedish legislation. One of the reasons behind the introduction of Directive 2016/943 was the overall consensus, among European legislators and market actors, that without a European cross-border effective and market union legal framework for the protection of undisclosed business or technical information, such undisclosed information would be unable to fulfill their potential as drivers of economic growth and jobs within the internal market of Europe.

Meaning that trade secret law is recognized as an important legal instrument in order to facilitate growth and innovations, by providing a set of legal means which the holder of the

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10 The term ‘information’ is within the context of trade secret law, a legal technical term and has an extensive meaning. The underlying object or subject matter does not need to be of any certain quality or novelty in order to be considered as information and can, therefore, range from documented information to knowledge of certain relations or occurrences. Meaning that the term ‘information’ encompasses all types of intellectual assets, which are defined in accordance with previously definition, but the term ‘intellectual asset’ only encompasses the more structured and refined types of business or technical information. See also Prop. 1987/88:155, p.12-13, wherein it is explicitly stated that each piece of information within a business could in itself be such information which can enjoy the legal status as a trade secret if the information is managed accordingly.

11 For further discussion regarding the legal concept of trade secret law see section 2 wherein, inter alia, the legal status, and rights of trade secret law are discussed and the discrepancy between FHL and intellectual property laws is highlighted.

12 See for example FHL articles 3, 5-10, 26-28, & section 2 for further discussion concerning FHL and its legal principles and relevant articles.


14 See further discussion in section 2 concerning Directive 2016/943 and FHL.

undisclosed business or technical information can deploy to maintain the legal control of such information when engaging in innovation-related activities and transactions in which such information is involved.

However, once the undisclosed information which enjoys protection under FHL, has entered the public domain the holder of the information is cut off from the legal protection of that information, and if the disclosure was against the holder’s will, the holder is given the legal means to hold the party responsible for the unauthorized act liable for the damages of that act. In such cases, FHL offers legal measures which range from criminal provisions regarding trade espionage and unlawful meddling with trade secrets, as well as civil provisions on liability for damages arising from unauthorized acts of exploitation or disclosure.

The legal protection which FHL entitles the holder of such undisclosed business or technical information which enjoys the legal status as a trade secret have been subject to a discussion regarding their conceptual nature, and there seems not to be any unity concerning the conceptual nature or origin of trade secret law. Is trade secret law a qualified legal status, a soft intellectual property right, or just a different type of intellectual property than patents, trademarks, and copyrights in terms of rights? As will be carefully explained in section 2, within the scope of this thesis and the boundaries of European and Swedish legislation the legal concept of trade secret law and the legal means thereof, are treated as a legal status which information must enjoy in order for FHL to become applicable and entitle the holder of the information such legal protection against acts of unfair competition.

Furthermore, and for the avoidance of any doubt, a ‘trade secret’ is therefore not separated in the body from the undisclosed information which enjoys that legal status as a trade secret. Meaning that the underlying object or subject matter which represent the commercial utility or value for the firm is not a ‘trade secret’, but undisclosed information, which in order to obtain access to the legal protection which the provisions of FHL provide must qualify as information which enjoys the legal status as a trade secret.

To enjoy the legal status as a trade secret, the information must be undisclosed, be of a certain commercial nature or character, and have been subject to measures seeking to maintain the undisclosed status of the information. In most developed countries the rationale of trade secret law is built on the following four requisites, meaning that information in order to enjoy such legal protection must be:¹⁶

- business or technical information that relates to the business activities of the holder of the information,
- not known to the public,
- of value for the firm from being kept undisclosed, and
- subject to reasonable efforts to protect the information from disclosure.

1.2.1 The legal versatility of the underlying object of undisclosed information

However, undisclosed business or technical information which fulfills the requisites is not exclusively limited to or restricted to the legal concept of trade secret law. Meaning that information, intellectual assets, intangible assets, and intellectual property can, even though

bound by its corresponding legal or economic definitions, principles, and rationale, consists of the same underlying object or subject matter.\textsuperscript{17} For example, the legal definition of undisclosed information which enjoys the legal status as a trade secret, the legal definition of a patentable invention which might gain the exclusive right of a patent, or the legal definition of an artistic or a literary work which might gain the exclusive right of a copyright, are not exclusive in relation to each other, meaning that the same underlying object or subject matter can fall within the scope of the different legal definitions and by that give the holder or proprietor of the underlying object or subject matter different legal means or rights of protection.

For example, computer code is information that if undisclosed and subject to reasonable measures to keep the computer code undisclosed can enjoy the legal status as a trade secret, which in such case would give the holder of the computer code certain claims and legal measures to enjoy stipulated in FHL. However, simultaneously the computer code can be classified as intellectual property by the legal definition stipulated in URL and would in such case give the copyright owner a proprietary claim on that computer code.\textsuperscript{18}

1.3 The inevitable disclosure of undisclosed information

The control and protection of undisclosed business or technical information is regardless of the industry a key legal instrument which firms use to obtain first-mover returns from its innovation-related activities and mitigate risks when engaging in innovation-driven collaborations across industries and countries. In a study conducted by Baker & McKenzie on behalf of the European Commission, wherein 537 responses were received from European-based firms active in multiple industries, 75% of the firms stated that their undisclosed business or technical information is strategically important for the firm’s growth and innovative performance.\textsuperscript{19}

However, unlike tangible assets, the undisclosed business or technical information which resides in the domain of the firm seldom have commercial applicability or monetary value if not shared among the firm’s departments and employees.\textsuperscript{20} Meaning that in order to extract

\textsuperscript{17} As explained earlier, all types of intellectual assets fall within the scope of the legal definition of ‘information’, but not all types of information fall within the economy and management-based definition of an ‘intellectual asset’, however, both the definitions of information and intellectual assets will encompass the object or subject matter of a technical solution, which evidently falls within the scope of the legal definition of a patentable invention. Meaning that a technical solution can be recognized as information, an intellectual asset, and a patentable invention in accordance with their corresponding definition. However, the scope of a patentable invention is inherently more exclusive and limited than the scope of information, and the reader must therefore keep in mind that the choice of terminology will reflect the boundaries of the underlying object or subject matter that is being discussed.

\textsuperscript{18} URL, article 1, wherein it is stated that anyone who has created a literary or artistic work shall have copyright in that work, regardless of whether it is, inter alia, a computer program and preparatory design material for computer programs. See also SOU 2017:45, pp. 66-67 concerning the discussion of FHL in relation to other legal sources, & U. Petrusson, p. 139, 2004, wherein Petrusson discusses that when defining the substantial legal claim of the commercial value of the underlying asset, that claim must be assessed in relation to other available claims which might differ based on the nature of the underlying asset.


\textsuperscript{20} It should also be noted, that such business or technical information is seldom created without the involvement of the firm’s employees. Meaning that it is not only the business or technical information which existed within the firm at the time the employee enters the firm that is subject to an internal disclosure, but also such information which the employee creates within the scope and duration of employment.
such commercial utility and value from the undisclosed information, the information must be shared within the organization and the employees are required to be involved in and contribute to the internal value creation process. This internal disclosure could be referred to as the inevitable disclosure.

As can be seen in Figure 2, when an employee leaves a firm, the knowledge of the undisclosed business or technical information’s existence, nature, use, importance, and commercial value will continue to be a part of the employee’s intellectual capacity. Because once such content is communicated to and/or understood by the employee it cannot be revoked.

![Diagram showing inevitable disclosure](image)

*Figure 2: Indicates the inevitable disclosure of undisclosed business or technical information within a firm, and the post-employment implications thereof.*

This is the very foundation of a problem which was highlighted in the same study conducted by Baker & McKenzie on behalf of the European Commission, wherein 45% of the European-based firms which participated in the study, pointed out that former employees were the party primarily responsible for attempts or completed acts of misappropriation of the firms’ undisclosed business or technical information, and was only surpassed by competitors.\(^\text{21}\) A problem which is intensified by, a high annual employee turnover rate, which data from Society for Human Resource Management, the world’s largest HR membership organization, suggests amounted to an average of 18% in 2016 across multiple industries, wherein voluntary turnover represented 13%.\(^\text{22}\) The departure of key employees can have an immediate impact on the firm since the firm loses access to relevant and competitive know-how, which could lead to decreasing organizational performance and negative external spillover of the firm’s investments into education or training of that employee.\(^\text{23}\) However, data presented by Baker & McKenzie also suggest that former employees pose a long-term risk regarding post-employment exploitation or disclosure of the firm’s undisclosed business or technical information which severely can impact the firm’s ability to compete on the market. A risk which knowledge-based firms are notably exposed to. A knowledge-based firm is a firm wherein knowledge and intellectual assets are the main

resource of the firm’s value proposition. Meaning that knowledge-based firms are highly reliant on their ability to control their internalized knowledge and intellectual assets when engaging in market and commercialization activities. A knowledge-based firm is also reliant on their human capital, and the firm’s commercial performance can, therefore, suffer from employee turnover.

However, it is not only knowledge-based firms which can reap commercial benefits from maintaining key business or technical information undisclosed, but firms irrespectively of their size or industry, use trade secret protection as a business tool and as a complement or as an alternative to intellectual property in order to protect such undisclosed information of commercial value to obtain competitive advantage. Meaning that firms which rely on their ability to control and protect their undisclosed business or technical information which often represents extensive investments in R&D activities and significant commercial utility and value have a legitimate interest in limiting their employees from exploiting and disclosing such undisclosed information after the termination of employment.

1.4 The balance between conflicting interests

From a legal perspective, the protection of undisclosed information is a game of balancing different interests. Meaning that the measures, procedures, and remedies available to firms which seek to protect their undisclosed business or technical information in Europe have been tailored so that the legal means which the holder of such information is entitled to do not infringe upon the fundamental rights and freedoms of the public interest and so that the market mobility among employees is not disrupted. The interest of the public is inherently a representation of the collective interest of the individuals and often relates to broad issues such as public safety, consumer protection, public health, and environmental protection. Meaning that the public interest is often a collective formulation of what is generally beneficial for society in large. For example, the legal protection which trade secret law offers should not seek to accommodate or legitimize the interest of a firm, offering products which contain cancerous substances, to have that substance enjoying the legal status as a trade secret and the legal protection thereof since such practice would clearly not align with the public interest of consumer health and safety.

When it comes to the interest of the employee, it is explicitly stated that the interest of the holder of undisclosed business or technical information should not trump fundamental principles such as broad market exchange of knowledge, free expression, employee’s right to union activities or seek to limit an employee’s ability to disclose criminal activities and other misconducts that could occur within the business activities of the employer.

It is not self-evident where the line is drawn between protecting the firm’s undisclosed business or technical information and promoting broad and free market exchange of

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24 B. J. Heiden, ‘The Battle to Define the Meaning of FRAND’, pp. 13-14, 2017, wherein Heiden argues that in a knowledge-based firm the knowledge in itself is the value proposition, typically manifested in an intellectual property license, but also manifested if the firm offers tangible products which merely are the carriers of the knowledge-based value proposition. Such tangible products could, for example, be a branded, but otherwise generic, tangible product wherein the market value of the tangible product originates from the brand equity and not the utility features or functions of the tangible product.
25 Directive 2016/943, recital 2
26 Ibid. recital 21.
knowledge. However, there are two specific articles in FHL which seem to safeguard the specific interest of the employee to deploy its personal skills, experience, and knowledge in post-employment commercial activities. Firstly, article 2 of FHL stipulates that the personal skills and experience which the employee has acquired within the scope and duration of the employment are excluded from being such information which can enjoy the legal status as a trade secret.\(^{28}\) Secondly, article 7 of FHL stipulates that an employee is only liable for exploitation or disclosure of such undisclosed information after the termination of employment if there exist extraordinary reasons for such liability.\(^{29}\)

However, even though trade secret law imposes certain restrictions on the broad and free exchange of knowledge on the market, trade secret law must also account for the interest to stimulate innovation and growth, and to give firms the legal means to protect such innovations against unfair or dishonest acts. Meaning that the rule of thumb is that competitors of and former employees to the holder of such undisclosed business or technical information are free to develop and use the same, similar, or alternative information if that information derives from independent efforts. The actors of the market are therefore free to compete in innovation and by the rules of the market but are not allowed by dishonest actions to cheat, steal or deceive in order to acquire, exploit, or disclose such undisclosed information which legally is controlled by others and protected under FHL.

### 1.4.1 The legitimate interest of protecting undisclosed information

The legal protection of undisclosed business or technical information is regardless of the conflicting interest, an imperative legal instrument to ensure healthy competition among the actors of the market. Because sometimes, market fairness can only be achieved by obligating market actors, under liability to refrain from certain market behavior or actions. This also includes imposing obligations on the employees both during and after the termination of employment.

For example, imagine that you are the CEO of a MedTech firm, which you have built from the ground up. The firm seeks to develop and commercialize technologies which improve the surgical equipment and instruments that are used in some medical procedures. You have, together with your employees spent countless of hours trying to create a chemical compound which can be infused in the material of surgical equipment and instruments during production which upon infusion can enhance and modify the properties of the material so that the surgical equipment and instruments are embedded in a permanent anti-bacterial layer.

One day you have a breakthrough, after years of extensive investments in R&D activities and laboratory equipment the chemical compound is now a reality. The next couple of months the intensive commercialization process begins, and you have carefully made sure that the nature and subject matter of the chemical compound are kept undisclosed, and only known to your employees. During this process, two of you employees voluntarily initiate the termination of their standard employment agreements. However, you are working day and night trying to commercialize the compound and wish them nothing but good luck wherever their next adventures might take them.

\(^{28}\) FHL, article 2.  
\(^{29}\) FHL, article 7.
After six months of back and forth negotiation with a potential customer, the customer suddenly stops answering the phone, and the emails which you are sending remain unanswered. After a while, a cryptical e-mail is sent to you wherein the potential customer states that they have received and accepted an offer from another firm offering a similar chemical compound for a lower price. After only one search on the other firm online your body becomes solid ice. The other firm is a newly incorporated firm, fully owned and operated by your two former employees. And the chemical compound that they are offering is not similar by any means – it is the exact same as yours.

The scenario might be fictional, but the content is representative of the risks that many firms which are operating in the industry of medical technology are faced by. However, it was concluded in the study conducted by Baker & McKenzie that acts of post-employment exploitation or disclosure of undisclosed business or technical information carried out by former employees can cause severe commercial setbacks for a firm regardless of industry. But in an intellectualized industry undisclosed business or technical information are crucial and plays an important role to secure positive return on investment, competitive advantage, and market leverage. It can, therefore, be said that the legal protection which trade secret law offers is particularly important in intellectualized industries which are highly driven by investments in knowledge, intellectual assets, and intellectual property.

1.5 The industry of medical technology

A representative example of an intellectualized industry is the industry of medical technology. The same industry which the firm in the fictional scenario above was operating in. The industry of medical technology is characterized by an extensive product diversity, which ranges from orthopedic instruments, surgical instruments, diagnostic apparatuses, stents and catheters, syringes and hypodermic needles, blood transfusion, to intravenous equipment, and the multiple scientific fields which medical technology encompasses.

As can be seen in Figure 3, the industry of medical technology was 2015 one of the top industries in the world based on patent activity, with over 100 000 published patent applications that year.

Furthermore, patent applications within the field of medical technology accounted for 6.5% of the total amount of patent applications of the European Patent Office between 2012 and 2014, and was only surpassed by electrical machinery which during the same period accounted for 7.4% of the patent

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31 An ‘intellectualized industry’ should be understood as an industry wherein the most valuable business assets are intellectual, meaning that firms which are operating in such industries use innovations and technology as main assets to facilitate and increase growth and revenue. See also, U. Petrusson, pp. 2-3, 2004.
The data suggest that the industry of medical technology is an industry characterized by intensive patent activity and that intellectual assets and property are key factors which facilitate industry growth and value.

Consequently, investment allocations in R&D activities within the industry of medical technology have experienced an increase over the last years, and as can be seen in Figure 4, a continuous increase is estimated to at least 2022. Overall, the intensive patent activity and the increase in R&D spending correlates with the continuous increase in revenue which the actors within the industry of medical technology have experienced over the last couple of years, as can be seen in Figure 5. Implying that investments in R&D activities and the commercialization of intellectual assets are the main commercial drivers in the industry.

Sweden has a long tradition of innovations within the field of medical technology. The interaction between actors in healthcare, academia, and industry wherein the needs of the healthcare adequately have been paired with the technical solutions and expertise of the industry and academia has formed an innovative foundation. There are around 620 active and incorporated MedTech firms in Sweden, and around 180 of the firms are conducting R&D activities in Sweden.

Around 60-70% of the 620 active MedTech firms in Sweden, can be considered MedTech ventures. Meaning that they only have a handful of employees, have recently been incorporated, and mainly develop innovative products offering better technical or medical solutions than existing products within the healthcare sector. The MedTech ventures often represent a consolidation of interdisciplinary research and the investors seldom have previous experience in or any connections to the healthcare sector.

Based on anecdotal evidence and personal experience from advising Swedish MedTech ventures that are operating in connection with or otherwise linked to Sahlgrenska School of Innovation and Entrepreneurship, at Gothenburg University, I have identified a tendency among Swedish MedTech ventures to place protection of undisclosed business or technical

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38 C. Wadell, pp. 11-12, 2011
information on the bottom of their agendas, and sometimes solely treat such protection as an afterthought. Instead, MedTech ventures allocate a significant amount of the time on hunting down risk capital, contact angel investors and apply for governmental or private research grants.39

Meaning that even though the venture’s undisclosed business or technical information often constitutes the crown jewels of the venture, such information often lacks legal and contractual protection against acts of post-employment exploitation and disclosure by former employees - because solely claiming that business or technical information enjoys the legal status as a trade secret, does not grant the information such legal protection under FHL.

1.6 Purpose

Undisclosed business or technical information constitutes core competitive and commercial elements in an intellectualized industry, and particularly in the industry of medical technology. The overall commercial utility and value of such undisclosed information have, inter alia, been acknowledged in Directive 2016/943, which is a directive that completely reshapes the legal protection of undisclosed business or technical information within the internal market. The comprehensive directive has been consolidated into Swedish law, and as of today, FHL consists of a substantial catalog of protective measures against unauthorized acts of acquisition, exploitation, or disclosure. Meaning that not only can undisclosed information hold significant commercial value, but such undisclosed information also enjoys an unprecedented level of protection from FHL in Swedish legislative history.40

Even though, undisclosed business or technical information can enjoy such level of legal protection under FHL, Swedish MedTech ventures which are either operating in close connection with universities and/or governmentally funded research platforms, or directly spun-out from university projects often lack an understanding of how their undisclosed business or technical should be managed and controlled so that the information enjoys the legal status as trade secrets, and the legal and commercial benefits of such protection.

Therefore, the purpose of this thesis is to deliver a comprehensive breakdown of the relevant articles in FHL regarding how undisclosed business information can enjoy protection under FHL, and how FHL and contractual tools can protect such information from acts of post-employment exploitation and disclosure by former employees.

The legal findings will be consolidated in the form of a managerial framework which could be used as a guide by ventures in how to arrange internal processes and functions to adequately manage undisclosed business or technical information as information which enjoys legal protection under FHL and simultaneously mitigate the risks that former employees exploit or disclose such information after the termination of employment.

Meaning that the managerial framework will be designed on the basis of the findings of the legal analysis and by that indicate the interplay between law and management when seeking to manage, control, and protect undisclosed business or technical information. The law should, therefore, not be understood as an isolated phenomenon which is separated from

40 See section 2.1 wherein, inter alia, FHL is compared with the Repealed FHL.
business and management, but rather the cornerstone of successful knowledge-based venture creation.

However, when designing a managerial framework which seeks to give the employer the means to control its undisclosed business or technical information and extend certain contractual obligations beyond the termination of employment, there exists an ever-present responsibility to account for the dualism between the interests of the employer and the employee. Because contractual tools which seek to restrict a former employee’s ability to compete on the market are double-edged swords which can very well also prevent the exchange of knowledge which is both individually and societally beneficial.

It should be explicitly stated that I do not seek with this thesis to answer the complex questions of how or where to find that balance, and it is not within the purpose or scope of the thesis to further elaborate on that issues. However, this thesis could be seen as my contribution in how we potentially could move one step closer to finding that balance. Since increasing the manageability of undisclosed business or technical information, it could potentially also increase the firm’s ability to impose precise and fair post-employment exploitation and disclosure restrictions on former employees. Consequently, creating a situation wherein the firm could reap the benefits which derive from the synergies of on one hand allowing firms to adequately control its undisclosed and valuable information, and on the other hand, allowing former employees to deploy their skills and knowledge on the market without any unnecessary lock-in restrictions.

1.7 Research narrative

To realize the purpose of this thesis and to create a hands-on managerial framework specifically targeting the need I have identified among Swedish MedTech ventures, I have designed a research narrative wherein the research questions are asked by the fictive Gothenburg-based MedTech venture X. The research narrative is used as a methodology in order to limit the scope of the thesis and to create a specific business context in which the research should be read in the light of. As will further be discussed in section 1.9, the research narrative is one of the elements of this thesis, which differentiate my thesis from other related and equivalent theses. By contextualizing the findings of the legal analysis in a setting which not only reflects the relevant articles in FHL, including the changes in comparison with the Repealed FHL, concerning the relationship between the employer and the employee but also the characteristics of the industry of medical technology, the thesis provides the reader with a holistic legal analysis translated into a specific business setting.

However, the research narrative is also deployed as a communicative tool which on one hand, allows me to adequately contextualize the findings of the research in a MedTech venture-relevant context, and on the other hand, allows the readers to understand the relevance and applicability of the findings of the research from a MedTech venture perspective.

The narrative should under no circumstances be understood as that the thesis and the subject matter only holds relevance for MedTech ventures. Firms, regardless of the nature of their business activities or industry in which they operate, can benefit from the legal protection which FHL offers in order to achieve strategic protection of undisclosed business or technical information. Meaning that no matter the size or industry of the firm, there will always be information which is generated within the everyday business activities of the firm, that by the
legal definition of FHL can be considered to enjoy the legal status as a trade secret, if active measures have been taken to keep the information undisclosed. Such general information can, for example, be commercial bids and contracts, customer and supplier lists, financial information and business strategies, R&D data, technical solutions, formulas and recipes, and marketing data and planning. Therefore, the nature of the research question in this thesis, regardless of the narrative, will be relevant for a broad audience and not limited by industry or R&D-intensity. However, innovative businesses, such as knowledge-based firms, are increasingly exposed to parties seeking to acquire undisclosed business information via dishonest practices such as theft, economic espionage, or by unauthorized means in breach of confidentiality agreements. Meaning that there exists an urgency that knowledge-based firms adapt to and realize the importance of proactive management of such undisclosed information.

The research questions represent two interconnected sections which mirror the purpose of my thesis. In the first section, the focus lies on the legal phenomena concerning FHL, in particular, what information that can enjoy the protection offered by FHL and the post-employment boundaries of FHL, as well as what contractual tools that can be used to extend control over such information after the termination of employment. In the second section, the focus lies on the managerial aspects of how to arrange internal processes and functions which allow the firm to manage and control their undisclosed business or technical information as information which enjoys the legal status as trade secrets both during and after the term of employment.

The first section consists of research questions I-III and is designed as a timeline wherein a legal analysis, which follows the rationale of the legal requisites of the relevant articles of FHL, is conducted in sequential order. The first research question seeks to establish what the legal requisites that constitute the legal definition of FHL mean and how they should be interpreted, and how a firm can claim and control information as information which enjoys the legal status as a trade secret. The second research question seeks to establish the legal protection which FHL offers after the termination of the employment, and the boundaries of FHL when it comes to post-employment exploitation and disclosure of such undisclosed information. The third research question builds directly on the second question and seeks to establish which contractual tools that can be used by an employer to impose post-employment restrictions on former employees. The second and the third research question collectively covers the scope and boundaries of FHL when it comes to post-employment restrictions and liability, and what contractual tools that can be used to fill that gap which FHL presents.

The second section consists of research question IV. The fourth research question builds on the previous findings in research question I-III and represents a consolidation of the respective findings of each previous research question. The fourth research question has a different nature and character than the other research questions because the question represents the bridge between law and management, wherein relevant business measures will be presented in the form of a managerial framework which seeks to deliver guide in how a Swedish MedTech venture could manage their undisclosed information so that the

41 See section 2, for further discussion of the requisites of the legal definition of FHL.
information enjoys the legal status as trade secrets, and prevent such information from walking out of the door with former employees.

1.7.1 MedTech venture X

Venture X was incorporated under Swedish law as a limited liability company in 2015 by a group of former researchers and students from Gothenburg University. The group are all formal employees of venture X and works with different tasks including funding, partnership, and commercialization. The venture has no structure regarding the access to the venture’s business or technical information and uses a centralized cloud-based platform for storage of market and product information, presentations, models, documentation of research and other information relating to the business operations. The entire group has access to the platform both from their office computers and personal electronic devices such as phones and laptops. The databases which the medical device relies on are stored on the same cloud-based platform.

Furthermore, the venture is heavily reliant on its human capital because the medical device which they hope to commercialize is based on the researchers’ former non-published research primarily focused on how to assemble the components of the device and creation of the databases and algorithms which the operation of the device relies on. The medical device represents a decade of dedicated research by the researchers.

The medical device which MedTech venture X is seeking to commercialize is a measurement tool which increases the efficiency and accuracy of certain blood tests and could lead to a profound improvement concerning the treatment of multiple blood-related diseases and issues. One of the medical device’s main value propositions is that it easily can be integrated into existing technology platforms within relevant medical and treatment fields with both low implementation and lead-time cost. However, even though the device looks perfect on paper the current financial situation in the venture is stressed. The venture underestimated the number of administrative and regulatory approvals required to gain access to the Swedish medical device market and the cost associated with undertaking the required processes, as well as the issues regarding company law compliance, shareholder relations, and company liability, arising from being incorporated as a limited liability company. Consequently, the venture has instead of building an intellectual asset and property portfolio and reviewing their contractual situation, been allocating resources to manage problems lurking behind every corner. The reactive behavior comes from a lack of strategic planning.

However, the group recently attended an event at a local law firm where they were told that within MedTech the crown jewels are the intangible assets and that undisclosed business or technical information, in particular, must be protected and managed with great care. At the event, the law firm presented the new trade secret law which soon should enter into force and the researchers found themselves drowning in legal technical language and complexity. When the researchers after the presentation wanted to initiate contact with the lawyers which so kindly made the researchers alarmingly aware of their legal shortcomings, the lawyers were nowhere to be found. What the researcher did not know at the time was that lawyers accidentally heard the researchers discussing their monetary capacity at the same event – as a MedTech venture based in Gothenburg, financial capital is always scarce. Luckily the group still had access to faculty members at Sahlgrenska School of Innovation and Entrepreneurship which connected the group with the faculty’s highly talented students for further consultation.
1.7.2 Research questions

Upon establishing contact, the students quickly realized that the questions from MedTech venture X were asked without any understanding of the legal prerequisites of FHL and the interplay between law and management when seeking to achieve such legal protection. Therefore, the students identified a need for a holistic approach wherein the findings of the legal analysis should be presented in the form of a managerial framework, which could be used by MedTech venture X as a guide in how the venture should arrange internal processes and functions to manage their undisclosed business or technical information as information which enjoys the legal status as trade secrets.

However, it also became evident during the conversation with the representatives of MedTech venture X that since the personnel have unrestricted access to highly relevant and important business or technical information, and not been subject to adequate contractual obligations, the managerial framework should emphasize how the venture should seek to prevent that their employees exploit or disclose such information after their termination of employment.

It was therefore decided that the following questions should serve as the guiding objectives throughout the project:

I. The Swedish MedTech venture X, wants to know what information that can enjoy protection under the Act (2018:558) on Protection of Trade Secrets?

II. The Swedish MedTech venture X, wants to know when such information enjoys post-employment protection under the Act (2018:558) on Protection of Trade Secrets?

III. The Swedish MedTech venture X, wants to know what contractual tools they can use to extend the post-employment protection of Act (2018:558) on Protection of Trade Secrets?

IV. The Swedish MedTech venture X, wants the findings in research question I-III to be translated into a managerial framework which would allow MedTech venture X to proactively manage their undisclosed business or technical information?

1.8 Legal methodology

The research narrative, even though partially used as a research methodology, lacks the theoretical depth and judicial specialization which is required to answer the research questions’ legal dimensions. Therefore, throughout the legal investigation and analysis, I will apply a dogmatic legal methodology to identify, interpret and analyze the relevant legal sources. The dogmatic legal methodology consists of a set of principles regarding how the interpretation of the legal phenomena should be validated in relation to the hierarchical status of the legal sources which are used to build the logical foundation of the interpretation. It can be argued that the dogmatic legal methodology draws from the legal positivistic jurisprudence and norms. Since the dogmatic legal methodology only recognizes what is capable of logical proof, and by describing, categorizing and interpreting the law in relation to a fixed hierarchical structure, the dogmatic legal methodology can claim that one
interpretation of the law has logical proof and another interpretation lacks such logical proof on the very basis the hierarchical position of the legal source which the respective interpretation is built on.\textsuperscript{43}

Consequently, the methodology serves as an adequate approach when seeking to establish \textit{de lege lata}\textsuperscript{44} since the methodology is evidence-driven and focused on understanding ‘what is’ rather than critically analyze ‘what should be’.\textsuperscript{45} The dogmatic legal methodology corresponds with the structure of traditional legal sources wherein the law, preparatory works, precedent, and doctrine constitute the main sources upon which an argument regarding judicial interpretation can and should be based on. However, the dogmatic legal methodology is not undisputed and has within Swedish jurisprudence been subject to a variety of criticism, including its dependency on authoritarian legal sources which is argued to hinder new judicial areas wherein there might exist a lack of traditional legal sources such as precedent and doctrine.\textsuperscript{46} However, Claes Sandgren argues that the dogmatic legal methodology gradually has opened up and allowed for other sources than the traditional legal sources, such as rulings and reasoning from courts of the first instance, to attribute legal validity when interpreting the legal phenomena.\textsuperscript{47}

Furthermore, due to the complexity and magnitude of the dogmatic legal methodology, it is argued that legal dogmatism should be considered a legal theory rather than a legal methodology. This argument is made on the basis that legal dogmatism offers a comprehensive scientific legal perspective concerning the matters of law which not seldom is applied and consolidated by the legislative bodies and the judicial systems which uphold the state of law.\textsuperscript{48} However, in this thesis, I will solely apply the dogmatic legal approach as a methodology by which I seek to understand and explain the law as it is and translate that understanding into a business context. Consequently, since I seek to translate the legal findings into a business context, the theoretical framework which this thesis should be read in the light of needs to acknowledge and manage the interdisciplinary interplay of law and

\textsuperscript{44} \textit{De lege lata} should be understood as ‘the law as it exists’, in contrary to \textit{de lege ferenda} which translates to ‘future law’ and used in the sense of ‘what the law should be’ within the context of proposing what could be argued as legislative improvements in relation to the law’s social, moral and/or economic implications.
\textsuperscript{45} The core characteristics of the dogmatic legal methodology make the methodology a blunt tool when the purpose of the research is to identify \textit{de lege ferenda}. Since when seeking to identify ‘what the law should be’ rather than ‘what the law is’ such analysis must take into consideration other key sources such as the measured implications in society in relation to the law’s explicitly and implicit purpose and function. Such measurement requires other instruments and methodologies than what the dogmatic legal methodology can offer, since measuring what the “law should be” is partially rejected by the positivistic notion of that the laws gain their validity not from moral considerations of their implications but from their authority and logical coherence. If the purpose of the thesis would have been to identify ‘what the law should be’ I would choose a legal constructivist approach and draw from the scientific field of legal sociology, in order to criticize, explore, and measure the discrepancies between the implications of the law and the implicit and explicit purpose of the law. However, there is a tendency among Swedish law students that when they are conducting such research they stop after presenting their identified flaws of the law and/or amendments to the law. This often results in that ‘what should be’ is seldom subject to an implementation or consequence analysis which leads to that ‘what should be’ is presented from the perspective of biased morality, sometimes solely ideologically motivated, rather than from the perspective of societal and judicial efficiency, functionality and feasibility.
\textsuperscript{46} L. Olsen, p. 120, 2004.
business, and therefore be a cross-professional theory and not only a theory which operates within the domain of law and jurisprudence.

In the light of what has been presented, and in accordance with the dogmatic legal methodology, the legal sources which have been used within the legal analysis have been categorized and validated in line with their corresponding hierarchical position as follows:49

I. European legislation and international treaties
II. Swedish legislation
III. European preparatory work
IV. Swedish preparatory work
V. Swedish case law
VI. Doctrine

1.9 Theory

Trade secrets50, as understood as a legal status that entitles the holder of undisclosed business or technical information judicial control over the information, which can be translated into enforceable legal protection, is a social construction. Meaning that the existence of the legal concept of trade secret law cannot be separated from the communicative actions of the actors that define them.51 Consequently, a communicative claim is only as strong as the claim’s institutional legitimacy, meaning that depending on the claim’s alignment with the relevant institutional rules and norms produced and upheld by the collective notion of a judicial authority, the level of legitimacy will be determined and attributed to the claim.52 Therefore, if one seeks to claim certain undisclosed business or technical information as information which enjoys the legal status as a trade secret, that person needs to partake in a normative claiming game which can take place among different actors and across different arenas.

Ulf Petrusson, suggest that intellectual property is a design, validation and construction process which takes place on three arenas, meaning that the recognition of intellectual property is a communicative process between individuals which are subject to the rationale of their structural platform in which they operate.53 The different arenas are often bound by its

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49 For further explanation concerning what judicial or academic work each category encompasses within the scope of this thesis, please consult the bibliography wherein I have presented all references within their corresponding hierarchical category. This is done for the purpose of providing the reader with an understanding of the judicial importance and hierarchical position I have attributed to the respective references used to formulate and validate the interpretations of the relevant articles of FHL and the contractual boundaries of non-compete and non-disclosure obligations. It is, therefore, important to make the categorization, and consequently, the attributed judicial importance explicit to the reader, since the judicial importance I have attributed to the respective references reflects the legal interpretations which I have decided to join and the conclusions that I thereafter have reached. However, it should be known that I have not attributed the 1969 Agreement and 2015 Agreement the judicial status as doctrine, since the 1969 Agreement is already codified into praxis by several court cases. Meaning that and in combination with that the 1969 Agreement itself is no longer active, the agreement is no longer the holder of that judicial relevancy, but instead the court cases which stipulates the praxis are now the carrier of that relevancy. When it comes to the 2015 Agreement, there exists uncertainty concerning what level of legal influence the agreement will have on actors not bound by the agreement and praxis in general. Therefore, the 2015 Agreement is also not attributed the status as doctrine.

50 For further discussion regarding the legal concept of trade secret law see section 2 wherein, inter alia, the legal status and nature of trade secrets are discussed and the difference between an owner and a holder is highlighted.


52 Ibid, pp. 11-12.

individual language and rationale and not seldom has its own agenda when collectively constructing intellectual property. The arenas, which can be seen in Figure 6, are the judicial arena, administrative arena and the business arena and consist of the following actors and forces:  

- The judicial arena consists of courts which uphold the legislative constructions by interpreting, analyzing and applying the relevant laws of intellectual property. Furthermore, the courts represent a state’s fundamental institutions and the pillar of the judicial monopoly which consequently makes intellectual property owners able to exercise their legal right to exclude others from exploiting the intellectual property.
- The administrative arena consists of application and registration offices such as the national patent offices and courts of appeal. The arena hosts several key functions for intellectual property registrations including formalistic procedures and infrastructure to manage the vast amount of information and make informed decisions that are aligned with the formal requisites of such registration.
- The business arena consists of markets, innovation systems, firms, and commercial relations wherein the judicial and administrative arenas serve as supportive structural platforms for intellectual property value creation and extraction in the business arena. Meaning that the focus of the theory of the three arenas is in the business arena where firms use intellectual property to engage in licensing, build control positions, and develop and maintain a competitive advantage.

Although, undisclosed business or technical information which enjoys protection under FHL is not recognized as property or as an intellectual property right, the rationale of the theory of the three arenas acknowledge that the process of claiming and validating undisclosed information as information which enjoys the legal status as a trade secret is a design process which takes places within the conceptual framework of the theory of the three arenas. The design process concerning the legal concept of trade secret law and intellectual property rights such as patents, trademarks, and copyrights are despite the discrepancies between the legal phenomena and its associated claims and rights, sharing a backbone which is that they all start with a legal definition in the judicial arena. Meaning that when the undisclosed business or technical information is claimed to be such information which enjoys the legal status as a trade secret or a technical solution is claimed as a patentable invention, the design and validation process of that claim must resonate with their corresponding legal definition.

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54 Ibid. pp. 105-106.
55 See Directive 2016/943, recital 16 & further discussion in section 2.
57 PL, articles 1 & 2, URL, article 1, VML, articles 4 & 5 & FHL, article 2.
Thus, inherently creating a process wherein, the design, claim, and validation, take place on multiple arenas.

However, trade secret law, as well as copyright law, only operates in two of the three arenas, meaning that the business arena is only supported by actions in the judicial arena since the design, validation, and control of the legal protection of undisclosed business or technical information and literary or artistic works are done without any administrative body of registration or approval.\(^\text{58}\) Consequently, by lacking an administrative approval and registration process which patents and trademarks are subject to, the validation process of information which has been claimed to enjoy the legal status as a trade secret is associated with a higher degree of uncertainty as well as in some cases, a greater need for activities on the judicial arena.\(^\text{59}\)

When a firm claims that certain business or technical information within the firm’s domain enjoys the legal status as a trade secret, the design process is initiated in the business arena. Meaning that the process of discussion, negotiation, and finally the business decision of what legal status certain undisclosed information enjoys is a claiming game solely executed on the business arena. However, such claim that certain undisclosed information enjoys the legal status as a trade secret, can only enjoy institutional legitimacy if the claim is aligned with the legal definition of FHL.

However, the core of trade secret law is that in order for the undisclosed business or technical information to enjoy the legal status as a trade secret, the information must be of certain commercial nature or character and be managed so that the information’s undisclosed status is maintained. Meaning that information does not merely enjoy the legal status as a trade secret by the claim that such information should or does enjoy that legal status, but instead because that the claim and the management of the information reflect the legal definition of FHL. Meaning that there exists an inherent connection between the legal status which stems

\(^{58}\) The protection of FHL and URL is given to the holder or the owner per automatic. Meaning that the first time the claim that an artistic work enjoys protection under URL or undisclosed business or technical information enjoys protection under FHL, is validated is when the claim is made in court that such underlying object or subject matter is in fact given that legal protection which it is claimed to enjoy, based on the nature or character of the underlying object or subject matter. See for example the discrepancy between URL, article 1 & PL, article 1.

\(^{59}\) U. Petrusson, p. 114, 2004. See also, H. De Soto, ‘The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else’, pp. 44-49. 2003, wherein De Soto argues that the main facilitator behind the west’s economic advancements is the formal property registration system which is described by De Soto as “the capital's hydroelectric plant, the place where capital is born.”. Even though De Soto is referring to property as tangible assets, such as real estates, there are similarities which can be seen in the registration system of real estate and the approval and registration system of the registered intellectual property rights. The similarities suggest that the administrative arena when designing, claiming, validating, and monetizing intellectual property is important. Consequently, the argument can be made that since undisclosed business or technical information claimed to enjoy the legal status as a trade secret is not subject to any approval and registration process beforehand, as patents or real estate are, the legal protection which the legal status as a trade secret entitles the holder of such undisclosed information might be associated with a higher degree of uncertainty. Since the validity of the claim that certain information enjoys the legal status as a trade secret has not been tested in any instance before engaging in commercial activities on the business arena. Implying that since the legal concept of trade secrets law, in contrary to the concept of patents, lacks an instance which validates that the claim surpasses a certain quality threshold, there is an ever-present importance that the information which is claimed, managed, and controlled as information which enjoys the legal status as a trade secret in the business arena reflects the legal definition of FHL and the associated rationale of the judicial arena.
from a legal framework wherein a legal definition is stipulated and the managerial domain in which the information resides.

Therefore, by taking into consideration the nature of trade secret law and the communicative interplay between the arenas, the theory of the three arenas will serve as this thesis’ theoretical framework to help explain the interplay between law, management, and business when claiming and controlling undisclosed business or technical information as such information which enjoys the legal status as a trade secret.

1.10 Target audience & intended reader

First and foremost, the subject matter of the thesis is directed towards a target audience consisting of professionals working on C-suite level or with business development, commercialization or business strategy in Swedish knowledge-based firms in general and in Swedish MedTech ventures in particular. The focus of the thesis is set to address the complexity which interdisciplinary professionals encounter when dealing with one on hand the legal phenomena of trade secret law and one the other hand the managerial, organizational and structural aspects of how to build processes which allow firms to control and utilize undisclosed information and intellectual assets.

However, I would like to clarify that non-interdisciplinary professionals both from business and academia are invited to engage in the subject matter of the thesis since I believe that it is of fundamental importance to understand that the shift of how firms are arranged and governed has brought a set of new questions that need to be answered. Which most likely only can be achieved if resources within academia and business are adequately allocated to further develop theories, methods, and frameworks in how to govern, construct, and manage knowledge-based firms.

Finally, the audience which I hope the most to read, challenge and further elaborate on the subject matter of this thesis are the entrepreneurs active within MedTech. Whom I have nothing but great respect for but know for certain could need a managerial framework to consult in how to manage and control their venture’s business or technical information as information which enjoys the legal status as trade secrets. Therefore, the thesis has been designed for the purpose of being practical and easy to apply, which the research narrative and how the conclusions are presented indicates.

1.11 Literature review

To provide the reader with a comprehensive introduction concerning the differentiating elements of my thesis and the relative position of the thesis in relation to related works and theses, I have dedicated a section to discuss the literature landscape concerning the subject matter of this thesis. The discussion will focus on the management literature which addresses the issues concerning the management of undisclosed business or technical information from

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60 The shift refers to the transition from industrial management principles regarding how firms should design certain value creation functions, such as procurement, manufacturing, and distribution, and where and how such functions should be deployed and executed. To a set of new principles that was early manifested in 2005 by eBay’s acquisition of Skype. Skype did at the time only consist of a handful of employees and with no physical infrastructure, but still called for a price tag of $2.6 billion. Indicating that the value proposition was embedded in the internalized knowledge, the captured intellectual assets, and the managerial structures which allowed Skype to utilize its intellectual assets. See for example J. Blau, ‘Ebay Buys Skype for $2.6 Billion’, 2005.
a managerial, legal, and/or economic perspective, and equivalent theses which relate to the subject matter of my thesis.

However, first, it should be stated that when seeking to identify *de lege lata* in any legal research, such research must draw arguments, interpretations, and conclusions from sources of judicial relevancy. In this thesis, such extractions are done in accordance with the legal dogmatic methodology, which established a predefined judicial value hierarchy concerning what attributed judicial influence certain legal sources holds. Meaning that in contrary, the legal dogmatic methodology stipulates that no other sources than the legal sources specified in the hierarchy can be used to formulate a valid and viable interpretation of the law and its requisites.

Therefore, neither the management literature or equivalent theses that I have identified as related to the subject matter of my thesis have been attributed judicial value when conducting the legal analysis. This is done on the basis that within the scope of this thesis I do not recognize the management literature or equivalent theses mentioned in this section as legal doctrine. Because legal doctrine, from a legal dogmatic perspective, is a legal source category reserved for literature concerning the legal phenomena of certain legal fields, which are written by legal scholars or specialists wherein such scholars or specialist by logical, intellectual, and rational legal arguments discuss the interpretations of the law and analyze the law’s corresponding conflicts of interest.

### 1.11.1 Management literature

Within the field of management literature that seeks to translate the legal concept of trade secret law into a business context, there are three books in particular which I have identified as the foundation of what in most business-oriented contexts would be referred to as trade secret management. The books are highly recommended for any C-suite executive to read in order to better understand the complexity of controlling undisclosed business or technical information and the management thereof:

- Firstly, James Pooley’s book “*SECRETS: Managing Information Assets in the Age of Cyberespionage*” wherein Pooley communicates an understanding of the legal concept of trade secret law and the legal boundaries thereof. He skillfully presents a legal understanding in connection with business processes and managerial insights –

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61 An equivalent thesis should be understood as a thesis which falls within the scope of this thesis’ subject matter and represents the final examination of the Swedish Law School Program, holding at least the academic value of an M.LL.

62 The legal doctrine and preparatory works used in this thesis will be presented under its corresponding category in the bibliography. Meaning that the complete list of references, and the judicial value that I have attributed to each reference, will be presented in the bibliography.

63 The purpose of trade secret law is to give undisclosed business or technical information legal protection. Meaning that qualified undisclosed information of a certain commercial nature or character can enjoy the legal status of “worthy to protect” from the point of view of the rationale of trade secret law. With that said, the term ‘trade secret management’ is partially misleading since it suggests that trade secrets are being managed rather than that the business or technical information is being managed in a way which makes the information enjoy the legal protection. The legal definition of FHL is by no means a default position for information, meaning that the ladder is the better approach to conceptualize what underlying object or subject matter that should be subject to what type of management. This will become clear for the reader when breaking down the underlying passive and active requirements of the legal definition of FHL in section 2.5. However, the term ‘trade secret management’ is commonly accepted and acknowledge in business contexts and will therefore be used briefly in this section, but it should be noted that it is a misleading term.
giving advice on how undisclosed information should be managed in a knowledge-based economy.

- Secondly, Jane Costa’s and Christopher Grey’s book “Secrecy at Work – The Hidden Architecture of Organizational Life” serves as a great reminder that there exist different sources of secrecy such as laws and regulations, social networks and trust, and the perhaps the most peculiar type, namely, public or open secrecy wherein what is known is not discussed. The authors elaborate on the concepts of secrecy and how it fits in organizational structures and the impact of human interactions and secrecy.

- Thirdly, Naomi Fine’s book “Positively Confidential – 10 Proven Steps to Protecting Confidential Information, Private Data and Intellectual Property in Today’s Interactive Business World” which describes ten steps to identify, manage and protect confidential information, and serves as a general guideline in how trade secret management processes should be arranged and deployed.

The three books have had a significant impact on how firms manage their undisclosed business or technical information, mainly since the authors have entered a domain which often is not occupied by authors but instead, firms which offer commercial services concerning the management of such undisclosed information, and therefore, helping to make professional expertise accessible to a broader audience.

Consequently, my thesis will inherently share some fundamental elements and concepts, which potentially have been presented in the abovementioned books. However, a majority of the key elements of the managerial framework which I propose in my thesis originates from my research concerning the constituting elements of FHL and my own experience working with Swedish MedTech ventures, and how such ventures tend to lack an understanding of how to manage and control their undisclosed business or technical information. Meaning that the managerial framework proposed should be considered to derive from my independent efforts by conceptualizing the collective notion of my experience, and the legal findings into a clear step-by-step guide concerning how undisclosed business or technical information should be managed and controlled.

1.1.1.2 Related & comparable theses

The following theses represent a sample of equivalent theses which either consists of an analysis of the Repealed FHL, Directive 2016/943, FHL and/or the contractual tools which can be deployed in order to extend the post-employment protection offered under FHL:

- “En hemlighet för mycket – Om företagshemlighetslagen, direktiv 2016/943 och intrångsgörande varor”, by Vilhelm Rondahl,
- ”Ett förstärkt skydd för företagshemligheter? – En studie av EU-direktivet om företagshemligheter och dess konsekvenser för svensk rätt”, by Amanda Dyberg
- ”Konkurrensklausuler i anställningsavtal – En analys av gällande rätt beträffande konkurrensbegränsande åtagande i anställningsförhållanden”, by Natalie Kyrk,
- ”Konkurrensklausuler i anställningsavtal – Med anledning av det nya kollektivavalet om konkurrensklausuler”, by Amanda Eriksson Törnqvist, and
- ”Avtalad sekretess i privata anställningsförhållanden – Vad innebär sekretessavtal och sekretessklausuler inom arbetsrätten”, by Paul Barton
Kyrk and Eriksson Törnqvist use ‘rättsskälleläran’ as their legal methodology to establish de lege lata regarding how current Swedish law, court cases, and doctrine allows, limits and prohibits the use of certain non-compete obligations which are contractually imposed by the employer on the employee. Whereas, Rondahl and Dyberg use a legal dogmatic methodology in order to analyze what legal implications that can arise from the introduction of the Directive 2016/943 in relation to Swedish legislation, and conducts an analyze on general praxis concerning Swedish trade secret law. Barton also applies a legal dogmatic methodology in order to identify de lege lata concerning the usage of non-disclosure obligations within the employer-employee relationship.

The above-mentioned authors focus solely on establishing and clarifying the legal landscape of what laws and corresponding legal requisites and praxis, that are relevant for the establishment of de lege lata. Consequently, they conduct an analysis focused on the legal phenomena, but do not contextualize the findings of their respective legal analysis into a business context. Meaning that there is a gap between their legal analysis and how firms should comply, implement and reap the commercial benefits of that information to attain an alignment between de lege lata and their business activities.

That results in that the findings in their research are placed isolated from the business context in which such legal findings normally are applied and where such knowledge is attributed value. On the contrary, the following equivalent theses have managed to connect and contextualize the legal findings of their research with their corresponding business contexts:

- “Secrecy as a Part of the Intellectual Value Creation Within a Firm – How to use secrecy as a strategic tool in business”, by Emil Winkler, and
- “Transacting Trade Secrets – Enabling Commercial Transactions of Trade Secrets Utilizing Law, Contracts, and Practical Measure”, by Denis Illecic and Gustav Svensson

Winkler discusses in his comprehensive analysis, regarding secrecy management in general and the commercial utility and value of undisclosed business or technical information in particular, how legal instruments such as the law and contracts can be used to claim and control information subject to secrecy. However, Winkler’s approach results in a general application which is what makes the conclusion lack a clear connection to a specific conflict of interest between stakeholders, such as business partners, employees, or competitors. Illecic and Svensson present an analysis regarding how a combination of legislative understanding,

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64 ‘Rättsskälleläran’ should be understood as a legal methodology, which overlaps with the dogmatic legal methodology, and stipulates how legal interpretation and evaluation of the Swedish legal sources such as the law, preparatory works, court cases and doctrine, should be conducted taking into consideration the legal sources’ relative hierarchical position.


contractual tools, and physical measurements can create a platform which increases the transactability of undisclosed business or technical information. Their analysis presents a clear connection between how an understanding of the applicable legal frameworks if adequately conceptualized, can be used as tools to facilitate transactions of valuable undisclosed business or technical information.\footnote{D. Illecic & G. Svensson, ‘Transacting Trade Secrets – Enabling Commercial Transactions of Trade Secrets Utilizing Law’, Contracts, and Practical Measures, pp. 12-13, 2014.}

Consequently, Illecic and Svensson does not address internal communication of such undisclosed business or technical information between an employer and an employee but focuses solely on the commercial and external transaction between the employer and a business partner, licensee or buyer. Resulting in that Illecic and Svensson do not discuss the issues concerning the internal management of the undisclosed business or technical information in relation to employee turnover and the risk of post-employment exploitation or disclosure by former employees.

1.11.3 Relative & comparable academic novelty

So, what does this mean in relation to my thesis? Plenty of equivalent academic research has been conducted within different fields relating to the protection of undisclosed business or technical information. Namely, the scope of the Repealed FHL and how to interpret the underlying legal principles of Directive 2016/943, as well as the contractual tools which can be deployed to extend the post-employment protection which the Repealed FHL offered.

However, the theses have not addressed the new FHL which recently entered into force and the changes of relevant articles compared with the Repealed FHL. The theses also have a certain proclivity to present the legal findings isolated from the finding’s corresponding business context. In contrary, the theses which managed to translate their legal findings to a business context did so based on the presumption that the firm in question already had an implemented and operational internal managerial framework to proactively manage and control their undisclosed business or technical information so that such undisclosed information does not walk out of the door when their employees leave the firm.

Meaning that my thesis varies from the abovementioned theses since I investigate the legal and contractual post-employment protection of undisclosed business or technical information and the interplay between law and management by deploying a holistic approach within an industry-specific context. Consequently, the thesis presents a legal analysis concerning the relevant articles of the new FHL and a conceptualization of the legal findings as a managerial framework, which could be used as a guide by Swedish MedTech ventures in how to utilize the law, contractual tools, and internal management processes to adequately manage undisclosed business or technical information as information which enjoys legal protection under Swedish jurisdiction.

However, the thesis also has a clear focus on the employer-employee relationship, meaning that the findings are not only contextualized to reflect the characteristics of the industry of medical technology or the de lege lata of the new FHL, but also the risks concerning post-employment exploitation or disclosure of undisclosed business or technical information.
1.12 Delimitations

The first delimitation is the scope of the thesis which is built around two interconnected sections. The first section will predominantly consist of a legal analysis of the Swedish and European legal sources concerning how undisclosed business or technical information can enjoy legal protection under FHL and the post-employment protection such information enjoys. The second section will mainly consist of an analysis regarding how the legal findings can be translated into a managerial framework seeking to provide managerial insights concerning how such undisclosed information could be managed, and how post-employment exploitation and disclosure can be mitigated.

Furthermore, the research narrative presented in section 1.7 holds the characteristics of a delimitation, in particular concerning the context in which the managerial framework should operate in and what type of information that the framework seeks to manage and control as information which enjoys the legal status as trade secrets. Consequently, this means that this thesis does not seek to exemplify what undisclosed business or technical information in all types of industries and all types of firms are, in terms of the underlying object and subject matter of the information, but such exemplification will only be presented from the point of view of a firm or venture which operates within the industry of medical technology.

Before presenting the delimitations in detail, it should be stated that this thesis is built on four major presumptions i) that every employer-employee relationship is, in fact, such relationship in accordance with both civil law and labor law, and that the parties of every post-employment situation were considered employer and employee during the employment, ii) that the information which enjoys the legal status as trade secrets is information which resides in the private sector only and therefore not subject to other legal requirements to maintain the information undisclosed, such as specific regulations concerning information which resides within the governmental or military sector, iii) that the holder of the information which enjoys the legal status as a trade secret is the lawful holder of that information and that such information can be lawfully controlled, and therefore does not consists of information which has been misappropriated from others or information concerning criminal activities or employer misconduct, and iv) that the employment agreement between the employer and the employee explicitly regulates that the ownership of the content which the employee creates within the scope and duration of the employment should be subject to ownership transfer to the employer, including the rights to intellectual property and business or technical information.

Therefore, this thesis will not address the potential legal claims by an employer or employee if the undisclosed business or technical information which enjoys the legal status as a trade secret also is recognized as a patentable invention. Meaning that the thesis will not address the potential conflict of interest between on one hand FHL and on the other hand the Act (1949:345) on Employee’s Right to Inventions if the undisclosed business or technical information which enjoys the legal status as a trade secret would in its current or future form be considered a patentable or patented invention, and the effects of the employee’s post-employment usage thereof.

Furthermore, the thesis will not address the issues concerning third-party liability. Meaning that the thesis will not address liability issues wherein i) employees bring with them their former employer’s undisclosed business or technical information, which enjoys the legal
status as trade secrets, to their new employer, or ii) the employee during the employment conducts any acts of unauthorized acquisition, exploitation, or disclosure of such information which activates the employer’s vicarious liability, liability in accordance with article 9 of FHL, or other third-party liability concerning the acts of the employee. The thesis will not address acquisitions of undisclosed business or technical information which enjoys the legal status as trade secrets done in good faith, and how such acquisitions can shift into bad faith acquisitions.

Furthermore, the thesis will not address the design process of non-disclosure or non-compete agreements. Meaning that the exact design of the scope and content of the agreements will not be subject to any analysis within the scope of this thesis. However, the nature and boundaries of such contractual obligations will be addressed in section 4. The purpose of section 4 and its sub-sections, is to discuss how non-disclosure and non-compete obligations can be used as contractual tools to achieve post-employment protection against acts of exploitation and disclosure conducted by former employees. Meaning that the section will be limited to the vertical relationship between an employer and a former employee, and not cover horizontal relationships such as between the employer and business partners or other legal persons. However, the contractual tools will be contextualized in its corresponding legal domain, and the obligations will be presented in the context of the boundaries of the domain in which the obligation belongs. Thus, the section will present what determines the obligation’s validity and invalidity in vertical relationship between an employer and a former employee, but not the details concerning the contractual scope and content that is necessary for specific contractual relationships and/or commercial effects.

In relation to the second section of the thesis, the managerial framework which will be presented will primarily focus on processes and functions seeking to manage and control undisclosed business or technical information and to prevent that former employees exploit or disclose such undisclosed information after the termination of employment. Consequently, the managerial framework will not address the pre-employment processes and functions which needs to be in place to secure that new employees do not contaminate the employer’s business activities with their previous employer’s undisclosed business or technical information which enjoys the legal status as trade secrets.

Furthermore, the managerial framework will not address site security measurements, implementation of CCTV surveillance, or other changes in physical infrastructure which can prevent unauthorized personnel or visitors to access undisclosed business or technical

70 The design process of an agreement should be understood as the execution of the strategic design of the key legal mechanisms which constitute the contractual content. Such key legal mechanisms should both be understood as what you as a party subject to the agreement want to regulate, but also how that should be regulated. Meaning that the key legal mechanisms could be clauses seeking to i) define the scope, objective and/or subject matter of the agreement, ii) manage potential claims which might derive from the business relationship between the parties, iii) assign obligations between the parties, iv) stipulate under what circumstances not complying with such obligations should result in monetary liability, and v) clarify the formal procedure of how disputes between the parties should be resolved and where such disputes should be resolved.

71 See for example Lockheed Martin Corp. v. Boeing Co. 357 F. Supp. 2d 1350 (M.D. Fla. 2005), wherein a former employee at Lockheed was offered a job at Boeing bringing documents with him which enjoyed the legal status as trade secrets controlled and lawfully held by Lockheed, to the new employer, which contaminated the business activities of Boeing and, inter alia, resulted in that the U.S. Air Force suspended Boeing from bidding on contracts concerning launch rockets and shifted around $ 1 billion worth of contracts to Lockheed.
information. Including digital infrastructure and security to prevent unauthorized access to such undisclosed information by digital means.

1.13 Disposition

The thesis can be broken down into two interconnected sections. The nature and content of the sections have been explained in section 1.6 and 1.7. Chapters 2-4 represent the first section wherein the focus lies on the legal phenomena concerning FHL and contractual complementary measures which can be used to extend FHL’s post-employment liability and the general principles of the duty of loyalty which originates from the employment relationship. Chapters 5-6 represent the second section, wherein the focus lies on the managerial aspects of how to arrange internal processes and functions to allow firms to manage and control their undisclosed business or technical information as information which enjoys the legal status as trade secrets and seek to prevent post-employment exploitation and disclosure by former employees.

1.13.1 Chapter 2

Chapter 2 is introduced with a discussion of the conceptual nature of trade secret law and its surrounding legal phenomena, wherein one of the main pillars of this thesis is established, namely that the legal means that trade secret law provides are different from proprietary rights, and rather than providing a proprietary status, it provides a qualified legal status on the undisclosed business or technical information which entitles the holder of such information legal protection and measures against acts of unfair and dishonest competition, but no right to exclude others. Thereafter, a legal analysis of the legal definition of FHL is conducted wherein the constituting requisites of the legal definition are analyzed and categorized as passive and active requisites.

The chapter ends with a dedicated section wherein the findings of the analysis is translated to a MedTech-context by exemplifying what type of business or technical information within a MedTech venture that can enjoy the legal status as a trade secret, and therefore constitute information which should be managed and controlled accordingly.

1.13.2 Chapter 3

Chapter 3 is introduced with an overall presentation of FHL’s structure concerning the liability of different parties, and how FHL is closely connected with the legal principle of the duty of loyalty. Thereafter, a legal analysis and breakdown of the relevant article in FHL concerning post-employment liability are conducted, wherein each requisite is carefully analyzed in relation to current praxis.

The chapter ends with a discussion regarding the default level of post-employment protection which is required within the industry of medical technology and what level of protection that FHL actually offers. It is concluded that the post-employment protection of FHL seldom matches the commercial utility or value of the undisclosed business or technical information in a MedTech venture.

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72 See for example P. Desmond, ‘IP protection on the factory floor’, 2017, wherein Desmond delivers an action plan for protection of undisclosed intellectual assets on the factory floor, emphasizing the physical measures when managing undisclosed information.
1.13.3 Chapter 4

Chapter 4 is introduced with a discussion concerning the legal principles of the Contract Act, and how contractual tools can be used to contractually extend parts of the duty of loyalty to remain active after the termination of employment. Thereafter, the boundaries of non-disclosure and non-compete obligations in the employment relationship between an employer and employee are analyzed.

The chapter ends with a discussion concerning how FHL and certain contractual tools can work in tandem when seeking to protect the undisclosed business or technical information and how such contractual tools should be deployed within a MedTech context.

1.13.4 Chapter 5

Chapter 5 is introduced with a general discussion of how a managerial framework for management of undisclosed business or technical information should seek to not only ensure that the undisclosed information is not subject to any unintended disclosures, but also to create a foundation wherein the management of the undisclosed information works in tandem with the legal provisions of FHL which provides protection of such undisclosed information.

Furthermore, the managerial framework seeks to achieve post-employment protection by introducing key processes and functions which targets the relationship between the employer and the employee during the employment.

1.13.5 Chapter 6

Chapter 6 is introduced with a presentation of the conclusions of this thesis wherein the key findings of each research question will be highlighted, in order to allow the reader to utilize the content of this thesis without having to read the entire thesis, research results and the research questions corresponding concluding remarks. The conclusions will be presented separately, meaning the chapter is divided per research question.

The chapter ends with a discussion concerning how the conclusions of the research could serve as a starting point in how a firm can control their undisclosed business or technical information without imposing extensive post-employment obligations on their former employees by increasing the manageability and strategic overview of the undisclosed business or technical information.

2 What is the legal concept of trade secrets?

“In legal terminology, information that is kept confidential in order to preserve competitive gains is referred to as “trade secrets”, “undisclosed information”, “business confidential information” or “secret know-how”.

Business and academia sometimes use other name tags for it such as “proprietary know-how” or “proprietary technology”.73

The terminology which is used to generally describe the underlying object or subject matter of trade secret law, as put forth in the Proposal Directive 2016/943, consists of a plethora of

legal, academic, and business technical terminology.\textsuperscript{74} Besides the lack of a harmonized terminology trade secret law has been argued to suffer from neglect among the intellectual property scholars, and sometimes being described as the “Cinderella” of intellectual property doctrines who toils in the shadow of her more privileged siblings – patent, copyright, and trademark law.\textsuperscript{75}

However, there are conceptual differences between the legal concept of trade secret law and its more privileged siblings. First, patents, copyrights, and trademarks are intellectual property rights which gives the owner of the intellectual property the ability to exclude others from using the same or too similar content.\textsuperscript{76} That is not the case when it comes to trade secret law. In Directive 2016/943 there are no trade secret owners, but instead, the person that lawfully controls the undisclosed business or technical information which enjoys protection under the directive is solely described as a trade secret holder.\textsuperscript{77} Meaning that Directive 2016/943 does not attribute a proprietary status to such undisclosed information which falls within the scope of the directive, strongly implying that undisclosed information that enjoys such protection should not be recognized as intellectual property.\textsuperscript{78}

The reasoning behind this statement is that the interest to promote innovation and competition within the internal market of the EU, should not create any exclusive rights to the undisclosed business or technical information which enjoys the legal status as trade secrets. Such exclusivity could stagnate the rate of innovation and hinder healthy competition rather than promote and secure it since such exclusivity could severely limit the possibilities to use the same information if such information derives from independent discoveries and efforts. Therefore, the protection that the legal status of a trade secret entitles the holder of such information should solely be considered a complement to or an alternative to intellectual property protection and not intellectual property in itself.\textsuperscript{79}

However, there exist an ongoing debate among intellectual property scholars in the U.S. concerning the normative and conceptual premises of trade secret law wherein some argue that the legal concept of trade secret law is based on i) relational obligations, such as contract and employment relationships, ii) property rights, such as ownership claims and fairness, or iii) unfair competition law, such as acts characterized by tort or delict.\textsuperscript{80}

In 1998, Robert G. Bone proposed that trade secret law lacks any unified legal theory and mainly consists of a collection of legal methods and norms which aim to offer sufficient legal protection of undisclosed business or technical information against acts of unauthorized acquisition, exploitation, or disclosure.\textsuperscript{81} However, Bone’s argumentation has by Eric R. Claeyss been referred to as “trade secret nihilism” by stating that trade secret law, in contrary to Bone’s notion, has guiding normative principles which derives from legal theories.

\textsuperscript{74} See also the title of Directive 2016/943 which contains the terms ‘trade secrets’, ‘undisclosed know-how’, and ‘undisclosed business information’.


\textsuperscript{76} PL, article 3, URL, article 2, & VML, article 1:11.

\textsuperscript{77} Directive 2016/943, article 2.

\textsuperscript{78} SOU 2017:45, pp. 80-81


concerning property law wherein Claeys is implying that the proprietary account of trade secret law is the best approach to explain its legal concept and nature.\textsuperscript{82}

Recently Claeys, in analogy with different property right doctrines, described the legal means which trade secret law provide as property rights, however different from the rights in land and more similar to the like of water rights. Meaning that Claeys argues that a trade secret holder similar to the right holder of a water right can use the resource and is free from the interference of the use, but the rights do not confer the holder the right to exclude others who derive benefits from the resource by their independent efforts.\textsuperscript{83}

Claeys further claims that defining what trade secret law is should not be done based on the presumption that a legal right only is a property right if it gives the right holder the right to exclude others but should instead be defined on the basis of a usufruct. A usufruct is a right to use an asset, to continue to use the asset, and be free from attempts to limit or divert the right holder’s efforts to extract benefits from the asset. Claeys means that similar to the right holder of a usufruct, a trade secret holder has the right to prevent others from acquiring the information which enjoys the legal status as a trade secret and claim damages for unauthorized acts which disrupts the holder’s right to use the information, without entitle the holder to exclude others from using the information if such usage derives from lawful and independent efforts.\textsuperscript{84}

Meaning that Clayes, in consensus with other intellectual property scholars in the U.S. argues that despite that the legal concept of trade secret law might lack the legal right of exclusivity, the nature of the legal phenomena displays many of the characteristics of intellectual property rights and should, therefore, be viewed at least as a form of intellectual property.\textsuperscript{85}

Claeys is joined by Mark A. Lemley in the matter that the legal concept of trade secret law can be justified as a form of intellectual property. However, Lemley base his understanding on that the underlying rationale of trade secret law is to encourage disclosure and not secrecy. Meaning that without the legal protection of undisclosed business or technical information, certain industries would invest too much in keeping information de-facto undisclosed.\textsuperscript{86} Lemley, therefore, argues that trade secret law provides a substitute for the physical and contractual restrictions, firms in such industries would otherwise have to impose in efforts to prevent disclosure of such information. Lemley identifies two critical features which he used to build the conclusion that the legal concept of trade secret law is intellectual property, namely that the purpose of the legal protection of undisclosed information is to incentives investments in and disclosure of innovations.\textsuperscript{87}

However, in the context of European and Swedish legislation, business or technical information which only enjoys the legal status as a trade secret cannot be recognized as intellectual property, because such information lacks the ability to be claimed as proprietary

\textsuperscript{82} E. R. Claeys, pp. 13-14 & 63-64, 2011.
\textsuperscript{84} E. R. Claeys, pp. 1-4, 2013.
\textsuperscript{87} Ibid. pp. 25-36 & 55-56.
information under FHL and Directive 2016/943.88 From a legal point of view, when claiming an asset as property it is central that the asset which you are claiming as property can be subject to ownership. However, this rule is less clear among the professionals mainly operating in the business arena, resulting in that such professionals often claim information, know-how, and other similar assets, as phenomena that they have the ability to claim and own. Meaning that in the business arena the concept of property and ownership is not necessarily aligned with the equivalent rationale of the judicial arena.89 It could, therefore, be argued that economists and other professionals occupying the business arena claim such assets as proprietary because of its commercial value rather than the assets legal rationale and resonance with the corresponding logic of the judicial arena.

But if the legal means that are given to the holder of undisclosed business or technical information which enjoys protection under FHL are not a right similar to the property rights of intellectual property law, how should the legal means which the holder of such undisclosed information is entitled to be categorized? The purpose of trade secret law is to give the holders of information which is of a certain nature and holds a commercial value, legal protection against unauthorized acts seeking to acquire, exploit, or disclose that information. Meaning that trade secret law gives the holder of undisclosed business or technical information, which often represents the results of extensive investments in R&D and other innovation creation processes, a protective layer against acts of unfair competition.90 Therefore, FHL is not a legal regime which seeks to facilitate proprietary claims on information but instead a legal instrument to regulate market fairness by promoting competition in innovation and discourage actors from the unfair or dishonest competition by cheating, stealing or deceiving in order to acquire, exploit, or disclose such undisclosed business or technical information.91

With that said and for descriptive convenience, this thesis will use the term “trade secret” to describe a qualified legal status, which business or technical information that is undisclosed, intended to remain undisclosed, and that fulfills the requirements of the legal definition of FHL can enjoy. A trade secret is, therefore, a legal construction and not the asset itself which the firm derives commercial value from in the business arena. The asset is instead the information which can enjoy the legal status as a trade secret. Therefore, when information is controlled as information which enjoys the legal status as a trade secret, the object or subject matter which is the information does not change, but only the legal status of the information and the legal means which it entitles the holder of the information.

Furthermore, since the legal definition of FHL and Directive 2016/943 requires active measures taken and is by no means a default position which undisclosed information automatically enjoys regardless of its nature or character, as will be explained in section 2.5, it is misleading to talk about management of trade secrets or trade secret management. Because it is not a “trade secret” that is being managed, it is the undisclosed business or technical information which is being managed so that the information can remain undisclosed and therefore enjoy the legal status as a trade secret, and by that give the holder of the information additional protection against acts of unfair competition. Never should it be

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88 Directive 2016/943, article 2 & FHL, article 2 & 3
90 TRIPS, article 39.
91 See also the discussion in SOU 2017:45, p. 67.
referred to that the undisclosed information changes in object or substance and thus, becomes something else than its original content, but only that it enjoys a legal status which gives the holder of the undisclosed information access to certain provisions seeking to protect such information.

2.1 The international framework for the protection of undisclosed information

Protection of undisclosed business or technical information has since 1995 when TRIPS entered into force, been recognized as an international legal concept. TRIPS is an international agreement between all the member nations of the WTO and is the first agreement to establish an international standard concerning the protection of such undisclosed information. TRIPS’s main purpose is to create an international foundation for protection of intellectual property which was motivated by the notion that intellectual property rights should contribute to the promotion of technical innovations and the transfer and dissemination thereof, by creating an international legal framework which should be mutually beneficial for the technology producers and the technology users taking economic welfare, legal protection, and exclusivity into consideration.

In the light of that, TRIPS also stipulate that protection against unfair competition should include the protection of undisclosed business or technical information against authorized acts of acquisitions, exploitation, and disclosure which should be seen as an extension of prior-existing protection against unfair competition which was introduced in PCPIP.

TRIPS required member states to introduce national systems which sought to protect such undisclosed information against acts of unfair competition. Article 39.2 in TRIPS represents the pillar of protection and provides an international legal definition of what type of undisclosed information that is recognized and entitled such protection. Furthermore, it is put forth in TRIPS an assortment of legal mechanisms which the member states needed to comply with. However, it is not specified in TRIPS how such protection of undisclosed information should be guaranteed within the member states. Consequently, member states have complied with the obligations of TRIPS in a variety of ways which have resulted in a non-uniform legal regime concerning the protection of undisclosed business or technical information with substantial variation between countries.

However, when Sweden joined WTO in 1995, it was deemed that the current FHL fulfilled the requirements set forth in Article 39. Even though the entry into WTO did not result in increased protection of such undisclosed information within Sweden, TRIPS was considered to be beneficial for Swedish firms which relied on exports to countries that before TRIPS did not have a sufficient protection of intellectual property and/or undisclosed business or technical information.

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92 M. Schultz & D. Lippoldt, pp. 7–8, 2014.
93 TRIPS, article 7.
94 TRIPS, article 39:1.
95 See TRIPS, article 42 for measures to obtain and preserve evidence, article 44 for injunctions prohibiting infringement and preventing entry into the channels of commerce in the jurisdiction of imported goods & article 45 for damages and payment of the plaintiff’s expenses.
97 Prop. 1994/95:35, p. 64.
TRIPS have since its effective date been providing an international minimum standard for protection of such undisclosed information and even though a non-uniform legal regime can be found among the WTO member states, TRIPS have nevertheless shaped subsequent law-making within the member states when it comes to the rationale and design of the national legal definitions of what type of undisclosed business or technical information that can enjoy the legal status as a trade secret.

The following requisites which was first put forth in Article 39 of TRIPS, and which to a large extent mirrors the requisites put forth in Directive 2016/943, are commonly found in national legislation concerning the legal definition of the what type of information that can enjoy the legal status as a trade secret:

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- The information must be undisclosed, however not an absolute secret. Meaning that undisclosed should be understood as that the information is not easily accessible by the public and if communicated to other parties it is done under conditions which maintain the information’s status as undisclosed in relation to the general public,
- The information must hold commercial value which derives from that the information is kept undisclosed. Meaning that the information must enjoy at least minor commercial utility or value from being kept undisclosed, and
- The holder of the undisclosed information must have taken reasonable steps to maintain the information as undisclosed. Meaning that the holder of the information must, in the light of the circumstances at hand and the nature of the information, take certain protective measures to keep the information undisclosed.

2.2 The European framework for the protection of undisclosed information

The Directive 2016/943 is based on two studies which evaluated the legal protection of undisclosed business or technical information and the importance of such protection in relation to innovation and competitiveness of firms, and to what extent firms actively use such protection in their creation and commercial exploitation of knowledge and intellectual assets.99 The studies were carried out by the two law firms Hogan Lovells and Baker & McKenzie.

Hogan Lovells’ study was published in 2012 and provided a comparative legal assessment of how and by what means the respective member states of the EU provided protection against misappropriation of such undisclosed business or technical information which enjoys the legal status as trade secrets.100 Baker & McKenzie’s study was published in 2013, and provided an assessment of the economic foundation and business importance of protection of undisclosed business or technical information and included an analysis of the discrepancies concerning such protection among the member states of EU.101

Both studies concluded that national trade secret laws in Europe were fragmented and subject to many discrepancies concerning the different member state’s implementation of the relevant articles in TRIPS. It was further concluded that a harmonized legal regime for the protection of undisclosed business or technical information in the EU would significantly

99 Proposal Directive 2016/943, p. 4
improve the conditions for European-based firms, as well as other firms conducting business within the EU, to develop, exchange and commercialize R&D results, innovations, and innovative knowledge.102

Both studies pointed out, as a direct consequence of the non-uniform legal regime, that transactions of such undisclosed information taking place in member states which offered lesser protection of such information, were subject to increased business risk and cost. Resulting in that actors which were based in such countries would less likely to become involved in cross-border R&D activities.103 Therefore, Directive 2016/943 sought to, inter alia, by allocating resources into harmonizing the member state’s protection of such undisclosed information, encourage and incentives firms to engage in innovation-related and cross-border economic activity within the entire internal market of the EU.104

Furthermore, Directive 2016/943 represent an additional step towards an optimized intellectual property infrastructure on the internal market of EU and a necessary deliverable in the commitment to create a single market for intellectual property.105 The Directive 2016/943 draws much of its legal terminology from TRIPS and should be understood as a minimum requirement of what level of protection of such undisclosed information that must be implemented on a national level. Therefore, member states are free to provide a more far-reaching protection of such undisclosed information than what is required by the directive, should they wish.106

2.3 The Swedish framework for the protection of undisclosed information

At the time of entry into WTO, Sweden was the only member state within EU which had a dedicated law for the protection of undisclosed business or technical information. This was also the case up until Directive 2016/943 entered into force.107

When the Repealed FHL was introduced in 1990, it replaced IKL which previously upheld the protection of undisclosed business or technical information which enjoyed the status as industrial and professional secrets108. Such information enjoyed protection under IKL from similar acts of unfair competition, especially from unfair acts within contractual relations.109 However, when the Repealed FHL was first presented the law became subject to extensive criticism regarding its allegedly alarming contradiction to the constitutional rights of freedom of opinion and information, which consequently delayed and complicated the introduction of the law.110

In 2018 the Repealed FHL was replaced with Act (2018:558) on Protection of Trade Secret as a result of the consolidation of Directive 2016/943 into Swedish law. The new law was first introduced in SOU 2017:45, and then in the referral to the Council on Legislation111 on

102 Ibid. p. 4.
103 Ibid. p. 3.
107 SOU 2017:45, p. 61.
108 My translation of “yrkeshemlighet”.
109 SOU 2017:45, p. 61, & see also, IKL, article 1 & 5.
110 SOU 2017:45, pp. 61-62.
111 My translation of “lagrådet”.

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the 8th of February 2018, and later revised and consolidated in Prop. 2017/18:200.112 The new FHL entered into force on the 1st of July 2018.113

The additional provisions in FHL, in comparison with the Repealed FHL, derives from the requirements stipulated in Directive 2016/943, which obligates the member states of the EU to ensure that there exists a uniform civil law concerning the protection of undisclosed business or technical information and proportional sanctions against acts of misappropriation thereof. The legal regime should be fair, effective and prohibitive and secure that firms have adequate legal protection and means available if their undisclosed business or technical information is subject to unauthorized acts of acquisition, exploitation, or disclosure.114

FHL is applicable when the undisclosed business or technical information meets the requisites of the legal definition and by that enjoys the legal status as a trade secret115. Meaning that the legal definition of FHL is the gatekeeper which undisclosed information must pass to enjoy the legal status as a trade secret and entitle the holder of such information access to FHL’s catalog of legal measures which consists of both criminal and civil provisions concerning unauthorized acquisition, exploitations or disclosure of such undisclosed information. Furthermore, the legal framework of FHL is located in the intersection of multiple legal domains. Meaning that, the conflicts of interest which protection of undisclosed information often relates to other legal fields such as of competition law, contract law, labor law, intellectual property law, criminal law, liability and damages law and sometimes constitutional rights such as freedom of expression.116

FHL consists of 28 articles, which is a considerable increase from its previous 14 articles, and can be divided into the following sections:

112 It should be noted that the first proposal of the new law which was published in SOU 2017:45, shared many similarities with the systematics and terminology presented in Directive 2016/943, however many such similarities were disregarded in the law which was presented in the referral to the Council on Legislation, and later consolidated in Prop. 2017/18:200. The discrepancies between the documents can, for example, be seen in article 1 of the proposed law in SOU 2017:45 and article 2 of the proposed law in Prop. 2017/18:200. This indicates that the investigations concerning how to best implement Directive 2016/943 have consisted of a debate of adopting an international legal terminology and systematic or to safeguard the Swedish peculiarity of the previous legal framework concerning trade secret law.
115 As previously explained, my fundamental understanding is that certain qualified information can enjoy the legal status as a trade secret, but never becoming a trade secret. Meaning that what we are talking about is information which falls within the scope of FHL and by doing so receives additional layers of protection. But when conducting the legal analysis of FHL I will inevitably become subject to both my own rationale and that of FHL. Meaning that when using the term ‘trade secret’ the term is used to signal that the information falls within the scope of FHL’s applicability and its corresponding legal rationale and principles. Because FHL is only applicable in situations wherein the information enjoys the legal status as a trade secret, and only then can the holder of the information use the provisions stipulated in FHL to hold parties liable for acts of violations. Meaning that from the perspective of the rationale of FHL information can, in fact, be a ‘trade secret’, since that is the proposition the law is built on and how it in the first place becomes applicable. However, as previously stated in section 2, that does not align with my almost metaphysical notion that when talking about trade secret protection, the underlying asset is the information which enjoys protection by qualifying as information that FHL provides protection for. Because it becomes problematic when such information is described as a trade secret rather than just undisclosed information, since the information depending on nature and character can also be described as a patentable invention, a copyright protected database, or a draft for a future trademark, and is therefore in body not bound to the rationale of trade secret law exclusively.
116 SOU 2017:45, p. 66.
• The first section, which consists of article 1 and 2, states the scope of the law and the legal definition of what type of information that can enjoy the legal status as a trade secret and the legal protection thereof,

• The second section, which consists of article 3 and 4, states the definition of the acts that constitute a violation of the rights given to the holder of the information which qualifies for such protection under FHL, and which acts that under no circumstances can be considered such violations,

• The third section, which consists of articles 5-11, states under what conditions an act should be considered tortious and result in liability, and how the damages thereof should be estimated,

• The fourth section, which consists of articles 12-16, states under what conditions fines and injunctions can be decided, as well as the conditions for provisional decisions of such instruments,

• The fifth section, which consists of articles 17-25, states the procedural and other measurements which the court can take and the limitations of prescription and preclusion, and

• The sixth section, which consists of articles 26-28, states the criminal provisions of the law which includes acts of trade secret espionage and unlawful meddling with trade secrets.

It was noted that even though the Repealed FHL in many regards fulfilled the requirements stipulated in Directive 2016/943 it was preferred from a legislative perspective that rather than introduce the new requirements into existing law, to draft a new law, for the purpose of safeguarding the applicability of the legal provisions.\textsuperscript{117}

However, the Repealed FHL entered into force over 25 years ago, after what has already been described as an extensive and complex legislative process. The law has during its application and interpretation been subject to in-depth scrutiny, applied in a variety of cases by both the supreme court and labor court, and discussed extensively in legal doctrine. The Repealed FHL was also used as one of the cornerstones in the 2015 Agreement, an agreement concerning the usage and the limitations of non-compete obligations in employment agreements between the labor unions of the market.

Therefore, the new FHL should to the extent possible, draw from the plethora of legal principles, praxis, and other guiding contributions already established, and remain connected with the developed and elaborated systematic and rationale of the previous law.\textsuperscript{118}

2.4 \textbf{What information can enjoy the legal status as a trade secret?}

The legal definition in FHL has been subject to criticism concerning the preferred terminology which to a large extent draws from the previous legal definition of the Repealed FHL, rather than Directive 2016/943.\textsuperscript{119} However, as pointed out in the proposition to the new FHL, the Directive 2016/943 draws much of its terminology and rationale from article 39 of TRIPS which upon Sweden’s entrance into WTO, the at that time applicable legal definition of the Repealed FHL was considered to fully comply with. The Repealed FHL has

\textsuperscript{117} Ibid. pp. 378- 379.


\textsuperscript{119} Ibid. p. 26.
therefore been the starting point of the legal definition of the new FHL and has resulted in that the introduced requisites of the legal definition, should be understood as praxis which has been developed from the application of the legal definition made explicit, rather than unfamiliar legal elements.

As FHL currently lacks an official English translation, what can be seen in Figure 7 is solely my translation of article 2, using WIPO’s translation of the previous legal definition in the Repealed FHL and Directive 2016/943 as a starting point for an accurate translation. The legal definition is the gatekeeper to FHL and determines what information that can enjoy the legal status as a trade secret, and thus the legal protection of FHL.

As can be seen in Figure 7, the legal definition consists of five main legal requisites which collectively must be met in order for the information to enjoy the legal status as a trade secret. The new legal definition of FHL consists of additional constituting requisite.

A constituting requisite should be understood as the main requirement which the information must meet in order to enjoy the legal status as a trade secret and for the provisions of FHL to become applicable. Meaning that in order for the holder of the information to enjoy the protection which FHL provides, the information must be of a certain nature and character and be subject to certain active measures by the holder of the information. When comparing the new legal definition of FHL with the equivalent legal definition in the U.S. the discrepancies


[121] The legal definition of the Repealed FHL consisted of only four constituting requisites, stating that the information needed to i) concern the business or industrial relations, ii) of a person conducting business or industrial activities, iii) which the person wanted to keep secret, and iv) if subject to divulgence it would likely cause damage.
between the two legal definitions could suggest that the Swedish legal definition has a narrower scope, but otherwise remains similar in rationale.122

2.4.1 Information which concerns the business or industrial relations

The first requisite of the legal definition of FHL remains unchanged and draws on previous legal principles and praxis.123 The requisite can be broken down into two sub-requisites, namely that i) the underlying object or subject matter must be recognized as information, and ii) the information much concern the business or industrial relations of the holder of the information.

The term information should be understood, as in the Repealed FHL, as having an extensive meaning.124 Therefore, the term information does not stipulate any requirement on quality or novelty and encompasses information, regardless of its documented form, as well as knowledge of a certain relation or occurrence. Meaning that the term information is technology neutral and refers to all types of information, independently the complexity, uniqueness, and qualifications of the information, and coincides with the terminology and meaning used and understood in general language and parlance.125 What type of information that can enjoy the legal status as a trade secret is, therefore, rather than being defined by the term information, defined by the other constituting requisites of the legal definition.126

However, it is stipulated in FHL that experiences and skills which are acquired by an employee during normal occupation or information about something which constitutes a crime or other serious misconduct never can be considered information which can enjoy the legal status as a trade secret.127 Meaning that there is a clear line between the legitimate interests which FHL seeks to protect, namely the protection of undisclosed business or technical information of commercial utility or value, and not criminal activity. However, the line between the information which resides within the domain of the firm and relates to the business activities of the firm, and the information which resides solely in the domain of the individual and predominately relates to the individual’s personal skills, experience, and knowledge, is less clear.

The rule of thumb is that information which anyone with adequate education or training can translate into practical measures is considered to reside within the domain of the firm, and that information which is internalized within the individual’s professional skill set in such way that the information cannot, via instructions or assignment, be transferred and/or utilized by another person is considered to reside within the domain of the employee’s personal skills,

122 UTSA, article 1:2 stipulates that a trade secret is information such as formulas, patterns, compilations, programs, devices, methods, techniques, or processes that i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use, and ii) is subject to efforts that are reasonable under the circumstance to maintain its secrecy. The requisite of the legal definition in UTSA have further been consolidated on the federal level through DTSA which draws from EEA, but still requires that the information has been subject to i) reasonable measures to keep secret and ii) derives independent economic value from been kept secret.
127 FHL, article 2.
experience, and knowledge. Meaning that if a technical procedure which is deployed to achieve a certain result can be achieved by having anyone with adequate professional knowledge and training to follow a set of instructions, those instructions would be considered to be information that can enjoy the legal status as a trade secret. However, if the result of the same technical procedure predominately was dependent on the personal skills, experience, and knowledge of the person executing the procedure, even though following the same instructions, the individual’s professional skill set would not be considered a part of the instructions, and therefore cannot be subject to claims from the holder of the instructions.

The result would regardless in which example most likely be considered information which can enjoy the legal status as a trade secret since that information as previously explained does not have to be of certain quality. Furthermore, what normally characterizes such information of personal nature is the significant lack of affiliation to something which can be said is unique or specific to the organization of the firm wherein the individual is employed.

The second sub-requisite requires the information to have a connection with the business or industrial relations of the person which is the holder of the information. The term business or industrial relations does not only take into account information of commercial nature regarding the business activities and relationships of the holder, such as ongoing production, development, research, and tests but also business events of a more general nature such as market research, market planning, pricing estimates and advertising campaigns. The requirement can in praxis be seen fulfilled even though the information displays only limited connection to the current business activities and/or industrial relations. However, if the information is considered information which is common within the industry or otherwise predominantly of a general character, the information has traditionally not been considered having a connection to the business or industrial relations of the person conducting the business activities. Therefore, the argument could be made that the requirement does not necessarily seek to limit what commercial information that a firm can protect but rather to differentiate the information which resides within the firm and is connected to the business activities from information which i) is personal and internalized in the employee’s intellectual capacity, and ii) is information of general character in the industry in which the firm operates.

The second sub-requisite was subject to debate whether or not to keep in the new law since it is not stipulated in Directive 2016/943 that the information needs to meet such requirement to

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129 Prop. 2017/18:200, p 35
130 Ibid, p 140.
132 NJA 1998 p. 633 wherein the supreme court explicitly stated that a business plan of which the execution of the business plan relied on future, and not yet initiated, collaboration with another party should be considered to have a connection with the person’s current business or industrial relations.
133 AD 2003 no. 21, wherein a compilation of legislation, collective agreements, and administrative routines - with the much so appalling and utterly naive name “Bettans lilla röda”, a name which anyone with the slightest understanding of history would find unpleasant and ignorant - was considered to predominantly be of a general character in relation to the specific industry. The court further stated that the information compiled in “Bettans lilla röda” was not, to the extent stipulated in praxis, related to any firm-specific business activity of the firm which claimed that the information enjoyed the legal status as a trade secret.
be viable to enjoy the legal status as a trade secret. In SOU 2017:45 the conclusion was reached that the legal definition should join the requirements presented in Directive 2016/943. However, as understood, this was later disregarded in the proposition wherein the requirement was yet again present. It was argued that the Directive 2016/943 under no circumstances could be interpreted in any other way than that the information which the Directive 2016/943 and FHL should seek to protect must be such information concerning the business activities which holds commercial utility or value, and not information which is private, personal, or general.

2.4.2 Of a person conducting business or a research institute conducting research

The requisite that the person which holds the information must be a person which conducts some type of business activity was introduced in the legal definition of the Repealed FHL and remains a requisite in the legal definition of the new FHL. A person conducting business or industrial activities should have an extensive meaning, thus including every physical or legal person that professionally conducts business activities which are of commercial nature, regardless of the purpose of the business activities. Meaning that a non-profit organization which at least partially conducts activities of commercial nature would be considered as a person conducting business or industrial activities under the legal definition of FHL. When assessing if the person is conducting business activities or not, it should be noted that there is often reason to attribute less importance to formalities such as if the person is approved for F-taxation, or under what type of entity the firm is incorporated and registered as.

The new law explicitly states that similar to a person conducting business activities, a research institute conducting research activities can be considered a holder of information which might enjoy the legal status as a trade secret. However, in the previous legal definition of FHL research institutes which created, managed and used such information which fell within the scope of the legal definition would in many cases be considered a person conducting business activities and through that way be considered a lawful holder of such information under FHL. In the new law, a research institute should be understood as an entity which conducts research under institutionalized forms. Such entities can range from state-owned universities to private research foundations.

2.4.3 That is not generally known or readily accessible

The requisite clarifies that undisclosed information means information which is neither in its complete form or the assembly of its components, generally known by or readily accessible for a person which normally deals with such information. The requisite is taken directly from the legal definition of TRIPS and, even though not previously made explicit in the previous legal definition of FHL, builds on previous praxis and is not by its introduction indented to change the scope of FHL’s legal definition.

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136 SOU 2017:45, pp. 35 & 103-104.
140 Ibid, p. 137.
First the requisite clarifies that compilation of information wherein the individual elements of the information may be generally known and/or readily accessible, but collectively represent information of commercial utility or value and is in its compiled body maintained undisclosed can enjoy the legal status as a trade secret. An example of such compiled information is a compilation of customer contact details, wherein the names of the customers alone do not constitute such information which can enjoy the legal status as a trade secret since they represent information which is generally known and/or readily accessible, but the compiled list of the names can enjoy such legal status.\textsuperscript{142}

Furthermore, the meaning of that the information must not be generally known and readily accessible, should not be understood as that the information must be de-facto undisclosed in order to be considered secret, but instead that the circle of people which are aware of the information must be limited, defined, and closed. The persons within that circle must therefore not be authorized to without restrictions use or circulate the information.\textsuperscript{143} Herein lies that the person seeking to control the information as information which enjoys the legal status as a trade secret, must have the ambition to keep the information within the circle in which the information is known and reveal the information to others only under conditions which seek to maintain the status of the circle in which the information is known as limited, defined, and closed.\textsuperscript{144}

The person which the information should not be generally known by or readily accessible to is a person that normally deals with information of the same nature. Because if the information is accessible, via lawful means, by anyone with an interest to gain access to the information, the information is then known within a circle of people that is unlimited, undefined, and open. Meaning that it is reasonable to assume that such information instead resides within the public domain and therefore is generally known within the industry.

Furthermore, the requisite defines what the legal definition of undisclosed information is and separates the firm-specific undisclosed information from what is general and public information within the industry, and coincides with the purpose of FHL which is that firms should be able to control and protect their undisclosed business or technical information which represents their investments in and execution of R&D and innovation activities, but not to provide firms a legal instruments to claim information which has already entered the public domain and therefore is generally known within the industry.\textsuperscript{145} Meaning that the nature of the requisite does not only relate to defining what undisclosed information is, but also helps to crystallize the underlying rationale that FHL only recognizes such information which gives the holder commercial utility or value from that the information is undisclosed, and thus not known by others within the industry.

\textsuperscript{144} M. Schultz & D. Lippoldt, pp. 7–8, 2014.
\textsuperscript{145} However, as presented in section 2.4.3, some information which has entered the public domain if consolidated or compiled with other information can collectively, as one body, enjoy the legal status as a trade secret. This is in line with the rationale of FHL that firms should be able to control and protect undisclosed information which they have developed and constitutes firm-specific information which gives the firm a competitive advantage. The consolidation of data from the public domain is, therefore, an effort which separates the consolidated information from its constituting public elements, making the compiled information such information which enjoys the legal status as a trade secret.
2.4.4 Which has been subject to reasonable steps to keep secret

The constituting requisite which stipulates that the information must be subject to reasonable steps to keep secret stems directly from TRIPS and there is a clear discrepancy between the equivalent requisite in the legal definition of the Repealed FHL and that of the new requisite in the legal definition of FHL. The previous requisite was fulfilled if it could be pointed out that the recipient of the information understood, based on the instructions, intentions, and/or business activities of the holder of the information that the holder wanted the information to be kept undisclosed, or that the information represented such commercial utility or value that the recipient must have understood that the holder must have wanted the information to be kept undisclosed.

However, the new requisite that the information must be subject to reasonable steps to keep it undisclosed, requires not only that the holder of that information has taken active measures to keep the information undisclosed, but also that the measures are considered reasonable under the circumstances. If the holder of the information does not take such active measures which are reasonable, the information cannot, regardless of its commercial nature, enjoy the legal status as a trade secret. Although FHL does not stipulate that the holder of the information must be entirely successful with maintaining the information undisclosed, it requires that the holder of the information take active measures and simply the fact that the holder of the information does not share the information with anyone else is therefore not to consider a reasonable measure. The holder of the information can, for example, i) issue safety and confidentiality instructions or policies within the firm that states how undisclosed business or technical information should be managed, ii) implement an internal access system which gives access to undisclosed information based on hierarchical authorization and clearance, or iii) use non-disclosure agreements when communicating undisclosed business or technical information to employees, business partners and other parties.

However, the active measures must not be of a certain type or achieve a specific level of secrecy, but the requisite implies that different circumstances require measures of a different magnitude to maintain the information’s status as undisclosed. Meaning that depending on how foreseeable certain unauthorized acts of acquisition, exploitation, or disclosure of the undisclosed information are, the value of the information, whether the information is utilized internally or externally, and within what type of contractual relationship the information is shared or utilized, the measures which the holder of the information needs to take for the measures to be considered reasonable will greatly differ.

Safe to say is that the requisite no longer can be considered fulfilled by the fact that the recipient, based on the commercial nature or character of the information which was communicated, as in previous legal definition understood that the holder of such information wanted that information to be kept undisclosed.

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146 TRIPS, article 39, see also Repealed FHL, article 1 in comparison with FHL, article 2.
149 In section 5, a managerial framework will be discussed, which is built on the rationale of the legal definition of FHL. Meaning that the execution of the managerial framework per automatic will be considered reasonable steps taken to maintain the information’s status as undisclosed.
150 For example, see the discussion in SOU 2017/45 pp. 393-394 & Prop. 2017/18:200, pp. 138-139.
151 Prop. 2017/18:200, p. 139.
2.4.5 Subject to divulgation would likely cause damage

This requisite is built on the assumption that the information must hold commercial utility or value because of that the information is kept undisclosed, otherwise divulgation of the information would not cause damage. The requisite is therefore related to TRIPS’ and Directive 2016/943’s legal definition that states that the information must have commercial value because it is kept undisclosed, and UTSA’s and EEA’s legal definition which states that the information must derive economic value from being undisclosed.\(^{152}\)

The damages, if the information is subject to divulgation, should be understood as a negative impact on the ability of the holder of the information to compete on the market. However, there is no absolute requirement that the damages actually occurred, meaning that the requirements would be met if the information is of such commercial nature or character within the context of the business activities of the holder of the information, that an act of divulgation typically would cause damage.\(^{153}\) The requisite aligns with the overall purpose of FHL that a firm’s undisclosed information which resides within the business activities of the firm and holds commercial utility or value for the holder, should gain protection from dishonest acts carried out by parties seeking to acquire, exploit, or disclose the information by cheating, stealing, or deceiving rather than competing by the rules of the market.

Consequently, the requisite results in that plenty of information within a firm that both fall within the scope of the definition of information and relates to the firm’s business activities, is unable to enjoy the legal status as a trade secret, due to that such information lacks commercial utility or value from being kept undisclosed and therefore not negatively impact the firm’s ability to compete if subject to divulgation.\(^{154}\)

The requirement that the information must be of such commercial utility or value that it would negatively impact the firm’s ability to compete if subject to divulgation increases the threshold of what types of information that is viable and can enjoy the legal status as a trade secret. The question concerning the undisclosed information’s commercial nature and the character was, inter alia, addressed in NJA 1995 p. 347 and later in AD 2013 no. 24. The court cases share various similarities, but the court came to different conclusions concerning the commercial utility or value of the undisclosed information.

In NJA 1995 p. 347 a bank’s instructions which the employees of the bank used to mitigate the risk that the bank’s clients became subject to any unauthorized bank account activities was by the supreme court classified as information which enjoyed the legal status as a trade secret. The supreme court argued that the instructions represented a major commercial interest of the bank, namely that any unauthorized party should not gain access to their client’s bank accounts. Therefore, any divulgation of the instructions was considered to negatively impact the bank’s ability to compete, since the bank’s customers reasonably would prefer the bank that offered the greatest security.

However, in AD 2013 nr. 24 the labor court concluded that a checklist which the employees of a factoring firm used as a support instrument to collect certain details of their clients before conducting certain credit checks, was not by the court considered to be of any noticeable

\(^{152}\) TRIPS, article 39, Directive 2016/943, article 2, UTSA, article 1:4, & EEA, § 1839 (3).


\(^{154}\) Prop. 2017:18:200, p. 139.
importance for the factoring firm’s ability to compete on the market, since the checklist mainly consisted of simple information without internal guidelines in how such information should be evaluated.

The two cases highlight that depending on the level of refinement of the information and how internalized the information is with the core revenue-related activities of a firm the probability that a court would consider that the information holds commercial utility or value from a competition point of view will highly differ.

2.5 The legal definition & valuable information within medical technology

It becomes evident, when breaking down the constituting requisites of the legal definition of FHL, that from the perspective of a firm seeking to control its undisclosed information as information which enjoys the legal status as trade secrets, the firm will be subject to both passive requirements relating to the nature or character of the information and active requirements relating to the measures taken by the holder of the information to maintain the information’s status as undisclosed. Meaning that the ability to control business or technical information as information which enjoys the legal status as a trade secret all boils down into the firm’s ability to manage the information’s undisclosed status.

2.5.1 Passive requirements of the legal definition

The legal definition stipulates three passive requirements, as can be seen in Figure 8, which relates to the nature or character of the information. By each applied requisite, which in the figure represent a step, the amount of viable information which can enjoy the legal status as a trade secret progressively decline in relation to the total amount of information which falls within the scope of the term information in accordance with general language and parlance.

Figure 8: Indicates the refinement process of information by each requisite concerning the nature or character of the information. The figure highlights that there is just a small portion of information that is in fact of such nature or character that it can enjoy the legal status as a trade secret.

What characterize the passive requirements is that the firm which is seeking to protect their undisclosed information as information which falls within the scope of FHL, cannot by active
means change the nature or character of the specific information other than choosing to control such information which is of such nature or character that it is in fact i) undisclosed information, ii) relating to the business activities of the holder of the information, and iii) would cause damage if subject to divulgence.

It could be argued that the requisite which states that the information must not be generally known or readily accessible, is not only a passive requirement since it consists of elements both relating to the nature or character of the information and the actions which have allowed the information to hold and/or maintain the status as undisclosed. For example, the firm can by passive measures such as by not telling anyone about the information keep the information undisclosed as well as by active measures keep the circle of people which holds knowledge about the information limited, defined and closed by deploying contractual instruments such as non-disclosure agreements when communicating such information.

However, in the end, the requirement is predominantly relating to the nature and character of the information, and not by the actions taken by the firm, since the requisite measures what the information is rather than what the firm has done to secure that the information holds the status as undisclosed.

2.5.2 Active requirements of the legal definition

Furthermore, the legal definition also stipulates two active requisites which rather than relating to the nature or character of the information, relates to the economic or commercial nature of the firm and the measures which the firm has taken to keep the information undisclosed. The first active requirement is straightforward, namely that the holder of the information must be a person conducting business activities, or a research institute conducting research activities. This means that the holder of the information must either conduct activities of commercial nature or conduct research under institutionalized forms.

However, regardless of the nature or character of the information, or the nature of the firm, the undisclosed information cannot enjoy the legal status as a trade secret if the firm has not taken reasonable measures to keep the information undisclosed. The active requirement of the legal definition of FHL should be understood as that the protection that FHL offers, is protection which is only available for firms that actively seek to protect themselves. That means that no matter how valuable the information potentially is, if the firm has not taken any active and reasonable steps to keep the information undisclosed, the firm does not have any information which can enjoy the legal status as trade secrets and the protection thereof.

2.5.3 Commercially valuable information within medical technology

Within the industry of medical technology, there exists a plethora of business or technical information of such commercial nature or character that it represents a competitive advantage and leverage in relation to competitors. This is especially the case when it comes to MedTech ventures since their value proposition is often built around innovation and cost-reducing technology or procedures.

For example undisclosed business or technical information which can enjoy the legal status as a trade secret can consist of i) the medical device’s clinical performance and conformity results, as well as other information which is generated when a MedTech firm is seeking to meet the requirements of the regulatory approval and compliance processes to put their
product on the market, ii) the underlying technology which allows the medical device to operate and execute certain commands, and iii) product data such as design, assembly procedures, product test data, patient and user data, and clinical data.

However, within MedTech, the production details and costs are often the factors which determine the success of the MedTech venture rather than if the medical device can offer a scientifically perfect result. Meaning that as long as the MedTech venture offers a medical device which ensures a sufficient level of accuracy and patient safety the production and product cost will be the predominant differentiator from other MedTech firms. Consequently, making information relating to the production and refinement of the product material, assembly and surface treatment procedures, production infrastructure and process steps, changeover times, quality control procedures, and product and material packing highly sensitive and interconnected with the firm’s ability to successfully compete on the market.

The production settings of the medical device are often such information which is significant in order to achieve a certain outcome and can alone hold commercial utility or value and constitute the firm’s competitive advantage. Such production settings which should be managed and disclosed with care often relates to i) the techniques and methods used when processing certain materials, ii) the duration certain materials should be processed or exposed to a certain temperature, and iii) the techniques and methods used to decrease lead times throughout the production and assembly process.

2.5.4 The importance of undisclosed information within medical technology

Furthermore, the industry of medical technology is an industry characterized by intensive R&D activity and reliance on the protection and commercial exploitation of intellectual assets. Meaning that medical technology is an industry wherein the venture’s ability to manage and control their undisclosed business or technical information goes hand in hand with the venture’s ability to engage in commercial activities and attract monetary funding. The industry of medical technology is, therefore, an industry which significantly differs from non-intellectualized industry, but in contrary, might share elements with other intellectualized industries.

As presented in section 2.5.3, there exists a plethora of business or technical information which should be managed so that the information remains undisclosed. However, the characteristics of the industry of medical technology implies that careful management of such information should not only be done on the basis that the information can constitute an integral element of the venture’s value proposition and a disclosure of that information, therefore, could jeopardize that value proposition of the venture, but also because careful management to maintain the information’s status as undisclosed can hold other utility which also could be translated into commercial value.

For example, the industry of medical technology is highly driven by allocations of capital in mergers & acquisitions. Meaning that larger firms operating within the industry of medical technology are constantly scouting the market landscape for strategic product portfolio

155 Interview with Henric Rhedin, Ph.D. in theoretical physics and business developer at Sahlgrenska School of Innovation and Entrepreneurship who holds adequate experience in the medical technology industry.

extensions and acquisitions of intellectual assets and/or intellectual property. Consequently, this market behavior results in that successful MedTech ventures as a rule of thumb, are acquired by and consolidated in larger MedTech firms. However, such acquisitions are often subject to extensive scrutiny wherein the product and technology portfolio of the venture is carefully analyzed in relation to commercial value and risks. If the venture seeks to conduct a commercial exit by acquisition, the venture must maintain control of their key business or technical information, to present the venture as an attractive acquisition target, with a low commercial risk profile. One way of presenting the venture as an attractive acquisition target is to have control over the venture’s key business or technical information by managing such information so that they remain undisclosed and enjoy the legal status as trade secrets.

Furthermore, the industry of medical technology is characterized by an increasing importance of investments in and execution of R&D activities and in the ability to capture the results generated in such activities. As Figure 3,4, and 5 suggest there is a tendency within the industry of medical technology to capture such results by claiming it as patentable inventions and apply for patent protection in business-relevant jurisdictions. A patent, just like any other legal right which derives from intellectual property, is only as useful as it used to create value for the venture. However, within the industry of medical technology ventures typically compete in innovation by offering better medical solutions than existing products within the healthcare sector, and it seems that there is a proclivity among both the ventures and investors to attribute a qualitative value on the medical device if the device comprises of patented technical solutions. Meaning that for a MedTech venture a patent provides other commercial benefits other than the exclusive right it grants the owner since a patent which relates to the medical device can be used by the venture as a communicative tool to showcase the medical device and increase the likelihood to receive monetary funding. However, inventions and technical solutions can only gain such legal protection if they fulfill the requirements of novelty. Such novelty can only be achieved if the patentable invention has maintained its status as undisclosed upon the day when the patent application is filed. Meaning that a venture’s ability to achieve patent protection is inherently dependent on the venture’s ability to manage the patentable invention as information which enjoys the legal status as a trade secret until the day of filing the patent application.

3 What happens after the termination of the employment?

However, there are now reasons to wonder, if undisclosed business or technical information can constitute the MedTech venture’s entire competitive advantage, and sometimes solely on the basis that the information in question is not known to their competitors - what happens when the venture’s employees decide to seek new opportunities and pursue new ambitions taking employment elsewhere?

FHL provides provisions concerning liability and damages that the holder of information which enjoys the legal status as a trade secret, can use to hold parties liable for the damages

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157 This statement is based on my personal experience and could only be representative in relation to the ventures that I have been involved with or in other ways come in contact with. However, it should be noted that investors which normally invest in MedTech ventures seldom have previous experience of the healthcare sector, meaning that they are more inclined to rely on the traditional set of intellectual property in order to achieve the notion of protection and product exclusivity.

158 PL, article 2, & for example U.S. Patent Law, section 102.
deriving from that party’s unauthorized act. However, the catalog of liability and damages in FHL is structured by the category of the party which conducted the act, and the requisites concerning such liability differ between what type of party that conducted the unauthorized act.\textsuperscript{159} Meaning that what type of liability and the ability of the holder of the information to hold a party liable will ultimately depend on if the unauthorized act was carried out by a business partner, employee, former employee or a third party, and consequently be subject to different provisions of FHL.\textsuperscript{160}

When it comes to the employee’s liability under FHL the law is constructed around the same rationale as the duty of loyalty. The duty of loyalty is an unwritten legal principle which is made explicit via praxis and doctrine concerning the obligations of the employee that naturally resides in the employment relationship. The principle is an integral part of the employment relationship and originates from the notion that an employment relationship is not only an exchange of economic performance between the employer and employee but also a personal relationship between the parties.\textsuperscript{161}

The duty of loyalty can, therefore, be described as a collection of obligations which the employee is required to comply with. Such obligations include that the employee should not disclose business or technical information concerning the employer’s business and not conduct any competing business activities during the employment. Meaning that the employee is required to be loyal to the employer during the employment and not conduct any acts which might negatively impact the employer’s ability to compete on the market, or the employee’s ability to fulfill its commitments under the employment agreement. The degree of loyalty which the employee is subject to depends on the employee’s position in the firm, meaning that the employer can demand a higher degree of loyalty from the CEO than an employee of lower hierarchical position.\textsuperscript{162}

The rule of thumb concerning the duty of loyalty is that the employee is released from the duty of loyalty after the termination of an employment and is free to exploit any personal and professional skills, experiences, and knowledge which the employee has acquired during the employment, even if that would represent the employer’s undisclosed business or technical information which enjoys the legal status as trade secrets.\textsuperscript{163} Meaning that after the termination of employment the duty of loyalty does not make any distinction between purely personal skills and such undisclosed business or technical information which enjoys the legal status as a trade secret and is lawfully controlled by the former employer.\textsuperscript{164} However, it was concluded in the proposition of the Repealed FHL, that making an employee’s post-employment exploitation or disclosure of such undisclosed information completely free of

\textsuperscript{159} See for example the discrepancy between FHL, articles 6, 7, & 8.
\textsuperscript{160} SOU 2017:45, p. 167.
\textsuperscript{161} AD 1994 no. 79 & M. Glavå, ‘Arbetsrätt’, p. 591, 2011
\textsuperscript{162} AD 2009 no. 40 wherein the labor court, inter alia, states that a fundamental requirement embedded in the duty of loyalty is that the employee is not allowed to conduct any activities which are of harm for the employer or by other means aggravate the related business activities of the employer.
\textsuperscript{164} AD 2013 no. 24, wherein the labor court states that the rule of thumb is that after the termination of employment the employee is entitled to take full advantage of his knowledge, and that also applies in principle to such knowledge which is information that enjoys the legal status as a trade secret and lawfully is controlled by the former employer.
liability or other sanctions would appear unjustifiable and to some extent insulting to the employers.\textsuperscript{165}

Therefore, it is stipulated in article 7 of FHL that an employee is liable for the damages of unauthorized exploitation and disclosure of undisclosed business or technical information which enjoys the legal status as a trade secret, both during and after the employment if certain conditions are met.\textsuperscript{166} The article explicitly distinguishes between acts of unauthorized exploitation or disclosure that occurred during the employment and such acts that occurred after the termination of the employment. However, the liability only extends beyond the termination of employment if there are extraordinary reasons for doing so. The new FHL should be understood as to correspond with the Repealed FHL and its related praxis.\textsuperscript{167} In particular, the praxis developed around what circumstances that indicates that there exist reasons to justify that the liability in article 7 is extended to cover such acts which took place after the termination of employment.\textsuperscript{168}

This means that after the termination of the employment the employee is only liable for the damages of acts of exploitation or disclosure which are of such nature that there exist extraordinary reasons for extending the liability, and such reasons often only exists if the employee has conducted an act of such nature or character that the employee has misused the trust which is vested in the employment relationship between the employer and the employee.\textsuperscript{169}

Consequently, this means that the employee’s act of exploitation or disclosure of such undisclosed information which enjoys the legal status as a trade secret is not subject to any liability if the act i) occurred after the termination of employment, and ii) is not of such reprehensible nature or character that calls for the liability to be extended in article 7.\textsuperscript{170}

\textsuperscript{165} Prop. 1987/88:155, p. 46.
\textsuperscript{166} FHL, article 7.
\textsuperscript{168} Ibid. pp. 62-64.
\textsuperscript{169} Prop. 1987/88:155, p. 46.
\textsuperscript{170} Prop. 2017/18:200, p. 162. See also FHL, article 4 & 7.
3.1 Post-employment liability of FHL

The post-employment protection which FHL offers only covers a handful of situations wherein the employee’s actions can be considered a clear violation of the trust between the employee and employer. Article 7 of FHL and its constituting requisites, which can be seen in Figure 9, currently lacks an official translation and is therefore translated by me using WIPO’s translation of the previous article as a starting point.\textsuperscript{171}

\begin{center}
\begin{tabular}{|c|c|c|c|}
\hline
 & Willfully or through negligence & Informed in the course of employment & Understood or ought to have understood & Extraordinary reasons \\
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An employee which willfully or through negligence acquires, exploits, or discloses a trade secret of his employer of which he has been informed in the course of his employment under such circumstances that he understood, or ought to have understood, that he was not allowed to reveal it, shall compensate the damage caused by his action.

If the exploitation or disclosure took place after the termination of the employment the liability in the first paragraph shall only apply if there are extraordinary reasons for it.

However, article 7 stipulates that acts of exploitation or disclosure carried out by an employee after the termination of employment must not only be of a certain reprehensible nature in order to extend beyond the termination of employment but also that the requisites which govern the liability during the employment must be fulfilled. Meaning that FHL only offers the employer the possibility to hold the former employee liable for post-employment exploitation or disclosure if the following main requisites are fulfilled.

3.1.1 Willfully or through negligence

In order for the employee to become liable for the damages of exploitation or disclosure, the act of such exploitation or disclosure must have been carried out by the employee willfully or through negligence. Negligence includes conventional culpable actions, whereas willful actions require that the employee carried out the act with direct, indirect, and indifferent intent.\textsuperscript{172} Consequently, this means that an act of exploitation or disclosure by a current employee or former employee which is a direct result of a pure accident is not of such nature which entails liability under FHL for the potential damages of the accident.

A characteristic of culpable behavior is that it is almost impossible from a legal perspective to present a clear and consequent legal principle which defines what culpability is without connecting it to a specific situation. Therefore, when assessing if an act has been culpable a certain degree of discretion cannot be avoided. Meaning that there will always exist a level of


\textsuperscript{172} Prop. 1987/88:155, p. 45.
uncertainty concerning whether or not an act is considered negligent since the culpable behavior must be determined in relation to the actual circumstances of the specific case.

However, as a rule of thumb, if the undisclosed information was communicated to the employee in conjunction with explicit instructions or notifications that the information is such information that the employer intends to keep undisclosed, the chances increase that the court would consider the act of exploitation or disclosure of such information a result of negligence.

3.1.2 Informed in the course of employment

In order for the employee to become liable for the damages of exploitation or disclosure the information which is exploited or disclosed must have been communicated to the employee in the course of the employee’s employment. Implying that the information must have a direct connection with the tasks which the employee is obligated to perform within the scope of the employment. The rule of thumb is that the information must be of such nature or character that the information falls within the scope of the employee’s job description and therefore subject to the duty of loyalty.\textsuperscript{173} Meaning that undisclosed information which is communicated to the employee during the employment but however is not related to the employee’s job description cannot become subject to the liability which is stipulated in article 7.

3.1.3 Understood or ought to have understood

In order for the employee to become liable for the damages of exploitation or disclosure, the information must have been communicated to the employee under such circumstances that the employee understood or ought to have understood that the employee was not allowed to disclose the information to any third party. Meaning that if the information was communicated in conjunction with a contractual non-disclosure obligation or other safety requirements, it is self-evident that the employee understood that the employee was not allowed to disclose the information or in other ways use it in other business activities than those of the firm.

However, if the employee ought to have understood or not is dependent on the measures that were taken by the employer before, during, and after communication of the information to the employee.\textsuperscript{174} It is therefore of importance that the employer when communicating or granting access to such undisclosed business or technical information of sensitive and confidential nature to the employee, that the employer by direct actions, policies, guidelines or other measures manifest its will that the employee must maintain the information undisclosed.

3.1.4 Extraordinary reasons

In order for the former employee to be liable for the damages of post-employment exploitation or disclosure of undisclosed business or technical information which enjoys the legal status as a trade secret, there must be extraordinary reasons. In the preparatory works relating to the Repealed FHL, it is evident that the intentions behind the legal protection which allows for an extension of liability is reserved for acts of certain reprehensible nature. Generally, situations wherein the employee’s entire purpose of the employment has been to

\textsuperscript{173} Ibid. pp. 44-45.
\textsuperscript{174} Ibid. p. 45.
acquire undisclosed business or technical information or wherein the employee during the employment has prepared a transfer of such information to an actor conducting competing business activities, are considered acts of reprehensible nature, in which there exist extraordinary reasons for post-employment liability under FHL.\textsuperscript{175}

Other situations which suggest that there exist extraordinary reasons are situations wherein the former employee previously was a person of trust within the firm, for example, such position as CEO, product manager or head of R&D, or if the former employee by means of documentation in the form of technical models, drawings or technical descriptions, misappropriated the undisclosed business or technical information.\textsuperscript{176}

In the assessment of whether or not there exist extraordinary reasons, the magnitude of the damages is attributed indicative value, meaning that extraordinary reasons can exist if the magnitude of the damages is of such nature that it severely impacts the employer’s ability to compete on the market. Consequently, if the damages have only affected the employer’s ability to compete to a limited extent, it could indicate that there exist no extraordinary reasons.\textsuperscript{177}

Additionally, the legal doctrine concerning extraordinary reasons suggests that situations wherein the employer and the employee have agreed upon post-employment obligations in specific agreements or clauses should be attributed value in the assessment. Meaning that if an employee which is subject to non-disclosure obligations that stipulate that the former employee must refrain from disclosing the undisclosed information to any third party after the termination of the employment, would by the breach of such obligation also indicate that there exist extraordinary reasons.\textsuperscript{178}

The situations which have been highlighted as example situations in the propositions have further been clarified in praxis. The labor court has experienced a continuous influx of cases concerning such situations wherein former employees exploited or disclosed undisclosed business or technical information which enjoyed the legal status as a trade secret and was communicated to the employee within the scope and duration of the employment.

In AD 2017 no. 12, wherein two employees during the employment founded a firm which conducted competing business activities with the employer, and thereafter terminated their respective employment, and brought with them their former employer’s databases concerning clients and other client details. The databases were considered such undisclosed business or technical information which enjoyed the legal status as trade secrets and was lawfully controlled by the former employer. The labor court argued that it was obvious that the actions constituted extraordinary reasons because i) the firm which the former employees founded was engaged in competing business activities, ii) the transfer of the databases was prepared by the former employees during the duration of the employment, iii) the former

\textsuperscript{175} Prop. 2017/18:200, p. 62.


\textsuperscript{177} Prop. 2017/18:200, p. 62.

\textsuperscript{178} Ibid. p. 77 & see also Tonell’s and Fahlbeck’s discussion in their respective works, M. Tonell,’Sekretessavtal – och det rättsliga skyddet för företagshemligheter’, p. 65, 2012, & R. Fahlbeck,’Lagen om skydd för företagshemligheter: en kommentar och rättsöversikter’, p. 465, 2013, wherein both authors sate that a breach of a specific non-disclosure agreement calls for extraordinary reasons.
employees held positions of trust, and iv) the former employees were subject to applicable non-disclosure agreements.

In AD 2013 no. 24, wherein a former employee directly after the termination of the employment started working at a competitor to the former employer and began to exploit and disclose the former employer’s client information which enjoyed the legal status as trade secrets. The labor court stated that the actions of the former employee constituted extraordinary reasons because i) after the termination of employment the former employee had systematically exploited the information in direct competing purpose with previous employer, ii) the exploitation of the information by the former employee had a severe impact on the previous employer’s ability to compete on the market.

It has also been highlighted that in situations wherein the former employee has prepared the transfer of the undisclosed information which lawfully was controlled by the employer during the employment, and then exploited the information after the termination of employment, such circumstance alone can constitute extraordinary reasons. Furthermore, situations wherein the undisclosed information represents a significant portion of the employer’s competitiveness, have indicated that there should be extraordinary reasons. However, the labor court has made it clear that when a former employee from memory exploits or disclose such undisclosed information controlled by the employee’s previous employer, it has not constituted extraordinary reasons.

3.2 FHL provides limited default post-employment protection

As discussed in section 1.3, information is non-rival and non-reversible which means that if the employee within the scope and duration of employment has created and/or deployed undisclosed business or technical information which enjoys the legal status as trade secrets, that employee will carry the knowledge of that information with them when leaving the firm. Consequently, this also means that if the undisclosed information would by the former employee be disclosed, the information would irreversibly enter another domain. Depending on what domain that would be, the business or technical information can thereafter lack the qualifying requirements to enjoy the legal status as a trade secret.

As can be seen in Figure 10, FHL offers limited protection concerning such undisclosed information in situations wherein the former employee exploit or disclose that information by only providing liability for such exploitation or disclosure if there exist extraordinary reasons for it. Evidently, the default post-employment protection of FHL does not correspond with the increasing value of undisclosed information and intellectual assets in an intellectualized industry.

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179 AD 2015 no. 35.  
180 AD 2015 no. 39.  
181 AD 2003 no. 21.  
182 For example, the undisclosed business or technical information could enter the domain of a competing firm and the competing firm could potentially have a commercial interest in keeping the information undisclosed. Meaning that even if disclosed and located in another domain, the information could still enjoy the legal status as a trade secret.
However, one could argue that since such information and intellectual assets represent an increasing commercial value, that the commercial value in itself could call for extraordinary reasons, meaning that the more valuable undisclosed business information gets, the easier it will be to argue for extraordinary reasons. But as previously explained, that as of now only is attributed indicative value, and must, therefore, be backed-up with other circumstances in order to constitute extraordinary reasons.

Praxis and preparatory works present a major threshold for an act of post-employment exploitation or disclosure to be considered an act which calls for extraordinary reasons. Meaning that the post-employment liability of FHL concerning for acts carried out by former employees is exclusively reserved for acts which are considered to be of reprehensible nature.

Example of such acts are i) if the employee has prepared the transfer of the undisclosed information which was after the employment exploited or disclosure, during the employment, ii) if the former employee held a position of trust in their previous employment and in that capacity of trust came in contact with the undisclosed information, iii) if the information after the termination of employment has been systematically exploited, iv) if the information has been of a particular commercial value and the former employee has by exploitation or disclosure of such information significantly reduced the previous employer’s ability to compete on the market, and v) if the former employee has been subject to contractual non-disclosure obligations and by the act of exploitation or disclosure simultaneously conducted a breach of such contractual obligation.

3.3 The post-employment protection of FHL within medical technology

The post-employment liability of FHL is reserved for acts which constitute extraordinary reasons, there are several acts that potentially could disclose the information which would fall outside of the scope of liability stipulated in FHL. Meaning that if the undisclosed business or technical information is subject to a post-employment disclosure by a former employee, it can
very much lead to the death of the MedTech venture. Because the commercial utility and value of the information are often so interconnected with that the information is undisclosed that such value is instantly lost if the information becomes subject to such disclosure, and in such situation, the post-employment protection of FHL provides little or none comfort. Meaning that a MedTech venture which wants to prevent that such undisclosed information walks out of the door after the termination of employment must extend the post-employment protection of FHL.

The post-employment protection of FHL can be contractually extended to match the commercial utility and value of the undisclosed business or technical information within a MedTech venture. Since article 7 of FHL is dispositive, meaning that the employer and employee can contractually agree on non-disclosure obligations which extend beyond the termination of employment and the liability which is stipulated in article 7.\(^\text{183}\) By contractually extending such obligations the business or technical information that is communicated to or created by the employee within the scope and duration of employment becomes subject to obligations that the employee must comply with, both during and after the term of employment. If the former employee is subject to such obligations and carries out an act of exploitation or disclosure of the undisclosed information which enjoys the legal status as a trade secret but also falls within the scope of the contractual non-disclosure obligation, that employee would be liable not only on the basis of the provisions of FHL but also on the basis of the contractual obligation.

4 Contractual tools for post-employment protection

As previously presented, FHL is constructed around the same rationale as the duty of loyalty. Meaning that undisclosed business or technical information which enjoys the legal status as a trade secret, that has been communicated within the scope and duration of the employment only enjoys limited default protection against acts of post-employment exploitation or disclosure by former employees. However, it is in many situations, and particularly in intellectualized industries, necessary that a firm contractually extends the duty of loyalty between the employer and the employee so that the employee after the termination of employment is subject to restrictions concerning how and where such undisclosed information can be exploited and disclosed.

Such extension of obligations in order to protect undisclosed information can be achieved by that the employer and employee include non-disclosure and/or non-compete clauses in the employment contract, or during the period of employment enters into separate non-disclosure and/or non-compete agreements. A non-compete obligation prohibits the former employee to engage in business activities that compete with the business activities of the former employer after the termination of employment, and a non-disclosure obligation prohibits the former employee to disclose the information relating to the business activities of the former employee which is subject to the non-disclosure agreement to any third party.\(^\text{184}\)

Such obligations, whether in the form of a clause in the employment agreement or as a separate agreement, are subject to the general rule of the Contract Act, which is the freedom of contract and that contracts are meant to be kept. Meaning that the parties hold the ability to

\(^{184}\) SOU 2017:45, p. 174.
without hindrance enter into agreements and to agree upon the content of such agreements, and if a party would not comply with the obligations of the agreement, the party in breach of the contract must place the affected party in the same economic position as if the agreement was fulfilled in accordance with the contractual obligations. Meaning that the party in breach of the agreement, as a rule of thumb, is accountable to fully compensate the affected party for the suffered damages. The starting point for estimating such damages is in accordance with the differential doctrine meaning that the estimation is based on a comparison between the hypothetical event wherein the breach of contract did not occur, and the actual course of events wherein the breach of contract did occur.\textsuperscript{185}

However, even though there is an embedded liability for damages in the contractual relationship itself, as presented above, non-disclosure and non-compete obligations are often operating in conjunction with standardized damages, which trigger an obligation for the party in breach of the obligation to pay liquidated damages to the affected party for every breach of the agreement conducted.\textsuperscript{186} The liquidated damages are a predetermined monetary amount and can also be accompanied with a basis of estimation of the overall damages. Meaning that a breach of such agreement often enables the affected party to hold the party in breach of the agreement liable on multiple claims which originate from general contract principles, contractual standardizes damages, and the provisions of FHL concerning liability of unauthorized acquisition, exploitation, or disclosure of information which enjoys the legal status as a trade secret.\textsuperscript{187}

However, the principle of freedom of contract is as many other legal principles not without exemptions. Meaning that the starting point in the contractual relationship between the employer and employee is that they may enter into a non-disclosure and non-compete agreement as they see fit, regardless of the scope, duration, and level of intervention of the agreement. However, there exist exemptions both in the form of non-dispositive laws and articles and the general clause of the Contract Act.

A non-dispositive law or article is often considered to be of an essential nature in order to adequately promote and establish a balance between the parties of the law and/or article if it applies to parties of different capability and strength. Meaning that if an employer and employee have entered into an agreement which rules such non-dispositive content out, or changes the scope of a non-dispositive article, the agreement or certain conditions thereof will be considered by the court to be invalid. For example, the legal definition and the situations which do not constitute unauthorized acquisition, exploitation, or disclosure are such non-dispositive articles in FHL that by an agreement between the employer and the employee cannot become subject to any changes in terms of scope and applicability.\textsuperscript{188}

The general clause of the Contract Act is the legal principle which governs all types of legal acts within property law and states that if a contractual term is deemed as unreasonable under the circumstances, the whole agreements or certain conditions thereof can by the court be subject to adjustment or considered invalid.\textsuperscript{189} A contractual agreement and/or specific

\textsuperscript{186} SOU 2017:45, p. 177.
\textsuperscript{187} See FHL, articles 5-10.
\textsuperscript{188} SOU 2017:45 p. 176, & see also FHL, articles 2 & 3.
\textsuperscript{189} Contract Act, article 36.
contractual obligations can, therefore, be declared by a court as unreasonable on the basis of the content of the agreement, the circumstances at the time when the agreement came into effect, later conditions which have occurred, and the circumstances in general. The key requirement of the general clause is, therefore, to determine what is unreasonable in relation to the contractual content and circumstances of the parties at hand.\textsuperscript{190}

Furthermore, the general clause is non-dispositive, meaning that parties cannot contractually circumvent the general clause, by stating that the general clause should not be applicable on the specific content of an agreement of the agreement as a whole. Therefore, both non-disclosure obligations and non-compete obligations must operate within the boundaries of the general clause, and not only subject to certain non-dispositive laws and articles but also must not be considered unreasonable in relation to the parties’ ability to and burden of fulfilling the obligations of the agreement.

However, as will be presented in section 4.2, non-compete obligations are not only subject to the general clause, but additional limitations as well, which originates from that the non-compete obligation by nature represent a major interference with the former employee’s ability to freely compete on the market after the termination of employment. Therefore, the usage of non-compete obligations must become subject to additional scrutiny and carefully take into account, one on hand, the importance of the interest which the employer seeks to protect, and on the other hand, the employee’s interest to without restrictions compete on the market.\textsuperscript{191}

### 4.1 The boundaries of post-employment non-disclosure obligations

The contractual implication of that an employee is subject to a non-disclosure clause or agreement is that it creates a relationship between the employee and the employer wherein information which has been communicated to or developed by the employee during the employment must by the employee be maintained as undisclosed in relation to any third party. Meaning that a non-disclosure obligation is a partial extension of the employee’s duty of loyalty which follows the employment relationship and prohibits the disclosure of certain information that the employee has taken part in within the employer’s business activities.\textsuperscript{192} Sometimes, a non-disclosure obligation stipulates that the receiving party is only allowed to use the information for the purpose of performing the corresponding obligations pursuant to the economic relationship between the parties. However, such obligations are often limited to contractual relationships between two, by the law acknowledge as equal parties, such as between two legal persons.\textsuperscript{193}

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\textsuperscript{190} Prop. 1994/95:17, p. 18.

\textsuperscript{191} SOU 2017:45, p. 175.

\textsuperscript{192} Ibid. p. 176.

\textsuperscript{193} On the contrary, in the contractual relationship between an employer and employee the non-disclosure obligations in use often only stipulate that the employee is obliged not to disclose information of certain character or nature, that has been communicated to or created by the employee within the scope and duration of the employment, to any third party during the duration of the non-disclosure obligation. Meaning that in the relationship between the employer and employee the non-disclosure obligation is the contractual instrument which secures that the information maintains its legal status as undisclosed, and therefore can enjoy the legal status as a trade secret, rather than the contractual instrument which limits how the employee can use the information. However, and self-evidently, the former employee which is subject to such an obligation cannot use the information in any way which results in a disclosure to a third party. But as a consequence of our digital advancements, information that is refined and can be classified as an intellectual asset, for example, software,
A non-disclosure obligation is not subject to or otherwise governed by a dedicated law but is instead, as every legal act, subject to the provisions of the Contract Act. Consequently, the starting point of a non-disclosure obligation between an employer and employee is the freedom of contract. However, the contractual relationship between an employer and an employee is as a rule of thumb considered a relationship between a stronger and a weaker party. Therefore, the employee is often considered to be in need of certain provisions which seek to balance the hierarchical difference between the two parties. However, a non-disclosure obligation is considered to impose less post-employment interference with and restrictions on the former employee’s ability to compete on the market, than a non-compete obligation, but can become subject to certain restrictions if the non-disclosure obligation is considered to impact the employee’s ability to compete on the market.\(^1\)

Meaning that if a non-disclosure obligation becomes subject to the assessment pursuant to the general clause in Contract Act, the employee’s interest in using its personal skills, experience, and knowledge on the market and the limitations thereof is considered.\(^2\) It could, therefore, be argued that if a non-disclosure clause or agreement would become subject to the scrutiny of the court, two essential factors would impact if the obligation would be considered as unreasonable pursuant to the general clause of the Contract Act – namely the scope and duration of the obligation.

When determining what type of information, a non-disclosure clause or agreement may encompass the 1969 Agreement\(^3\) regarding the limitation of use and content of competition clauses in employment agreements and the legal definition of FHL can be consulted for guidance.\(^4\) It can therefore as a principle be assumed that only information which relates to the business activities of the employer can be subject to such a non-disclosure clause or agreement.\(^5\) Furthermore, if the non-disclosure obligation would encompass information which would limit the former employee’s ability to use its personal skills, experience, and

\(^1\) SOU 2017:45, p. 176.
\(^2\) Ibid. p. 176.
\(^3\) The 1969 Agreement, as will further be discussed in section 4.2, stipulates, inter alia, that the usage of non-compete obligation between an employer and an employee is limited to situations wherein the employer has a legitimate claim to protect firm-specific technical and commercial information.
\(^4\) SOU 2017:45, p. 176.
\(^5\) Ibid. p. 176.
knowledge, such clause or agreement could be declared as invalid if it would be considered to be a violation of the non-disposive article 2 of FHL.\textsuperscript{199}

The argument has been made that the legal definition of FHL imposes a maximum concerning what type of information that can become subject to a non-disclosure obligation.\textsuperscript{200} However, that is not addressed in SOU 2017:45 wherein the legal definition of FHL is only attributed as a guiding principle rather than an absolute boundary regarding what information that may or may not become subject to a non-disclosure obligation.\textsuperscript{201}

However, the when determining the legitimate scope of a non-disclosure clause or agreement, suggest that there exist some similarities with the rationale behind what type of information that can meet the passive requirements of the legal definition of FHL, as presented in section 2.5. Meaning that a solid rule of thumb concerning what type information the firm should and can protect by deploying non-disclosure clauses or agreements is business or technical information which relates to the business activities of the firm and is distinguishable from such which constitute the employee’s personal skills, experience, and knowledge.

When it comes to the time period in which a non-disclosure obligation can remain active after the termination of employment there exists even less guidance than the scope of such obligations. However, if the court would consider the duration of the obligation to be unreasonable under the circumstances, the duration of the obligation would under the general clause of the Contract Act become subject to adjustment. Such factors which are reasonable to assume that the court would consider when conducting an assessment concerning the duration of the non-disclosure obligation are i) what types of information that are subject to the non-disclosure obligation, ii) the commercial utility and value the information holds for the employer, iii) the former employee’s previous position at the employer and iv) the impact of such obligations would have on the former employee’s ability to compete on the market after the termination of employment.

A conservative rule of thumb concerning the duration of non-disclosure obligations within an employer-employee relationship, can be established by an analogy of the rationale of the 1969 Agreement concerning non-compete clauses, which would indicate that the duration of a non-disclosure obligation should only remain active more than two years after the termination of employment if the undisclosed information which is subject to the non-disclosure obligation is of such commercial character and nature that the information holds a continuous commercial value for the holder of the information. However, there are legitimate reasons to argue that such rule of thumb is too conservative and that a non-disclosure obligation can have a duration which extends beyond that duration solely on the basis that a non-disclosure obligation, in general, is considered to entail less interference with and restrictions on the former employee’s ability to compete on the market after the termination

\textsuperscript{199} Ibid. p. 176.

\textsuperscript{200} See for example SOU 1995:65 p. 183 & 1988/89:LU30, pp. 39-41, wherein it is argued that a non-disclosure obligation which obligates an employee to not disclose information which falls outside the scope of the legal definition of FHL should likely have no legal validity and effect in the parts which extends beyond the legal definition.

\textsuperscript{201} SOU 2017:45, pp. 176-177.
of employment. In such case, it is not unreasonable to assume that the duration of a non-disclosure obligation could extend beyond five years after the termination of employment.\textsuperscript{202}

However, since there are no formal conditions concerning the validity of non-disclosure clauses or agreements, the duration of such obligation can only be analyzed in relation to the obligation’s surrounding circumstances, and thereafter be determined if reasonable or not.\textsuperscript{203} Meaning that it could very well be argued that non-disclosure obligations which seek to protect a firm’s undisclosed business or technical information which enjoys the legal status as a trade secret can remain active for as long as the undisclosed information holds that legal status. However, there exists no precedent which could be consulted for guidance in the matter, and thus what is recommended is that the design of the scope and duration of non-disclosure obligations correspond with the commercial utility and value of the information which has actually been communicated to or developed by the employee during the employment.

4.2 The boundaries of post-employment non-compete obligations

A non-compete clause or agreement used within an employment relationship, as presented briefly in section 4, creates a contractual relationship between the employer and the employee wherein the employee is prevented from, during and after the termination of the employment, take employment at a firm which conducts competing business activities with the employer or start a firm which engages in such competing business activities. The obligation is, therefore, as in the case of a non-disclosure obligation, a contractual post-employment extension of the duty of loyalty.\textsuperscript{204}

The rule of thumb is that employer and employee are free to enter into agreements which obligates the employee to not conduct any competing business activities after the termination of employment, however, and in contrary to a non-disclosure obligation, there are specific and formal conditions which limit the use of non-compete clauses or agreements in employment relationships. The formal conditions are stipulated in articles 36 and 38 of the Contracts Act, which states that an employee is not bound by a non-compete obligation after the termination of the employment that extends beyond what may be considered reasonable.\textsuperscript{205} Meaning that if an employee is bound by a non-compete obligation that extends, in terms of duration and/or scope, beyond what a court would consider reasonable, that non-compete obligation would by the court be declared invalid.

\textsuperscript{202} See for example AD 1993 no. 218, wherein the labor court considered that the usage of a non-compete clause with a duration of five years was justified in the particular case. However, taking into consideration that in knowledge-based firms, especially such firms which deploy a data-driven business model, the information generated within the scope and duration of the employment will facilitate the revenue creating activities. Meaning that such information will hold a continuous commercial value since it is systematically utilized as part of the firm’s value proposition. Therefore, if a former employee is subject to a non-disclosure obligation wherein the scope of applicability is specified and that the information is of such nature presented above, it could very much be the case that a non-disclosure obligation under such circumstances could remain active until that information no longer represent such commercial value for the former employer. Therefore, it could be argued that a non-disclosure obligation is not necessarily bound by a framework of time, but rather by the commercial utility and value of the undisclosed information the obligation seeks to protect.

\textsuperscript{203} See for example M. Tonell, p. 57, 2012.

\textsuperscript{204} SOU 2017:45, p. 176.

\textsuperscript{205} Contracts Act, articles 36 & 38
When the court is conducting such assessment, it will account for on one hand the importance of the interest which the employer seeks to protect by imposing a non-compete obligation, and on the other hand, the employee’s interest to without hindrance utilize its personal skills, experience, and knowledge on the market. However, the balance between the interest of the employer and the employee is a complex matter and what is considered reasonable in scope, usage, and duration of the non-compete obligation is highly dependent on the particular situation at hand.

Without diving too deep into matters of labor law and collective agreements among the labor unions and actors of the market, there are however reasons to highlight the 1969 Agreement, which is a collective agreement between multiple labor unions and parties representing both employers and employees within the industry of industrial manufacturing. The agreement obligates the parties’ respective union members to comply with the provisions set forth in the agreement concerning the usage of non-compete obligations. The 1969 Agreement states that non-compete clauses and agreements should not be used by firms other than such firms which rely on the independent product or method development and in such case, only for the purpose of protecting firm-specific information related to such manufacturing or method development, which if disclosed to a competitor would cause significant detriment. Consequently, the 1969 Agreement only recognized the usage of non-compete obligation as justified if the employee concerned has within the duration and scope of the employment been in contact with such information.

The 1969 Agreement has gained such normative magnitude that the labor court systematically consults the rationale and principles of the agreement when assessing if a non-compete clause or agreement is considered to extend beyond what is reasonable under the circumstances, even if the situation and/or parties fall outside the original scope of the 1969 Agreement.

Under 2014 the parties of the 1969 Agreement declared that they had initiated negotiations concerning a new agreement which when entering into force would supersede the 1969 Agreement. After negotiations, the parties agreed upon a new collective agreement concerning the use of non-compete clauses and agreements in employment agreements. The 2015 Agreement empathizes that non-compete clauses and agreement should be used restrictively, however, the usage of such obligations should not be limited to a certain industry or market sector. The agreement further states that the assessment concerning if the obligation extends beyond what is reasonable should be conducted according to the circumstances at hand, and carefully balance the interest of the employer to keep firm-specific information undisclosed and the interest of the employee to freely use its personal skills, experience, and knowledge on the market. Meaning that the 2015 Agreement explicitly highlights that the commercial importance of such undisclosed information which enjoys the legal status as a trade secret is not limited to any specific industry and the

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206 SOU 2017:45, p. 175.
207 Ibid. p. 175.
208 See for example AD 2015 no. 8, wherein the labor court states that the 1969 Agreement should be used as a reference for comparison when conducting the assessment if the non-compete obligation extends beyond what is reasonable, even if the 1969 Agreement lacks formal applicability on the parties, & Prop. 1975/76:81, p. 148 wherein it is stated that article 38 of the Contracts Act should take the principles of the 1969 Agreement into consideration when assessing non-compete obligations which fall outside the scope of the 1969 Agreement.
protection thereof can under the circumstances be considered an interest of the employer which legitimatize the usage of non-compete obligation.\textsuperscript{210}

Meaning that in line with the rationale of the 2015 Agreement, the more undisclosed business or technical information which enjoys the legal status as a trade secret the employee has come in contact with during the employment, the more justified is the employer’s interest in contractual obligation to the employee not to conduct or engage in competing business activities after the termination of employment.

With the new agreement, questions arise concerning if the 2015 Agreement will gain the same normative effect and corresponding significance in the assessment of non-compete clauses and agreements as the 1969 Agreement. However, what is of immediate importance is that the 2015 Agreement acknowledges that the protection of undisclosed business or technical information which enjoys the legal status as a trade secret calls for an approved interest to impose non-compete obligations on employees which within the scope and duration of employment has been in contact with such information.

But, how and when can a non-compete obligation be used? First and foremost, it should be stated that the general understanding concerning the usage of non-compete obligations is that such obligations should be used with care and restrictiveness in the employment relationship.\textsuperscript{211} This restrictiveness can be seen in the 2015 Agreement wherein it is, inter alia, stated that the duration of a non-compete obligation should not exceed 9 months, and if there exist particular reasons for a longer duration, such duration should not exceed 18 months.\textsuperscript{212} This represents a shift in relation to the 1969 Agreement concerning what the labor unions that are parties of the 2015 Agreement believe is a reasonable duration for such obligations to remain active because in the 1969 Agreement it was explicitly stated that such obligations could remain active up to 24 months.

When a court assess if a non-compete obligation extends beyond what is reasonable the court deploy a general evaluation methodology taking all the circumstances which are present at the given situation into consideration. The methodology can be divided into two distinct steps wherein the court first assess to what extent the interest the employer seeks to protect with the usage of a non-compete obligation is a legitimate interest. Such interests which normally are considered as legitimate interests are i) to protect technical and/or firm-specific know-how which has been acquired or developed by the employer, ii) to protect such undisclosed business or technical information which enjoys the legal status as trade secrets lawfully controlled by the employer, and iii) to protect existing customer relationships that the employer has, especially such relationships generated by active engagement by the employer.\textsuperscript{213}

Secondly, if the court recognizes the interest of the employer as a legitimate interest the court will thereafter take into account to which extent the obligation restricts the employee’s ability

\textsuperscript{210} The 2015 Agreement, article 2:1.
\textsuperscript{211} See for example AD 2001 no. 91 & AD 2010 no. 53, wherein the labor court states that the underlying rationale concerning the praxis which the labor court relates to is to a large extent characterized by a restrictive view of when and how a non-compete clause or agreement can be justified and used in the relationship between an employer and employee.
\textsuperscript{212} The 2015 Agreement, article 5.1. For comparison see 1969 Agreement, article 3.
\textsuperscript{213} AD 2015 no. 8.
engage in commercial activities after the termination of employment both in the capacity as an employee and as a legal person. Meaning that the court takes into account the extent of which activities that under the non-compete obligation are considered prohibited, and the duration and geographical scope of the non-compete obligation.\textsuperscript{214}

Additionally, the court will during the assessment take into consideration whether the employee receives monetary compensation during the duration of the obligation or if the employee’s salary or employment benefits have otherwise been determined on the basis of the restrictions which the obligation implies.\textsuperscript{215} That the employee which is bound by a non-compete obligation receives monetary compensation under the duration of the non-compete obligation is of significant importance, which is explicitly stated in the 2015 Agreement, and has been stressed by the labor court in multiple cases.\textsuperscript{216}

Thereafter, the court takes into account circumstances such as whether the obligation has been subject to actual negotiations between the parties, the employee’s previous position and period of employment, and the general interest of maintaining healthy competition on the relevant market wherein the employer and employee are engaged in business activities.\textsuperscript{217}

It should be noted that it can never be considered to be a legitimate interest of the employer to use non-compete obligations for the purpose of retaining key employees in their current employment.\textsuperscript{218} This resonates with the rationale of the legal definition of FHL, namely the employer cannot either by law or by contractual means claim that the personal skills, experience, and knowledge of the employee are such information which resides in the domain of the firm.

Furthermore, it is important to state that even though the employer has a perfectly legitimate interest for the usage of a non-compete clause or agreement, the court might still declare the non-compete obligation to extend beyond what is reasonable. Such circumstances could be that the non-compete obligation has a wider scope than just protecting the legitimate interest of the employer.\textsuperscript{219}

\textsuperscript{214} Ibid, see also AD 2009 no. 63 wherein the labor court considered a non-compete obligation to extend beyond what is reasonable on the basis of the scope and geography of the obligation and the constraints it meant for the employee to take up employment or engage in other commercial activities in the industry.

\textsuperscript{215} AD 2015 no. 8.

\textsuperscript{216} 2015 Agreement, article 5.2.1 & for example AD 2015 no. 8, wherein the labor court attributed indicative value to the fact that there was no monetary compensation in conjunction with the non-compete obligation when declaring that the non-compete clause at hand extended beyond what was reasonable.

\textsuperscript{217} AD 2015 no. 8.

\textsuperscript{218} See for example AD 1991 no 38 & AD 2001 no. 91, wherein the labor court, inter alia, makes it clear that the interest of the employer to restrict an employee’s ability to compete with the employer after the termination of the employment, on the basis that the employee is considered a key employee in the firm, is under normal circumstances not considered a legitimate interest of the employer which justifies the usage a non-compete obligation.

\textsuperscript{219} See for example AD 2013 no. 24, wherein the labor court states that the purpose of the non-compete clause at hand since it had a wider scope than just protecting the in itself legitimate interest of the employer, was to preventing market competition rather than protecting the legitimate interest of the employer.
4.3 The interplay between FHL, non-disclosure obligations & non-compete obligations

What does the interplay between FHL and the contractual tools imply? Well, first there exists evidence to claim that FHL, non-disclosure obligations, and non-compete obligations share an underlying rationale which makes them inherently connected with each other and can, therefore, create positive synergies if properly utilized in the business arena.

The legal definition and the contractual effect of non-disclosure obligations are seemingly the two which shares the most distinct connection. The legal definition of FHL states that information must be undisclosed in order to meet the basic conditions to enjoy the legal status as a trade secret. As previously explained, undisclosed should not be understood de-facto undisclosed, but instead that the circle of people which are aware of the information is limited, defined, and closed. Meaning that the people within that circle must not be authorized to unrestrictedly use or circulate the information, and the holder of the information communicate the information to others which are outside of the circle, only under conditions which seek to maintain the status of the circle limited, defined, and closed. A non-disclosure clause or agreement is therefore both a contractual tool to secure the limited, defined, and closed status of the circle of people which are aware of the information, and the tool which can be used to expand the circle of people without eliminating the information’s status as undisclosed.

Furthermore, a non-disclosure clause or agreement is also a contractual tool which can be used by the holder of the information to fulfill the active requirement that the person seeking to protect such information under FHL, must take reasonable steps to keep the information undisclosed. Meaning that if an employer makes sure that all employees that will come in contact with undisclosed business or technical information which holds commercial utility or value, are subject to a contractual framework which obligates the employees not to disclose such information to any third party, it would be considered to be active measures taken by the holder of the employee. But the usage of non-disclosure obligations also resonates with the rationale of article 7 of FHL. The post-employment liability stipulated in article 7 only applies if there exist extraordinary reasons for it, and it has been concluded in the legal doctrine that a breach against a non-disclosure obligation, which such post-employment exploitation or disclosure would constitute, indicates that there exist extraordinary reasons for liability under article 7.

The contractual tool of a non-disclosure clause or agreement can also be used to extend the formal grounds of which an employer can claim monetary compensation for damages. Meaning that if a former employee which is bound by a non-disclosure obligation were to disclose information that falls within the scope of that obligation and enjoys the legal status as a trade secret, that former employee would be liable for damages i) under FHL, ii) from the embedded liability for damages in the contractual relationship itself, and iii) potential clauses in the contractual relationship which stipulate standardized damages that are triggered by the breach of the agreement.

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220 See the discussion in SOU 2017:45 pp. 110-112.
But it is not only the interplay between the usage of non-disclosure obligations and the legal requisites of the legal definition of FHL that can work in tandem, the legal definition of FHL is also to some extent one of the gatekeepers concerning how and when a non-compete obligation can be used, and the contractual content thereof. Meaning that the protection of business or technical information which falls within the scope of the legal definition of FHL is considered to be a legitimate interest for the employer to protect, and thus legitimize the usage of non-compete obligations within the employment relationship.

Furthermore, the underlying rationale of non-compete obligations is also similar to the rationale of the legal definition of FHL, namely that the employee’s personal skills, experience, cannot, as a rule of thumb, be claimed by the employer. Meaning that in both the legal definition of FHL and the rationale of non-compete obligations there is a significant difference between codified business or technical information which resides in the firm and internalized knowledge which resides in the head of the employer.

However, even though the post-employment restrictions which a non-compete obligation represent are more extensive than such restrictions of a non-disclosure obligation, the rationale of non-compete clause or agreement still recognizes the need for the employer to contractually control where and how employees can engage in commercial activities after the termination of employment.

4.4 Non-disclosure obligations & non-compete obligations within medical technology

As explained, within the industry of medical technology many ventures are characterized by R&D-intensity and that the ventures’ ability to compete on the market is strongly connected to venture’s ability to control and commercialize their intellectual assets. In order for such intellectual assets to have commercial utility or value, such assets are often required to be subject to some thoughtful and strategic management, and only be disclosed to others, both internal and external, under circumstances and conditions which maintain the control of the intellectual asset and its status as undisclosed. Meaning that such ventures must extend the employment obligations which originates from the duty of loyalty and FHL concerning employees which have been in contact with the venture’s intellectual assets which enjoy the legal status as trade secrets.

However, even though the deployment of contractual frameworks that govern the relations in which such information or intellectual assets are communicated are crucial, the contractual frameworks that often are used in MedTech ventures are at its best, mainly built on standard clauses that are integrated into the employment agreement. Such standard clauses have neither in the design or contractual effect seldom been subject to any analysis or scrutiny. Meaning that if such contractual obligations are present, they are often dull instruments in order to ensure post-employment protection since they do not correspond with the actual relationship between the employer and the employee.

Lack of contract management concerning non-disclosure or non-compete obligations often have equally negative implications for the employer as for the employee. If the obligations do not represent the actual relationship between the employer and the employee, such obligations typically results in i) that the scope and/or duration of the post-employment protection is non-existing or inadequate which means that the employer suffers from lack of
control and/or protection, or ii) that the scope and/or duration of the post-employment protection is far too extensive in relation to the actual relationship, which means that the former employee’s ability to compete on the market after termination of the employment is heavily limited by restrictions how and where the former employee can conduct commercial activities.

As can be seen in Figure 11, if the contractual obligations are deployed before the employee comes in contact with the undisclosed business or technical information and designed to correspond the respective obligation’s legal boundaries, the venture can secure that their undisclosed business or technical information remains undisclosed and can enjoy legal status as a trade secret even though employees might come and go.

Figure 11: Indicates that if the employees before coming in contact with the undisclosed business or technical information of the firm, are subject to contractual obligations which stipulate that the employee throughout the duration of the obligations must not disclose such information to any third party and/or not to conduct any competing activities, such contractual post-employment protection will complement and work in tandem with the provisions of FHL.

Consequently, there are many benefits which can be enjoyed, and risks to be diverted if time, management, and care are allocated into understanding what contractual obligations that need to be present in a specific employment relationship. However, the design and deployment of a contractual framework that ensures such adequate post-employment protection, taking both the interest of the employer and the employee into consideration, is often a secondary issue in relation to the more prominent issue many Swedish MedTech ventures are faced with – they lack an understanding of what business or technical information that would commercially benefit the venture if being kept undisclosed.

Therefore, it could be argued that the lack of post-employment protection which can be seen in some MedTech ventures, does not necessarily originate from that such MedTech ventures lack an understanding of how to protect their undisclosed business or technical information after the termination of employment, but rather that such ventures seldom have an understanding of what information that should be kept undisclosed in the first place. Meaning that, if you do not know what is valuable because not being known by your competitors or the industry, chances are that you do not seek to prevent such information from walking out the door when employees are leaving the firm. Consequently, treating all protection of such information as an afterthought if noticed that the information, in fact, held commercial utility or value when disclosed.
Therefore, in order to help such ventures, the legal findings must be conceptualized in a managerial framework which can guide the ventures in how to achieve proactive control over their undisclosed business or technical information and how to work in tandem with the relevant requisites of FHL. Because it is not just enough to just present the legal catalog of FHL and the boundaries of the contractual tools that need to be deployed in order to establish adequate post-employment protection since the legal definition of FHL by no means should be understood as the default position of information. Meaning that the venture’s ability to enjoy legal protection is inherently connected with the ventures ability to manage such information.

5 How to proactively manage & control undisclosed information

When studying the constituting requisite of the legal definition of FHL, it becomes evident that business or technical information, regardless of its nature or monetary value, never can enjoy the legal status as a trade secret if the information is disclosed to an audience which spoils the information’s status as undisclosed. Meaning that a firm which seeks to proactively manage and control such undisclosed information must arrange internal processes and functions which allows the firm to decrease the probability that the information is subject to any disclosure which would spoil the information’s status as undisclosed.

However, ventures which are in the early stage of product or technology commercialization, is subject to increased risks, both in frequency and magnitude, that their undisclosed business or technical information by accidental, reckless, or intentional means become subject to disclosure, and thus spoiling the information’s status as undisclosed. The risks originate, inter alia, from that ventures have a tendency to use their business or technical information as differentiating and communicative tools, trying to set the venture apart from its competitors when interacting with existing stakeholders and potential investors.

Furthermore, taking into account the high annual workforce turnover and the proclivity within the demography of young professionals to move within and across industries, there are no simple answers to the complex issues and challenges at hand. Meaning that a successful managerial framework for protection of undisclosed business or technical information is not a framework solely for the purpose of diverting risks of disclosure or informing employees of their obligations per say, but the managerial framework must have a continuous and administrative function which should be present at every level of the organization, and in particular where the undisclosed business or technical information resides or are operative.

However, proactive management of undisclosed information does not only relate to how such managerial framework and the related processes and functions are implemented and executed but also how synchronized the managerial framework is with the legal provisions that provide legal protection of undisclosed business or technical information. Meaning that the

221 See also the discussion in J. Pooley, 'Back in fashion – trade secrets in modern enterprise', p. 12, 2015, wherein Pooley argues that a start-up is subject to multiplied and amplified security risks concerning their undisclosed information since such information, often in the form of or related to algorithms, business models or novel products, are used to define the venture and present solid investment cases. Implying that ventures have a proclivity, which could very well be argued to be an imperative behavior for a venture and not just a natural inclination, to engage in relationships wherein such undisclosed information must be shared to provide a business case which is worthy of investment not seldom subject to extensive risk.

managerial framework should serve as a guide in how to arrange internal processes and functions to adequately manage the undisclosed business or technical information as information which enjoys the legal status as a trade secret throughout the employment cycle of their employees. But also, and in parallel, construct a clear chain of documented evidence which can be used in cases of unauthorized acts of acquisition, exploitation, and disclosure of such information by current and former employees, which potentially could allow the firm to keep costs down during litigation, and shift the burden of proof from the firm to the current or former employee.

Therefore, and based on the general need profile of MedTech venture X, I suggest that MedTech venture X implements a holistic managerial framework which allows the firm to utilize the legal provisions of FHL and necessary contractual tools, and simultaneously increase the manageability of the undisclosed business or technical information and reduce and/or mitigate the risks associated with post-employment exploitation or disclosure. As can be seen in Figure 12, the framework consists of five blocks which are the constituting pillars of the framework. Each pillar represents an integral but individual part of the framework and could potentially be implemented as one component instead of an entire framework.

![Diagram of the managerial framework](image)

*Figure 12: Indicates the foundation of a framework for proactive management of undisclosed business or technical information, wherein each block constitutes an integral part of the framework.*

However, the management of the undisclosed business or technical information is a non-linear and continuous process that requires adjustments to changing market circumstances and other firm-related contingencies.\(^\text{223}\) Although the managerial framework, in Figure 12, is presented as a linear process the framework is, in reality, a continuous process cycle which requires active management throughout the entire life-cycle of the information and the duration of the employment. The reason why the framework is presented as a linear process is for the pedagogical utility since it must be explicitly understood that certain blocks within the managerial framework should operate in a predefined and sequential order to optimize the value of the framework.

Furthermore, as can be seen in Figure 13, the framework operates as a continuous process cycle seeking to manage not only the information which is created, compiled and/or communicated within the scope and duration of employment, but also manage the relationship with the employee. It could, therefore, be said that within the framework there

\(^{223}\) B. Bos, T. LJ Broekhuzen, & P. de Faria, 'A dynamic view on secrecy management', pp. 5-6, 2015.
are two parallel processes, one which seeks to manage the employee, and another which seeks to manage the undisclosed business or technical information.

However, it should be stated that the managerial framework requires dedicated functions and allocation of manpower in order to be fully operational. Meaning that a firm seeking to implement this managerial framework, or a similar framework must restructure internal functions and processes, giving certain employees formal responsibility for certain procedures, and corresponding mandate, resources, and accountability.

5.1 Block 1

Block 1 relates to the contractual management of the employee and is by nature a legal matter which requires the employer to understand the legal boundaries of non-disclosure obligations and non-compete obligations, and how such contractual obligations can be deployed to extend the duty of loyalty of the employment and the post-employment liability of FHL.

When an employee is entering the firm, the employee must be subject to necessary contractual obligations which should include non-disclosure obligations, and if required based on the circumstances at hand, non-compete obligations. However, it is imperative that the employees must be bound by the necessary contractual obligations before gaining access to the firm’s undisclosed business or technical information, and that such obligations have a duration which allows them to survive after the termination of the employment agreement.

Furthermore, it is important when designing such obligations is that the scope and duration correspond with the purpose, function, title, and mandate of the employee and the information which will be communicated to or created by the employee within the scope and duration of employment. Meaning that the contractual obligations should seek to provide details which make the obligation clear and descriptive.

5.1.1 Non-disclosure obligations

As previously explained, in order to maintain business or technical information as undisclosed the circle of people which are aware of the information must not be authorized to unrestrictedly use or circulate the information, and the holder of the information must communicate the information to others which are outside of the circle, only under conditions which seek to maintain the status of the circle limited, defined, and closed.

A non-disclosure clause or agreement is, therefore, the contractual tool to secure that the circle of people which are aware of the information is limited, defined, and closed status, but also the tool which can be used to expand the circle without eliminating the information’s status as undisclosed.
Furthermore, in order to remove uncertainty, the non-disclosure clause or agreement should be designed so that the obligation explicitly signals to the employee what type of business or technical information that the employer intends to maintain undisclosed. This can be achieved by exemplifying what type of information the employee typically will come in contact with when fulfilling the obligations of the employment, and that the employee throughout the duration of the obligation never should disclose such information to any third party.

However, equally important as clarifying to the employee what types of information that will be subject to the obligation, and explaining the non-disclosure expectations of the employment, is that the employer in conjunction with such contractual clarification communicate to the employee that the firm’s undisclosed business or technical information represents the firm’s competitive advantage and that the firm’s survival very much can depend on the employee’s ability to comply with the non-disclosure obligations. By communicate the commercial importance of such undisclosed information the employee will come in contact with, the employer signals that he trusts the employee, which is the first step in establishing a positive secrecy climate in the firm.224

5.1.2 Non-compete obligations

The challenge concerning non-compete obligations is to find a limited scope and duration, which adequately correspond with the protection of the legitimate business interests of the employer, and if subject to scrutiny by the court, prove not to extend, either in scope or duration, beyond what is reasonable.

Non-compete obligations should not be used in the same manner which non-disclosure obligations should be used. A non-compete obligation should, however, always be deployed when there is an imminent risk that the employer after the termination of employment could negatively impact the previous employer’s ability to compete on the market, by taking employment at competing firms. The usage of non-compete obligations is an assessment which must take the employment-specific factors into consideration. Meaning that non-compete obligations should be deployed in proportion to the specific details of the employment and to what extent the employee will come in contact with the firm’s undisclosed business or technical information which enjoys the legal status as trade secrets.

However, it should be noted that the usage of non-compete obligations calls for an understanding of the competitive landscape and a rather precise understanding of which actors that occupy that competitive landscape. Because if a non-compete obligation is generically designed the obligation has a tendency to extend beyond what is reasonable, meaning that the obligation should stipulate specific market actors, specific geographical region and/or a market segment wherein the employee is prohibited to take employment or engage in commercial activities.

Furthermore, the usage of non-compete obligations must reflect the praxis concerning such usage, and if the employer is bound by the terms of the 2015 Agreement, the employer must make sure that the non-compete obligation complies with that agreement. However, as a conservative rule of thumb, when using non-compete obligations i) the obligation should be

precise and specific, ii) the former employee should enjoy monetary compensation in conjunction with the obligation, and iii) the duration of the obligation should not exceed 18 months.

5.2 Block 2

Block 2 relates to the ability to capture and claim business or technical information which are generated within the business activities of the firm. Within the industry of medical technology, such information is often created in R&D projects. However, the information which is created within such projects tends to be versatile and differ significantly in nature and character. Therefore, to increase the manageability of the information, the information should be categorized based on its nature and character within a framework of predefined categories.

One way of categorizing knowledge assets and information is in accordance with the intellectual asset management framework developed by CIP, which is a framework that consists of a set of concepts, methodologies, models, and processes for the evaluation and management of intellectual assets.\textsuperscript{225}

However, the predefined categories of intellectual assets are not limited to the categories stated in CIP’s framework and can instead consist of specific categories of information or assets related to the firm’s business activities, products, and industry. But in the managerial framework which I propose, such categorization should be done in accordance with the framework developed by CIP since it specifically designed to manage R&D-results in knowledge-based firms.

The categories of intellectual assets that are used within the framework of CIP should be understood as a refined objectification of the otherwise less precise term information. Meaning that by categorizing information as an intellectual asset, you are objectifying the underlying object or subject matter of the information by assigning that object or subject matter descriptive attributes, and consequently, increasing the manageability of the underlying object and subject matter.

The framework recognizes the following categories of intellectual assets and definitions:\textsuperscript{226}

- Data - unstructured information and raw data.
- Database - structured and searchable data which is collected, organized, and available in a systematic way.
- Observation – conclusions based on empirical data collections and analytical processes.
- Theoretical framework – theories which describe phenomenon, causes, and relationships.
- Technical solution – a solution to a scientific problem.
- Visualization – static or dynamic visual presentation.
- Instruction – a procedure which provides practical guidance on how to execute certain activities or achieve certain results.
- Software – an implemented and organized set of data and automated operations that perform certain tasks.

\textsuperscript{225} U. Petrusson, p. 262, 2015.
\textsuperscript{226} Ibid. pp. 326-337.
• Narrative – a coordinated case study, empirically demonstrable account or narrative.
• Creation – a creative and artistic creation.

Furthermore, identifying and objectifying information which is created in R&D projects requires cross-department communication and an understanding of what R&D projects that are in the pipeline, and the projects respective purpose, as well as a general idea of what the project might generate that is or can become valuable for the firm. Meaning that the identification and objectification process is a process which requires a continuous function which monitors the intellectual asset touchpoints of the R&D projects and an overall cross-functional approach which involves relevant stakeholders.

5.2.1 Identification & objectification

As can be seen in Figure 14, the first step in a transforming information into manageable intellectual assets is to identify the information which is created within the scope of the R&D project. This process can be broken down into two steps, i) identify information which based on an understanding of the R&D project and a general idea about what is and can become valuable for the firm, and ii) classify the identified information by applying a system of different categories and definitions of intellectual assets.

The identification and objectification processes are crucial from both a managerial and a legal perspective. Firstly, information is, similar to knowledge, diffuse, subjective, and elusive, meaning that information can lack conciseness, being difficult to locate within the business activities of the firm and be dependent of an individual’s perception for its existence. Therefore, in order for information to gain manageability, it must be assigned descriptive attributes, which describes the nature and character of the information and based on such traits be categorized in a defined system. Such descriptive attributes could, for example, be i) what the information consists of, ii) what intellectual asset category the information
constitutes, ii) what business activities the information relates to, ii) in what project the information is created, and iii) the information’s utility and commercial value. Such descriptive attributes are sometimes referred to as “metadata” and can contain hundreds of informative details associated with the object or subject matter which is intended to be kept undisclosed.

Secondly, by identifying the information and objectifying it into categories of intellectual assets, the firm is codifying the information into firm-specific assets which are distinguishable from that of the personal skills, experience, or knowledge of the employees, and thereby clearly display that the information resides in the domain of the firm, rather than the domain of the employee’s personal skills and experience. Consequently, declaring that the intellectual asset is such business or technical information which can enjoy the legal status as a trade secret.

5.2.2 Cataloged undisclosed intellectual asset portfolio

However, the managerial utility of the identification and objectification process is dependent on how cataloged and searchable the portfolio which contains the data concerning the intellectual assets and their corresponding descriptive attributes. A cataloged and searchable portfolio is a proactive tool which the firm can use to gain a strategic overview of what undisclosed intellectual assets that reside in the firm and the commercial value of such intellectual assets. The employees should only have access to the portfolio if their hierarchical clearance level allows it, and the portfolio must be password protected and non-transferable, preferably integrated into a dedicated software program for the management of undisclosed intellectual assets.

Furthermore, the portfolio should seek to link the employees that have developed the and/or been granted access to the undisclosed intellectual asset so that the portfolio of intellectual assets allows the firm to clearly see which employees that are associated with each intellectual asset and in what project such association stems from. This allows the firm to effectively conduct post-employment risk assessments, by allowing the firm to identify key employees that are creating and/or have been in contact with undisclosed intellectual assets which contributes to the company’s competitiveness, and therefore, adequately evaluate the potential losses and risks of that employee leaving the firm.

By recording and linking the associated employees with each undisclosed intellectual asset in the portfolio such employment data would allow the firm to proactively manage employees by deploying incentive programs centered the creation of intellectual assets which enjoys the legal status as trade secrets, and corresponding salary levels. Such incentive and salary systems could create an environment wherein the employees by monetary means are encouraged to actively keep such undisclosed intellectual assets undisclosed and continue their employment at the firm.

Furthermore, the portfolio must continuously become subject to iterations. Meaning that as soon as new details have been assigned to the undisclosed intellectual assets, the portfolio

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227 See for example U. Petrusson, pp. 308-320, 2015, & CREATe.org & PwC, ‘Economic Impact of Trade Secret Theft: A framework for companies to safeguard trade secrets and mitigate potential threats’, p. 14, 2014, for further inspiration concerning the descriptive attributes which business or technical information can be attributed to increasing the manageability of such information.

must be updated so that the new details are present in the portfolio. For example, as soon as the undisclosed intellectual asset has been assigned a confidentiality classification that classification must be documented in the portfolio.

The portfolio can, therefore, be utilized as a tool to i) gain a strategic overview of the undisclosed intellectual assets which resides in the firm, ii) identify commercial and highly confidential intellectual assets, and iii) proactively manage the employees which have access to or have created the most commercially valuable undisclosed intellectual assets with secrecy-based incentives and salary levels, and to adequately evaluate the risks associated with that employee leaving the firm.

5.3 Block 3

However, when the information has been identified and objectified as an intellectual asset and assigned its descriptive attributes, the intellectual asset must be subject to a confidentiality assessment, which reflects the commercial utility and value of the intellectual asset into consideration.

The assessment of confidentiality goes hand in hand with the cataloged portfolio because as soon as the intellectual asset has been subject to the assessment and attributed its confidentiality level, that must be consolidated with the descriptive attributes already established in the portfolio. Meaning that there has to be an iteration after the establishment of the intellectual assets confidentiality level.

5.3.1 Firm-specific confidentiality classifications

The intellectual assets should be defined within a progressive system of confidentiality classifications. The confidentiality classifications should be defined using the firm’s preferred terminology and/or in accordance with other firm-specific traits. However, the level of confidentiality which the intellectual asset is assigned must, regardless of classification definition, thereafter influence how the intellectual asset is managed and shared within the firm.

As can be seen in Figure 15, I propose four confidentiality classifications, which seems to be the number which most organizations use.\(^{229}\) The classifications must correspond with the intellectual assets’ commercial utility and value and should be determined not only on the basis of the competitive advantaged it may give the firm by keeping the intellectual assets undisclosed but also on the basis of the negative impact it could cause the firm if disclosed.

\(^{229}\) P. Desmond, pp. 3-4, 2018.
However, the classifications are only as useful as they are precisely defined. Meaning that in order to utilize the classification system, the employees of the firm must be able to by the classification in itself, distinguish between intellectual assets which they should manage under strict secrecy, and intellectual assets which they do not have to manage under such strict secrecy. Therefore, I propose that the confidentiality classifications should be defined so that the classification corresponds as precisely as possible with the actual commercial utility and value of the intellectual asset. For example:

- Level 1 should encompass the undisclosed intellectual assets which mainly consists of compiled information that predominantly reside in the public domain and is without extensive efforts available for the public to collect, compile, and utilize.
- Level 2 should encompass the undisclosed intellectual assets that if subject to disclosure would result in a limited but predictable negative impact on parts of the firm’s commercial performance.
- Level 3 should encompass the undisclosed intellectual assets that if subject to disclosure would result in measurable damages and negatively impact the firm’s entire commercial performance.
- Level 4 should encompass the undisclosed intellectual assets which relate to the value propositions of the firm and would if subject to disclosure result in revenue impairment, loss of market shares, or decreased product and/or service attractiveness in key market segments.

The classifications should be reserved to corresponding intellectual assets in order to separate the wheat from the chaff and should therefore not be equally distributed among the intellectual assets within the firm. The assignment of the confidentiality classifications must, therefore, be based on the nature or character of the intellectual assets. The distribution indicated in Figure 14, is a rough estimation of how such distribution typically would look like in a firm but is not set in stone and could very well differ from firm to firm.

Furthermore, the classification process must be implemented as a business function without disrupting the organizational performance of the firm. Meaning that there must be a dedicated and continuous allocation of resources on classifying the confidentiality level of the undisclosed intellectual assets in the firm.
5.3.2  Digital & physical tagging

Once the undisclosed intellectual asset has been assigned its confidentiality classification, that confidentiality classification with a motivation of why that intellectual asset is attributed that classification must be documented in the cataloged portfolio.

However, the intellectual asset must also in every digital form and every physical manifestation be tagged with its corresponding confidentiality classification. Meaning that there should never be any uncertainty among the employees of what confidentiality classification an intellectual asset is attributed.

The tagging has two distinct purposes. Firstly, by explicitly display the assigned confidentiality classification of the undisclosed intellectual asset the uncertainty concerning the nature of and intention with the intellectual asset is removed, meaning that there is an increased likelihood that the employees will be aware of the undisclosed nature of the intellectual asset and the employer’s intention to maintain the intellectual asset undisclosed.

Secondly, such tags create awareness among the employees that the intellectual assets should be managed under forms of confidentiality and therefore decrease the risk that the intellectual asset becomes subject to accidental disclosure.

5.4  Block 4

After assigning the intellectual asset with a confidentiality classification, and such classification is documented in the cataloged portfolio, the intellectual asset must become subject to confidentiality-based management. Since not all undisclosed intellectual assets require to be managed under strict secrecy it is therefore imperative that the time, resources, and management are allocated on the basis of the intellectual asset’s assigned confidentiality classification.

Block 4 primarily discuss how internal functions and processes can be used to prevent that the undisclosed intellectual assets are subject to disclosure. However, if such functions and processes are executed proactively, the measures proposed under block 4 can also serve as a tool to establish a documented chain of evidence.

5.4.1  Internal hierarchical access

Communicating undisclosed intellectual assets within the organization and among the employees must be done in relation to the undisclosed intellectual assets’ assigned confidentiality classification. Meaning that as a rule of thumb, undisclosed intellectual assets which hold such commercial utility or value that it is assigned level 3 and 4 as confidentiality classification should only be shared on a need-to-know basis.

Senior management and the C-suite executives should distribute the undisclosed intellectual assets of the firm with a restrictiveness which correlates with the confidentiality classification of the intellectual asset. Therefore, each confidentiality classification should have corresponding instructions concerning on what hierarchical level the intellectual asset should be shared, and which employees that need to have access to the intellectual assets in order for the assets to generated commercial utility and value. Meaning that not all employees should have access to the undisclosed intellectual assets. Therefore, restrictions on the digital infrastructure need to be implemented, such as passwords protected and network-hidden servers or could-based services where the undisclosed intellectual assets are stored.
5.4.2 Centralized approval body for internal & external disclosure

A centralized approval body for internal and external disclosure should be understood as a review and confirmation function which acts as the gatekeeper concerning internal and external communication which might involve the disclosure of confidential intellectual assets. Meaning that the function’s purpose can be broken down into two specific aspects, firstly the function should assess whether an employee which otherwise lack appropriate clearance level requires access to certain confidential intellectual assets in order to execute certain tasks or projects, and secondly, before any external communication the function must review the material and content to see if the communication discloses confidential intellectual assets. Both external and internal disclosures should be assessed by taking the intellectual asset’s corresponding confidentiality classification and the parties of the disclosure into consideration.

Furthermore, a centralized approval body is a fundamental function in the venture since external communications such as presentations for potential investors tends to require that the venture shares an extensive amount of information concerning the venture’s technology and value proposition so that potential investors can build a business case in relation to the venture’s commercial prognosis. Therefore, ventures which have this gatekeeper function would mitigate the risks of disclosing confidential intellectual assets, by controlling such communications and seek to disclose enough information without disclosing the actual intellectual assets.

5.4.3 Selective & specific contracts

The contractual framework which all employees will be subject to before entering the firm should be understood as a minimum contractual foundation. Meaning that some intellectual assets of confidentiality level 3 or 4, should only be communicated to employees or departments in conjunction with additional and precise non-disclosure agreements.

Such additional and intellectual asset-specific non-disclosure agreements should, in particular, be deployed when such intellectual assets are communicated to an employee which normally lacks the hierarchical clearance to gain access to such intellectual asset but has by the centralized approval body been approved to gain access based on involvement in or execution of projects which requires such access.

The additional non-disclosure agreements should explicitly state that the intellectual asset which is subject to disclosure enjoys the legal status as a trade secret and grants the firm commercial utility and value for being kept undisclosed.

5.4.4 Documentation of employee interactions

In the cataloged portfolio of undisclosed intellectual assets, it should be carefully documented which employees that have been in contact with each confidential intellectual asset and under what form or context such contact was established. The purpose of such documentation goes hand in hand with why the portfolio also should contain documentation concerning the creators of the undisclosed intellectual assets, namely that such information will allow the firm to make a precise post-employment risk assessment, and proactively reward or incentives key employees so that they prefer not leaving the firm.
Furthermore, such documentation also serves reactive functions, which is that the firm can present evidence that the intellectual asset was in fact communicated within the course of employment to the employee, and if the employee leaves the firm, and takes employment at a competitor, the firm can contact the new employer and inform the new employer that the former employee has been in contact with such undisclosed intellectual assets which enjoys the legal status as trade secrets and that exploitation of such intellectual assets would constitute a violation of the provisions of FHL.

5.5 Block 5

Block 5 relates to the management of departing employees. Meaning that the purpose of the processes described in block 5 is to mitigate the risk that employees exploit or disclose undisclosed intellectual assets after the termination of employment.

However, even though block 5 only becomes relevant after the employee has initiated the notice of termination period, the previous blocks in the managerial framework constitutes the foundation on which block 5 will draw from. Meaning that the firm’s ability to prevent post-employment exploitation or disclosure of undisclosed intellectual assets correlates with the firm’s execution of the previous blocks.

5.5.1 Handover & access removal

As soon as the employee has given notice of termination of the employment the employee’s access to email accounts, databases, servers, and physical facilities should immediately be removed or limited. The employee should also hand over all equipment, in particular, the electronic devices which belong to the firm.

During this time period, it is imperative to carefully take into account every single trace of reluctant behavior from the employee, when asked to handover such equipment or having accessed removed or limited. Because such reluctant behavior could indicate an ongoing or planned unauthorized transfer of undisclosed intellectual assets.

However, the handover and access removal process must cohere with the employee’s responsibilities which the employee should carry out during the notice of termination period. Meaning that the degree of access removal or limitation will vary based on the employee’s position, job description, and function during the notice of termination period.

5.5.2 Exit interview & contract transcript

During the notice of termination period, the firm should conduct exit interviews. Such interviews should preferably be carried out by the HR function within the firm and should provide the employee with clear post-employment expectations and obligations. This can be achieved by providing the departing employee with a transcript of the contractual obligation which that employee is subject to and must continue to comply with after the termination of employment. The departing employee should also be reminded that any exploitation or disclosure of such intellectual assets that enjoy the legal status as trade secrets will be enforced, and that the firm has taken steps to meet the legal requisites required to enforce such undisclosed intellectual assets, and that such exploitation or disclosure would result in monetary liability both arising from FHL and contractual obligations. The firm should also clarify what specific undisclosed intellectual asset that the employee has been in contact with which would subject to such liability if exploited or disclosed.
Furthermore, the depth and width of the exit interview must correspond with the commercial value and utility of the undisclosed intellectual assets which the employer either created or came in contact with during the employment. However, the communication during the exit interviews should, to the extent possible, be documented and preferably signed by the departing employee and the firm’s representative conducting the exit interview. So that it can later be verified that the employee clearly understood the applicable post-employment expectations and obligations.

5.5.3 Post-employment monitoring

When the employment is terminated the firm should allocate resources so that the HR function can follow up on the former employee in order to identify where the former employee has taken employment including as much information as possible concerning the former employee’s job title and responsibilities.

The firm should also seek to continuously monitor the new employer and identify any sudden shifts concerning market behavior, R&D focus, patent application, or product and service portfolio, which could indicate that the former employee has disclosed the firm’s undisclosed intellectual assets to the new employer. If such market-related shifts are identified, the firm should immediately notify the new employer that the former employee is still subject to contractual obligations, and that the employee had access to undisclosed intellectual asset during the previous employment that enjoys the legal status of trade secrets which if exploited under the regime of the new employer could lead to monetary liability.

5.6 The interplay between FHL & the managerial framework

The internal processes and functions of the managerial framework work in tandem with the legal definition of FHL. Firstly, by objectifying the information into refined categories of intellectual assets, the information is codified into firm-specific assets which are distinguishable from that of the personal skills, experience, and knowledge of the employees. Therefore, clearly separating the undisclosed intellectual assets from the domain of the employee by making the utilization of the intellectual asset independent of the employee’s personal skills.

Secondly, by making all employees, before coming in contact with the undisclosed intellectual assets, subject to non-disclosure obligations which correspond with the respective employee’s position and job description, the circle of people which are aware of the information are thereby unauthorized to use or disclose such intellectual assets to anyone outside that circle. Meaning that such intellectual assets enjoy the status as undisclosed by residing within a circle of people which is limited, defined, and closed, and therefore not being generally known and readily accessible.

However, it is not enough that the intellectual assets enjoy the status as undisclosed, the intellectual assets must also have been subject to reasonable steps to keep the intellectual asset undisclosed in order to enjoy the legal status as a trade secret. By deploying a contractual non-disclosure framework, granting access to confidential intellectual assets based on internal hierarchical position, implement centralized approval body for internal and external disclosure of confidential intellectual assets, and tag every digital or physical manifestation of such intellectual assets in accordance with its confidentiality classification,
the firm has taken reasonable steps to keep the undisclosed intellectual assets as undisclosed.230

Furthermore, the execution of the managerial framework will create a documented chain of evidence which can be used to shift the burden of proof if any employee or former employee is exploiting or disclosing the intellectual assets which enjoy the legal status as trade secrets. By providing details which could validate that the employee or former employee i) in the course of employment had access to the undisclosed intellectual asset, and that such access related to the fulfillment of the duties of the employment, ii) clearly understood that the undisclosed intellectual assets were intended to be kept undisclosed, and iii) clearly understood that exploitation or disclosure such intellectual assets without the consent of the employer would constitute a violation of FHL and breach of contract.

Meaning that in case of litigation, the employee or former employee would have a harder time to counter the arguments which indicates liability under article 7 of FHL and the contractual obligations the employee or former employee is subject to. Consequently, position the firm in a more favorable situation increasing the chances that fair compensation can be achieved.

6 Conclusions

The target audience of this thesis are professionals working on C-suite level or with business development, commercialization, or business strategy in Swedish knowledge-based firms. Meaning that there is a need to boil the findings down into components which quickly can be extracted and translated into business insights of commercial value. Therefore, the conclusion of this thesis will be presented as a summary, wherein the key findings of each research question will be highlighted, in order to allow the reader to utilize the content of this thesis without having to read the entire thesis.

6.1 What information can enjoy protection under FHL?

The legal definition of FHL consists of five constituting requisites. The five requisites can be broken down into three passive and two active requirements. The passive requirements relate to the nature or character of the information and the active requirements relate to the economic or commercial nature of the holder of the information and the measures which that holder has taken to keep the information undisclosed. What characterizes the active requirements is that the holder of the information can by active means fulfill said requirements, and in contrary what characterize the passive requirements is that the holder cannot by active means change the nature or character of the specific information.

Firstly, FHL only recognizes a relatively small part of all information which falls within the scope of the term information which is defined by general language and parlance, since each passive requirement progressively limits what viable business or technical information that can enjoy the legal status as a trade secret. Secondly, and even more important, the legal protection of FHL is only available to firms which be active means seek to protect themselves. Therefore, regardless of the commercial utility or value of the viable business or

230 See for example Prop. 2017/18:200, p. 138, wherein it is exemplified that issuing instructions concerning how confidential information should be managed and keeping certain information only accessible to those who have been granted such access, are two measures which typically would fulfill the requisite of reasonable steps.
technical information, if the holder of such information has not taken active measures to keep the information undisclosed the information cannot enjoy the legal status as a trade secret.

To summarize, information which enjoys the legal status as a trade secret, and thus the protection under FHL is information which:

- is business or technical information that relates to the business activities of the lawful holder of the information, and is separated from such which constitutes the personal skills, experience, and knowledge of the holder’s employees,
- is only known within a circle of people which is limited, defined, and closed, and communicated to others only under conditions which maintain the status of the circle in which the information is known,
- holds such commercial value or utility that the information would typically damage the firm’s ability to compete if subject to divulgation,
- has been subject to active measures which seek to safeguard the information’s status as undisclosed which under the circumstances are considered reasonable, and
- is lawfully controlled by a physical or legal person that professionally conducts business activities which are of commercial nature, or a research institute that conducts research under institutionalized forms.

### 6.2 When does such information enjoy post-employment protection under FHL?

FHL is constructed around the same rationale as the duty of loyalty. Meaning that the rule of thumb is that after the termination of an employment, the employee is released from the duty of loyalty and is therefore free to exploit or disclose any personal and professional skills, experiences, and knowledge which the employee has acquired during the employment, even if such would represent undisclosed business or technical information which enjoys the legal status as trade secrets and is lawfully controlled by the employer.

However, as an exception to the rule of thumb, it is stipulated in article 7 of FHL that an employee is liable for the damages of unauthorized acts of exploitation and disclosure of undisclosed business or technical information which enjoys the legal status as a trade secret, both during and after the employment if certain conditions are met. However, such liability only applies to post-employment exploitation or disclosure if it exists extraordinary reasons for it.

This means that after the termination of the employment the employee is only liable for the damages of acts of exploitation or disclosure which are of such nature that there exist extraordinary reasons for extending the liability, and such reasons often only exist if the acts of exploitation or disclosure by the employee are of such nature or character that the employee has misused the trust which is vested upon the employment relationship between the employer and the employee.

In a situation wherein, the former employee is exploiting or disclosing business or technical information which the former employee came in contact with in the course of employment, and that enjoys the legal status as a trade secret the court has typically attributed the following acts as acts which indicate that there exist extraordinary reasons to hold the former employee liable under article 7 of FHL:
• if the employee has prepared the transfer of the undisclosed business or technical information during the employment,
• if the former employee held a position of trust and in that capacity of trust came in contact with the undisclosed business or technical information,
• if the post-employment exploitation or disclosure of the undisclosed business or technical information is systematically conducted,
• if the undisclosed business or technical information holds particular commercial utility or value and the post-employment exploitation or disclosure have significantly limited the previous employer’s ability to compete on the market, and
• if the former employee was subject to contractual non-disclosure obligations during the act of exploitation or disclosure and by such acts conducted a breach of contract.

6.3 What contractual tools can extend the post-employment protection of FHL?

The post-employment protection which such undisclosed business or technical information enjoys under FHL is only reserved for acts which constitute extraordinary reasons. Meaning that several acts by a former employee which would result in a disclosure of such undisclosed information would fall outside the scope of liability stipulated in FHL.

However, the post-employment protection of FHL is dispositive, meaning that the employer and employee can contractually agree on obligations which supersede what is stipulated in article 7. Such contractual post-employment extension of FHL can be achieved by that the employer and employee include non-disclosure and/or non-competition clauses in the employment contract, or during the employment enters into separate non-disclosure and/or non-competition agreements.

A non-disclosure obligation creates a contractual relationship between the employee and employer wherein the business or technical information that is communicated to or created by the employee within the scope and duration of employment becomes subject to obligations which prohibits the former employee to disclose such information to any third party, and non-compete obligation seeks to prevent a former employee from conducting business activities that compete with the business activities of the former employer after the termination of employment.

However, in order for the contractual obligations to hold legal utility, such contractual obligation must be enforceable. Meaning that such contractual obligations should not in terms of scope and/or duration extend beyond what the court would consider reasonable or otherwise conflict with non-dispositive articles and laws.

6.3.1 Non-disclosure obligations

A non-disclosure obligation should, therefore, as a principle, only encompass business or technical information that relates to the business activities of the employer and that is distinguishable from such which constitute the employee’s personal skills, experience, and knowledge. Meaning that the scope of the non-disclosure obligation should not seek to limit an employee’s ability to use such personal attributes.
Furthermore, a non-disclosure obligation should as a conservative rule of thumb only remain active more than two years after the termination of employment if the business or technical information which is subject to the non-disclosure obligation is of such character and nature that the information holds a continuous commercial utility or value. However, since there are no formal conditions concerning the validity of non-disclosure clauses or agreements, and no precedent which can be consulted for guidance concerning the duration of such obligations it could be argued that non-disclosure obligations which seek to protect undisclosed business or technical information which enjoys the legal status as a trade secret can remain active for as long as the undisclosed information holds that legal status.

Nevertheless, it is imperative that the duration of a non-disclosure obligation correspond with the commercial utility or value of the undisclosed business or technical information which actually has been communicated to or developed by the employee within the duration of employment.

6.3.2 Non-compete obligations

On the contrary, non-compete obligations are subject to extensive restrictions and guidelines stipulated in legislation, praxis, and collective agreements between market union parties, which collectively states that non-compete obligations in the employment relationship should be deployed with care and restrictiveness, and are typically only justified when the employer is seeking to protect:

- technical and/or firm-specific know-how which has been acquired or developed by the employer,
- undisclosed business or technical information which enjoys the legal status of trade secrets that is lawfully controlled by the employer, or
- existing customer relationships that the employer has, especially such relationships generated by active engagement by the employer.

However, the legitimate interest of the employee is then contrasted with the actual extent which the employee is restricted to engage in commercial activities after the termination of employment, taking into account what commercial activities that would constitute a violation of the obligation, the duration of the obligation, and the geographical scope of the obligation. Furthermore, the court has declared that additional circumstances which typically indicates that a non-compete obligation is reasonable are circumstances such as:

- that the employee receives monetary compensation during the period in which the non-compete obligation remains active, or if the employee’s salary or employment benefits have otherwise been determined on the basis of the restrictions which the obligation implies,
- that he non-compete obligation has been subject to actual negotiations between the parties,
- that the employee holds a position of trust, and
- that the non-compete obligation does not interfere with maintaining healthy competition in the relevant market wherein the employer and employee operate within.
Consequently, it is imperative that the usage and design of non-compete obligations correspond with the actual relationship between the employer and employee and should therefore not be misused by seeking to protect other than the legitimate interests of the employer.

6.4 Managerial framework for proactive management of undisclosed information

The legal definition of FHL is by no means a default position for business or technical information and is a legal status which only can be achieved through managerial means. Meaning that the legal status which gives the holder of such information the means to control and hold other parties liable for dishonest actions seeking to acquire, exploit, or disclose the information, is dependent on the managerial domain in which the information resides. Therefore, in order for the undisclosed business or technical information to enjoy the legal protection under FHL, it must be subject to continuous management which seeks to maintain the information’s status as undisclosed.

Consequently, I recommend that a firm that wants to control their undisclosed business or technical information as information which enjoys the legal status as trade secrets and maintain that legal status throughout the entire employment cycle of their employees, should arrange their internal processes and functions around five rationales which increases the manageability of the undisclosed information, and allows the firm’s undisclosed business or technical information to enjoy the legal protection under FHL.

6.4.1 Contractual framework

When an employee is entering the firm, and before gaining access to the firm’s undisclosed business or technical information, the employee must be subject to necessary and adequate contractual obligations which should include non-disclosure obligations, and if required based on the circumstances at hand, non-compete obligations.

6.4.2 Identification & documentation

The business or technical information which are generated within the business actives of the firm must be captured and claimed. However, such information tends to be versatile and differ significantly in nature and character. Therefore, to increase the manageability of the information, it should be categorized based on nature and character within a framework of predefined categories of intellectual assets. Such categories should be understood as the refined objectification of the otherwise less precise term information. Meaning that by categorizing information as an intellectual asset, the underlying object or subject matter of the information is objectified by assigning that object or subject matter descriptive attributes, and consequently, increasing the manageability of the underlying object and subject matter.

Thereafter, the intellectual assets and their corresponding descriptive attributes should be documented in a cataloged and searchable portfolio.

6.4.3 Assessment & tagging

The categorized intellectual assets must be assigned a confidentiality classification, which corresponds with the commercial utility and value of the intellectual asset. The intellectual assets should be defined within a progressive system of confidentiality classifications, which
should determine how the intellectual asset is managed and shared within the firm, and under what level of confidentiality. The confidentiality classifications are assigned after careful assessment and should be used to separate the wheat from the chaff.

Thereafter, the intellectual asset must in every digital form and every physical manifestation be tagged with its corresponding confidentiality classification. Meaning that there should never be any uncertainty among the employees of what confidentiality classification an intellectual asset is attributed.

6.4.4 Confidentiality-based management

After assigning confidentiality classifications to the intellectual assets, and documenting such classifications in the cataloged portfolio, the intellectual asset must become subject to confidentiality-based management. Since not all intellectual assets require to be managed under strict secrecy it is imperative that the time, resources, and management are allocated on the basis of the intellectual asset’s assigned confidentiality classification.

Meaning that access to confidential intellectual assets should be managed on a need-to-know basis, there should be a centralized body which determines what should be disclosed both internally and externally, there should be selective and specific contracts when certain intellectual assets are disclosed to employees, and all employee interactions with the confidential intellectual assets should be documented.

6.4.5 Post-employment management

When an employee leaves the firm, the firm should deploy a set of processes and functions which increase the firm’s ability to prevent post-employment exploitation or disclosure of confidential intellectual assets. As soon as the employee has given notice of termination of the employment the employee’s access to email accounts, databases, servers, and physical facilities should immediately be removed or limited. The employee should also hand over all equipment, in particular, electronic devices, which belongs to the firm.

Thereafter, the firm should conduct exit interviews wherein the firm should provide the employee with clear post-employment expectations and obligations. The departing employee should also be reminded that any exploitation or disclosure of such intellectual assets that enjoy the legal status as trade secrets will constitute a violation of FHL and such offense will force the firm to take legal actions which will result in monetary liability both arising from the law and contractual obligations.

Additionally, the firm should seek to continuously monitor the new employer of the former employee and identify any sudden shifts concerning the new employer’s market behavior, R&D focus, patent activity, or product and service portfolio, which could indicate that the former employee has disclosed the firm’s undisclosed intellectual assets to the new employer.

6.5 A managerial framework for precise & fair post-employment restrictions

As presented in section 1.6, when designing a managerial framework which seeks to give the employer the means to control its undisclosed information and extend certain contractual obligations to also cover post-employment actions of a former employee, there exists an ever-present responsibility to account for the dualism between the employer’s and the employee’s interest. Because contractual tools which seek to restrict the former employee’s mobility and
ability to without restrictions compete on the market is a double-edged sword since such contractual tools can very well also prevent the exchange of knowledge which is both individually and socially beneficial.

As also presented in section 1.6, it is not within the purpose of this thesis to seek that dualistic harmony between the interest of the employer and employee. However, if we are to overcome the challenges associated with how to design, claim, control, and manage the currency of the knowledge-based economy, we must start somewhere, and we must start now. Because if individuals cannot by their choice transact their knowledge to other humans or institutions we will renounce our individualism for the benefit of the commercial organization’s collectivism, and if we cannot provide firms with the legal instruments which can be used to control knowledge there will eventually exist no incentive to invest in R&D, open platforms, collaborations or other innovation creation activities.

I believe that, by increasing the manageability of undisclosed business or technical information which resides within the business activities of the firm, it could also increase the firm’s ability to impose precise and fair post-employment exploitation and disclosure restrictions on former employees. As can be seen in Figure 16, if a firm deploys a managerial framework which allows the firm to identify which undisclosed information that holds commercial utility and value, and documents the associated employees with such undisclosed information, that would allow the firm to gain a strategic overview of their undisclosed business or technical information which could facilitate a precise and fair execution of contractual post-employment obligations.

![Figure 16: Indicates that if the manageability of undisclosed business or technical information is increased it could also increase the firm’s ability to impose precise and fair post-employment obligations](image)

The strategic overview of the firm’s undisclosed business or technical information could therefore allow the firm to design and deploy post-employment contractual obligations which not only correspond with the actual relationship between the employer and employee but also with the information’s commercial utility or value which has been communicated to or developed by the employee within the scope and duration of employment. Meaning that the firm would know what undisclosed business or technical information the employees have been in contact with that must be subject to strict post-employment obligations, and in contrary which employees that could be subject to less strict post-employment obligations.
As Figure 16 indicates, by deploying a holistic and structured way to identify, objectify, document, and manage undisclosed business or technical information, firms could reap the benefits of one hand adequately control its undisclosed business or technical information as information which enjoys the legal status as trade secrets, and on the other hand, allowing former employees to deploy their personal skills, experience, and knowledge on the market without any unnecessary lock-in restrictions.
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7.7.9 Interview
Notera: Jag, Carl Oscar Rosén, registrerades på kursen första gången VT18. Jag har ej omregistrerats och ej heller deltagit i något tidigare examinationstillfälle.