Question Q215

National Group: Spanish Group

Title: Protecting trade secrets by means of intellectual property rights and unfair competition statutes

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Groups are asked to give a description of legal developments and the current situation in their jurisdiction with regard to trade secret protection, answering the following questions:

1. Legal developments on trade secrets

   How did trade secret protection evolve in your jurisdiction? For example, what kind of practical influence did the TRIPS agreement have on trade secret protection?

The regulation of trade secret protection in civil law has its origin in Act 3/1991 of January 10, on unfair competition (hereinafter, the “LCD”). Prior to that, its protection could be obtained by way of the general clause of prohibition on acts of unfair competition contained in art. 87 of the former Trademark Act of 1988 (Act 32/1988 of November 10, no longer in force).

In the labor law area, the 1931 Employment Contract Act included a prohibition on employees to make use of trade secrets, and that prohibition was carried into the later Act of 1944 (art. 72). The employees secrecy obligation is now considered part
of the contractual good faith, as it arises from articles 5 and 20 of the Workers Statute (Royal Legislative Decree 1/1995 of March 24, hereinafter, “ET”).

Within the criminal law, the revelation and disclosure of secrets had already formed part of the criminal code of 1973 (arts. 497 to 499), though trade secrets is now more specifically protected in the current Criminal Code, passed by the Act 10/1995 of November 23, updated and amended (hereinafter, “CP”) in arts. 278 to 280.

The coming into force of the Agreement on Aspects of Intellectual Property Rights relating to Trade (“TRIPS”, Official State Gazette [BOE] of January 24, 1995) in Spain did not involve any change in the substantive regulations on trade secrets under the Spanish legal system, which already provided for such protection in broadly similar terms. In the procedural area, however, there have been some changes as regards the introduction of measures on the protection of confidential information in court cases under Act 19/2006 of June 5, “extending the means of protection of intellectual and industrial property rights and laying down procedural rules to facilitate the application of various Community regulations”. That Act transposed into Spanish law Directive 2004/48/EC of the European Parliament and Council of April 29, 2004, which in turn was aimed at complying with the procedural provisions contained in the TRIPS, and particularly articles 41 to 50 thereof (cf. reply to question 6).

2. Definition of trade secrets.

What is the definition of a trade secret in your jurisdiction? This may not be an easy question to answer. Some jurisdictions may adopt different definitions for different fields of law – unfair competition law or others. In some jurisdictions, no statutory law provides a definition of trade secrets. It may be useful to focus on the definition that is believed to be most important for your jurisdiction for discussion purposes. Your definition can be based on the conditions required by Article 39.2 of TRIPS Agreement for the protection of undisclosed information as well as the WIPO proposal for the definition of secret information, and/or if it is the case, the definition can be complemented by features required in your jurisdiction, such as the degree of secrecy, novelty and originality that is considered reasonable for enforcement purposes.

Trade secrets have been defined by the scholars as “knowledge or overall technical knowledge that are not in the public domain and are necessary for the manufacturing or marketing of a product, for providing a service or for organizing a business unit or branch, such as to procure to its holder an advantage over competitors which he aims to preserve by preventing its disclosure” (in this sense, for example, Gómez
Segade and José Massaguer). Similar terms have been used by the courts (for example, the Supreme Court Decisions of October 21, 2005).

From a legal perspective there is no single definition of trade secret nor of its requirements: (i) in the sphere of competition law, art. 1 (i) of Regulation (EC) 772/2004 of the European Commission refers to "know-how" as "a package of non-patented practical information, resulting from experience and testing, which is: (i) secret, that is to say, not generally known or easily accessible; (ii) substantial, that is to say, significant and useful for the production of the contract products, and (iii) identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfills the criteria of secrecy and substantiality; (ii) in the sphere of franchise contracts, art. 2 of Royal Decree 2485/1998 of November 13, amended by Royal Decree 419/2006 of April 7, states that the franchise must include "at least: … communication by the franchisor to the franchisee of some technical knowledge or «know-how», which shall have to be his own, substantial and singular". And to these definitions we might add that contained in art. 39.2.a and b of TRIPS: non-disclosed information, which 

\( (a) \) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;  

\( (b) \) has commercial value because it is secret; and  

\( (c) \) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

For its part, the Patent Act refers to trade secrets indirectly (though without actually defining it) when it states in art. 76 that those who transfer or grant a license on patents "are obliged to make available to the acquirer or licensee the technical know-how that they possess and that is necessary for proceeding to operate the invention properly; nor is there any definition in the regulations which actually contemplate trade secrets aiming to protect them (arts. 13 and 14 of the LCD, arts. 278 to 280 of the Criminal Code or the provisions of the ET).

In any case, it can be concluded from the combination of all the definitions which are scattered in Spanish law and from the criteria applied by the jurisprudence that for business information to be protectable as a trade secret it must have the following features: a) secret nature of the information, in the sense that it is not known nor easily accessible to interested parties; b) competitive value of the confidential information; and c) the will to keep said information confidential, that will being shown by the adoption of measures reasonable under the circumstances.

3. **Control of trade secrets**

   Also, who is entitled to control trade secrets should be discussed with respect to the employer-employee relationship. Can an employee who conceives an idea or invention have primary control over it? Can the
employer have control over information created by an employee under assignment from the employer even if the personal knowledge and skills of the employee are involved? Is co-ownership of trade secrets addressed by your legislation or case law?

As regards ownership (or control) of the initiatives or inventions within an employment relationship, the Patent Act lays down the regime applicable to labor inventions (art. 15 et seq.): labor inventions will be owned by the employer, when made by an employee during the period of his/her contract or employment or provision of services, if the invention results from investigative work included expressly or implicitly within the subject matter of his/her contract; otherwise, the invention belongs to the employee. However, if the employee’s invention were related with his/her activity in the company, and its obtaining had been predominantly influenced by knowledge or by using means provided thereby, then the employer will have the right to take ownership of the invention or reserve the right to use it, although in such cases the employee will be entitled to a compensation, set in the light of the industrial and commercial importance of the invention and the means and knowledge provided both by the company and by the employee.

In so far as secret information created within the company is subject to intellectual property rights the Spanish Intellectual Property Act (Royal Legislative Decree 1/1996 of April 12) refers the assignment of exploitation rights of the employee to the employment contract, and -failing that- makes the presumption that said rights are assigned to the employer exclusively and with the scope required for exercising the usual activity of the company at the time the work is delivered. If the work is collective (created at the initiative and under the coordination of a person, which discloses it in its name, in which the contributions of the authors are founded on an autonomous and sole work, and in which it is not possible to attribute each author with a right over the resulting work), the law grants the exploitation rights to the person who coordinates and discloses the work. Notwithstanding this, in the case of software (of all the works protectable by the Intellectual Property Act, probably the one in which trade secrets may be of greatest importance), the Act provides that in the case of programs created by employees in the exercise of their functions or following the employer's instructions ownership of the exploitation rights on the software, including both the source code and the object code, will unless otherwise agreed belong to the employer.

Concerning co-ownership of trade secrets, it has traditionally been understood that trade secrets were not object of a property right, and — as stated in the Supreme Court decisions of October 24, 1979 and May 4, 2005 — that protection thereof is achieved indirectly by declaring unlawful and acting their unauthorized access and/or exploitation. It is however accepted that these are intangible assets which may be subject of economic transactions and in that sense ownership thereof can be shared.
If such a situation of co-ownership does arise, then its regime will be that agreed by the parties and, failing express agreement, will be governed by the provisions of the Civil Code on joint ownership. As regards trade secrets created within the sphere of the employment relationship, the law does not provide for co-ownership.

4. Source of law for trade secret protection

Are statutory provisions available for the protection of trade secrets? Is protection awarded by case law or court precedents or direct application of the relevant provisions in the TRIPS Agreement? Under your laws, do trade secrets belong to the category of property rights? Or is the protection derived from unfair competition law or other sources of law against misappropriation or dishonest commercial practices?

As we pointed out in the reply to question 3, under Spanish law no ownership right is recognized over trade secrets, rather they are protected by declaring unlawful and acting their unauthorized access and/or exploitation. Without prejudice to the laws and provision mentioned above in our reply to questions 1 and 2, the protection of trade secrets basically appears:

a) in the labor law area, in arts. 5 and 20 of the ET (Royal Legislative Decree 1/1995 of March 24).

In the labor area, and without prejudice to the provisions on the protection of secrets set out in other regulations (see the answer to the issues raised in sections 4 and 5 hereof), the protection of trade secrets fundamentally lies on art. 5 of the ET, as part of the employees’ duty to perform their obligations in good faith.

Labor regulations likewise contain other duties and permit the adoption of other measures which, more or less directly, can contribute towards the protection of secrecy. In this respect the law states that employees cannot provide their services for several companies if it is deemed unfair competition (art. 21 ET): unfair behavior can include, for example, activities that allow the employee to divert clientele away from the company, take advantage of knowledge acquired or take advantage of the information to which it has access and that may harm the company. Other measures that may assist in protecting trade secrets are the exclusivity on the employee’s provision of services, which the company can agree with employee under the conditions statutorily provided and which is presumed in the case of high executives, or the non-competition covenants within a certain period after the end of the employment contract.
b) in the civil law area, in arts. 13 and 14 of the LCD;

c) in the criminal law area, in art. 278 to 280 of the CP.

The specific civil and criminal law measures available for protection of trade secrets will be looked into in detail in the answer to the questions below.

5. Available remedies

What would be an outline on remedies available against trade secret violations in your jurisdiction? First, types of prohibited acts should be discussed, followed by available relief such as preliminary injunction or temporary restraining order. It is probably useful to highlight issues particular to trade secrets. Please comment on the list of acts violating trade secret protection provided in the Q115 Copenhagen Resolution. Pros and cons of criminal or administrative remedies should be discussed. Are these remedies also available against someone who obtains trade secrets in good faith?

5.1 Types of prohibited acts:

1. Civil law protection (Unfair Competition Act or “LCD”)

Article 13.1 of the LCD states that it shall be deemed prohibited the acts that involve “the disclosure or exploitation” of trade secrets to which access has been obtained legitimately but with duty of reserve, or those to which access has been had illegitimately, whether by means of espionage or similar procedure, or by means of some of the forms of behavior regulated under art. 14 LCD. Obtaining the secrets by means of espionage or “similar procedures” is likewise considered unfair (13.2). For any of the acts described to be considered unfair it is not required that the act is carried out in the market and with competition purposes, though there is a requirement that the secrecy violation has been carried out with a view to obtaining an advantage for oneself or for a third party, or in order to harm the trade secret holder (13.3).

Under article 14 it is also deemed unfair: a) to induce employees, suppliers, clients and other obligated parties to breach basic contractual duties they have entered into with competitors; and b) to induce into a normal termination of a contract or to take advantage for one’s own benefit or that of a third party of another person’s contractual breach when, being known, its purpose includes (among others) that of divulging or operating a trade secret.

2. Criminal law protection
The Criminal Code (CP) imposes terms of imprisonment and fines in the following cases:

- Two to four years of imprisonment and a penalty of twelve to twenty-four months for:
  
a) “Those who, in order to find out a trade secret appropriate by any means data, written or electronic documents, computer media or other objects relating to that secret, or those who use any of the means or instruments stated in part 1 of section 197” (art. 278.1).

  b) “The dissemination, disclosure or assignment of a trade secret carried out by persons under a legal or contractual duty of maintaining confidentiality. “If the secret were used for personal benefit, then the lower half of the range of penalties shall be imposed” (Art. 279 CP).

- Imprisonment of three to five years and penalty of twelve to twenty-four months “if the secrets discovered were disseminated, disclosed or assigned to third parties” (art. 278.2).

- Imprisonment from one to three years and penalty of twelve to twenty-four months for “those who, knowing their unlawful origin, but without having taking part in discovering it, engage in any of the forms of behavior described in the preceding two articles” (art. 280 CP).

In relation to companies and legal entities, the CP (art. 129) provides for the possibility of adopting measures to restrict their activity, which may even include temporary or definitive closure of the company or its premises or the dissolution of the company.

In addition to the above measures, the law also provides as a remedy the publication of the court decision in official journals and, at the request of the party, in other media.

5.2. Comment on the list of acts set out in Q115:

Q115 (subsection 11.11) states that the following acts should constitute acts of unfair competition:

(i) Industrial or commercial espionage.
(ii) Use or disclosure of a trade secret obtained improperly from its holder.
(iii) Non-authorized use or disclosure of a trade secret by a person to whom the company had entrusted it.

(iv) Use or disclosure of a trade secret without the consent of its holder, when it had been disclosed by a person to whom it had been entrusted or one that had been obtained improperly, if the user knew or should have been aware of that fact.

As we have mentioned in section 5.1 above, the behavior referred to in sections (i), (ii) and (iii) above constitute unfair competition acts for purposes of arts. 13 and 14 of the LCD.

As regards the “indirect acquirer” of the trade secret contemplated in the Q115 in section (iv) above, unlike the TRIPS (in its note to article 39. 2) which deems this behavior as a way of gaining access to secrets “contrary to honest commercial practice”, the Unfair Competition Act (LCD) does not specifically regulate it. Nevertheless the scholars agree that disclosure or operation of a trade secret by a third party who knew or should have been aware of its unlawful origin constitutes an unfair behavior which would fall under the provisions of the Unfair Competition Act (arts. 13 and 14 LCD).

*Does your legislation distinguish trade secret violations committed when the undisclosed information was accessed by means of an employment or other contractual relationship from those practiced by means of fraud, “espionage” or other improper means? Are the same remedies available for the two cases?*

From the standpoint of the LCD, the difference that exists between them is that when the trade secret is accessed legitimately (e.g. disclosed under an employment or any other contractual relationship), its exploitation or disclosure will only be deemed unfair if it was accessed with a duty to keep it confidential and there is no authorization from the legitimate owner. When the trade secret has been accessed illegitimately (whether by espionage or analogous improper means, or by inducing breach of contract) then mere obtaining of the secret is deemed unfair. From the viewpoint of the LCD the same remedies are applicable to both cases.

In criminal law, the CP expressly provides for dissemination/disclosure/assignment carried out by persons with a legal or contractual obligation to observe secrecy (art. 279). The penalty in this case is less strict (two to four years’ imprisonment and penalty of twelve to twenty-four months) than in the case of the information being acquired unlawfully (for example, by appropriation of documents or interception of communications, or by espionage in general) and the information being disseminated (imprisonment for three to five years and penalty of twelve to twenty-four months).
Available remedies. Which options are available for damages? How are damages calculated? Is the violation of trade secrets at all subject to punitive damages? If so, under what conditions?

1. Civil law.

Under the LCD, the remedies available are: (1) to have the unfairness of the conduct declared; (2) cessation and prohibition order of subsequent repetition of the unfair behavior; (3) removal of the effects produced by the unfair behavior. The exercise of this action, which involves restoring the situation to the time before the unfair act was committed, can prove to be complicated in cases of disclosure of secrets, since the effects of such disclosure are often irreversible; (4) indemnification of damages: compensation for the damages caused by the unfair behavior, if there is negligence or bad faith. In quantifying the compensation account will be taken both of the direct damages caused by the unfair competition behavior and the loss of. Punitive damages are not applied; and (5) unjust enrichment: compensation on the enrichment obtained by the defendant. In our view it is also possible to ask for this remedy since the LCD requires for it to apply that the behavior has violated an exclusivity right or a legally similar position (which could be the case in our view of trade secrets). Furthermore, it may be determined the total or partial publication of the court decision.

2. Criminal law

See section 5.1.2 above.

6. Protection of trade secrets before and during litigation

This question has two aspects: one is the protection of trade secrets during, say, patent infringement litigation, and the other the maintenance of secrecy of trade secrets so that the person lawfully in control can safely seek remedies before the court. How does your statutory law incorporate the rule contained in the last sentence of Article 42, TRIPS? What specific measures or means are available for the effective protection of trade secrets before (in discovery and seizure proceedings) and during litigation?

We must refer to Act 19/2006 of June 5th, “extending the means of protecting intellectual and industrial property rights and laying down procedural rules for

1 Article 42, entitled “Fair and Equitable Procedures”, provides, at its last sentence, that: “The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.”
facilitating the application of various Community regulations”. This Act transposes into Spanish law Directive 2004/48/EC of the European Parliament and Council of April 29, 2004, which in turn sought to comply with the procedural provisions contained in the TRIPS, and particularly in articles 41 to 50 thereof. The promulgation of Act 19/2006 involved reform of both the statutes applicable to industrial and intellectual property rights (Patent Act, Trademarks Act, Industrial Design Protection Act and Intellectual Property Act) and the Civil Law Procedure Act (LEC) which sets forth the rules of civil procedure and which stands as the law applicable in other jurisdictions on the absence of specific provisions.

One of the objectives of this reform (and therefore of the current regulations) was to improve the efficacy of protection of Industrial and Intellectual Property rights (including trade secrets), particularly by reinforcing the “right to information” of the holder of an intellectual property right in the face of a possible violation, though keeping a balance between effective safeguards for such rights and the right to keep confidential the technical, commercial or financial information of the presumed infringer.

It should in general be noted that the protection of confidential information in procedures on intellectual property (in preliminary hearings or gathering of evidence, and in the main hearing, as well as in interim injunctions) is achieved by means of a dual precaution involving (i) the adoption, in some cases ex officio, of measures to ensure in so far as possible the utmost confidentiality, and (ii) a general prohibition on the information obtained being used for purposes other than those envisaged in each case.

In civil procedure the general principle is that of making the proceedings public, particularly in the case of oral proceedings (article 138 of the LEC), there being further a general obligation to collaborate with any judicial bodies that might demand information or documentation (art. 591 LEC) and a particular obligation on the parties to exhibit each other documents (art. 328 LEC), which in intellectual property proceedings may cover specially banking, financial, commercial or customs documents. As a safeguard for the rights of the affected person, this last provision lays down the possibility that, at the request of the party interested or concerned the court may declare the proceedings reserved in order to ensure protection of data and information of a confidential nature.

Another generic exception to the publicity principle is contained in art. 371 LEC in connection with the examination of witnesses who are under a duty of secrecy, in which case it will be up to the court to decide whether or not the witness can be released from replying.
In relation to the mechanisms for safeguarding the confidentiality of certain information, a distinction must be drawn between the provisions contained in the aforesaid Civil Law Procedure Act (LEC) for any type of proceeding (including, though with some special features, intellectual property proceedings) and the special provisions set out in the Patent Act known as “inquiries to substantiate facts” (“diligencias de comprobación de hechos”).

The inquiries to substantiate facts provided for by the Patent Act are the measures patentees may request the court to take prior to the start of the main proceedings in order to obtain sufficient information about the alleged violation of their rights. In relation with such measures the Patent Act (LP) sets forth some safeguards to preserve the confidential information, both at the time of carrying out the measures (art. 130 LP) and thereafter (arts. 131 and 132 LP).

At the time of carrying out the measures:

- the fact that in undertaking the inquiries to substantiate facts the party that requested them does not participate, nor its lawyer or any representatives (e.g. his/her Barrister) (art. 130.1 LP);

- the generic obligation on all those who take part on the intervene in the inquiries to substantiate facts (and particularly on experts who might be assisting the Judge) to keep secret the information to which they have access;

- the fact of not providing the applicant with the information obtained if the Judge considers that the means inspected cannot be presumed to be used to carry out the violation of the patent (art. 130.2 LP); and finally,

- the obligation of the Judge to ensure that the information obtained will not be used as a means to violate industrial secrets or to engage in acts of unfair competition (art. 130.4 LP).

The confidentiality safeguards set forth by the law following the carrying out of the inquiries to substantiate facts relate both the Judge and the party that applied for them. To the Judge in that the result of such checks may only be provided to the affected party and to the applicant; and to said applicant in that the information may only be used to bring violation proceedings (within a deadline of two months), while its disclosure or communication to third parties is in any case prohibited (art. 131 LP).

As regards the preliminary measures regulated in the LEC (of a nature and purpose equivalent to the inquiries to substantiate facts of the LP), the mechanisms for safeguarding the confidentiality of the information are similar though not as strict as those laid down in the Patent Act. Unlike in the Patent Act, under the LEC part of those mechanisms or safeguards are not “applicable ex officio” but are put in place only at the request of the interested party (art. 259 LEC), and also in the preliminary
evidence-gathering it is not set forth that the Judge cannot give the information to the applicant if he/she deems that no violation of the right exists, but instead the information in any case reaches the applicant whose intervention in those measures (or that of his/her lawyer or barrister) is not ruled out but instead expressly contemplated (art. 259.2 LEC).

The safeguards laid down in the LEC (art. 259) are the possibility, at the request of the affected party, of the Court declaring certain measures as having a confidential nature, preventing thus their disclosure to third parties; however, this does not apply to the party that requested the measure, that will have access to said information unless the Court decided to adopt some other type of measures not expressly provided for in the Act. And more generally, the already mentioned limitation concerning the usage which may be given to the information obtained, which must be limited to the purpose for which it was sought.

7. Licensing trade secrets

What are issues relevant or important for contractual aspects regarding trade secrets?

As already noted, under Spanish law trade secrets are not considered subject of a property right nor of an exclusivity right protected in the same way as intellectual property rights. Their nature as intangible assets is nevertheless accepted, so they may subject of economic transactions (the assignment and licensing of know-how are clear examples).

At a regulatory level, very little attention is given under Spanish law to contracts concerning trade secrets. Leaving aside the regulations on competition law, there are isolated references in franchising contracts (in particular, art. 2 of Royal Decree 2485/1998 of November 13th, which regulates the franchise regime, as amended by Royal Decree 419/2006 of April 7th which provides that a franchise must include “communication by the franchisor to the franchisee of some technical knowledge or some «know-how», which shall have to be its own, substantial and singular”), and in patent licenses (art. 76 of the Patent Act provides that those transferring or granting a license on patents “are obliged to place at the disposal of the licensee the technical knowledge it possesses and that is necessary for the proper exploitation of the invention”).

In particular, it should be pointed out that the license agreements on trade secrets or, more specifically, the know-how license agreements, are agreements for which there is no a specific regulation in the law. They are subject to the general rules for legal agreements/contracts, and in some cases and by analogy to those of patent license agreements. They are likewise subject to the rules of competition law, in
particular to the provisions set forth in Regulation 772/2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements (applicable also in domestic transactions pursuant to the provisions of art. 1.4 of Act 15/2007 of July 3rd on Defense of Competition), although these rules refer specifically to the restrictions on competition which can be included in an agreement of this type, in order to decide whether or not they are acceptable.

Taking into account the nature of trade secrets, whose value depends on its secret feature, it is essential within the agreements to properly identify the trade secret transferred and to regulate all the obligations that affect said secret feature, such as the obligation of both parties to maintain the know-how or information licensed secret (where applicable, with the imposition of specific penalties to overcome the difficulty of evidencing the damages in the event of violation) or the obligation of the licensee to refrain from using the secret information or know-how and to return or destroy the documents that contain it upon termination of the agreement. Along with such clauses it is especially important in this type of agreements to make provision regarding the exclusive or non-exclusive nature of the license, to regulate its territorial scope, possible restrictions on the activities of the licensee (for example, regarding the sphere of utilization of the technology), the treatment accorded to improvements in the technology made either by the licensor or the licensee during the term the agreement and how they will be treated on termination thereof (clauses on return of know-how or grant-back clauses), etc. This must be subject to an analysis of compliance with competition law regulations, which lay down limits on the restrictions that can be included in an agreement of this nature (for example, prohibiting clauses preventing one of the parties from deciding its prices, or clauses that impose restrictions on the licensee to use its own technology except if essential for preventing disclosure of the know-how to third parties, etc.).

In terms of case-law, in the few cases in which the jurisprudence has made particular pronouncements on know-how licensing agreements it has done so in order to settle conflicts whose object had generally been unrelated with the secret character of the information and its protection but rather with breach by one of the parties of other aspects of the contractual relationship (for example, decision of the Provincial Court (AP) of La Rioja of October 8, 2001, AP Castellón of February 3, 2003, AP Madrid of February 5, 2004 and October 6, 2005, or the decision of AP Barcelona of June 16, 2004).

**How important are anti-trust considerations in your jurisdiction?**

As noted above, they are very important. Violation in a licensing agreement of trade secrets under the rules of competition law, whether Community or domestic law, can give rise not only to nullity of the clause or even of the agreement that contains it but also the imposition of fines by the competent competition law authorities.
8. **Effectiveness of non-disclosure and non-use agreements.**

*What is the practical effectiveness of non-disclosure and non-use agreements*

As statements of the will of the parties such agreements are contracts which are binding upon the parties (and their successors) under the general provisions of the Civil Code. Violation thereof involves a contractual breach subject to the general regime of liability set forth in arts. 1101 and seq. of the Civil Code. Furthermore, as we also noted in the answer to question 5, art. 13 of the Act 3/1991 on unfair competition expressly deems unfair the disclosure of industrial or business secrets by those who had gained access to them not only illegitimately but also legitimately (for example, in furtherance of a contract) but with duty of confidentiality, if this is done with a view to obtaining profit for oneself or another or to harming the owner of the secret.

Also, as mentioned above, in the criminal law area art. 279 of the CP expressly provides for it being an offense to disseminate, disclose or assign a secret carried out by those having the contractual obligation to maintain the confidentiality of the information.

Breach of the confidentiality duties laid down in a contract can also have effects in third parties outside the contractual relationship as such. In particular, art. 14 of the LCD deems as unfair inducing to termination of an agreement or taking advantage of a breach of contract by others if it is carried out, among other cases, in order to disseminate or exploit a trade secret.

*Are any important court precedents available? Which of contract law or unfair competition law prevail in this regard?*

The breach of a contractual duty of secrecy can constitute not only a breach of contract but also an act of unfair competition. Although it cannot be said that certain rules prevail over others, if in a given case both rules concur it seems that the matter would have to be dealt with as a contractual breach rather than unfair competition, since the contract will have an specific obligation dealing with this matter which is violated rather than the general obligation contained in law. This, for example, seems to be stated in the court decision of the Provincial Court (AP) of Barcelona on June 19, 2009, Proceedings 23/09-2ª, given on interim remedies: “Where applicable, protection of know-how must be obtained either through art. 13 LCD (disclosure and operation of secrets), which the claimant does not invoke, and still less proves that it constitutes a trade secret under art. 39 TRIPS, or through contract clauses such as a confidentiality clauses or even a temporary non-competition clause. But in this case,
if the defendant has, as the claimant argues, taken advantage of the information placed jointly at the disposal of both parties (…), and a confidentiality clause existed, then contractual actions should have been exercised, due to breach of the confidentiality clause, but not of unfair competition”.

**Is unilateral imposition of non-disclosure after leaving the company or retirement possible in your jurisdiction?**

No. As we stated in the answer to question 3, Spanish law (Workers’ Statute or ET) does provide for the possibility of establishing a non-competition clause once the employment contract has terminated, although among other requirements (maximum duration, effective interest of the company and payment of compensation) it does require the agreement of both parties (employee and employer), with no provision being made for unilateral imposition of non-competition.

**Does the US doctrine of inevitable disclosure exist under your laws?**

No. The courts distinguish the trade secrets from the information that forms part of the skills, experience and capacities of a person acquired in or deriving from its work in the company. In this sense, the courts consider that the fact that an employee uses his/her experience and knowledge arising from his/her work in company in order later to compete with that company is not unfair. For example, the decision of AP Madrid of May 18, 2006 or decision AP Barcelona of October 26, 2005: “the skills, abilities, experience and knowledge of the sector or activity that make up the training and professional qualification of the employee (who is for those reasons undoubtedly hired by the competing company), are freely and necessarily for the use thereof, with consequent advantage taken of them by the new company that employs him/her, in the subsequent development of his/her working life, normally dedicated to the same sector in which he/she acquired those values”.

**Harmonization**

9. **Common and practical definition of trade secret**

As discussed above, the TRIPS Agreement deals with “undisclosed information” which is basically the same as what we discussed as a “trade secret,” primarily because the term “trade secret” may have different meanings in different jurisdictions. Groups are asked to consider whether a common and practical definition of trade secret is viable or even desired. Are there any proposals for such a definition, or is the definition provided in the TRIPS Agreement sufficient for our purposes? Should there be a minimum standard for information to qualify as a trade secret? If so, what should the standard be?
Although this is a matter highly depending on each particular case, laying down a general minimum standard may be advisable. A good approximation to such a standard is the definition given in the TRIPS Agreement. We believe that this definition accurately refers to the "legitimate controller" of the secret information (instead of referring to the controversial concept of its "owner"), and it also establishes (accurately in our view) the three requirements that must be met for protecting it to which we have referred above in our answer to question 2 (secret character of the information; competitive value of the confidential information; and the will to keep it secret by adopting reasonable measures for that purpose). We nevertheless feel that the definition could be improved, in particular regarding the possibility of including some reference (even if only by way of example) to the type of information that may be protectable as secret (including, for example not only industrial but also commercial or financial information).

10. What is desired in your jurisdiction?

What are perceived as current problems in your jurisdiction? What is desired or needed for effective protection of trade secrets? What kind of improvements in your own system for trade secret protection is sought? Also, are there any legal provisions or practices that you may consider to be advantageous in your jurisdiction compared to other countries?

Although greater uniformity in the definition of trade secrets would be desirable, the regulatory treatment accorded to the protection of trade secrets under the Spanish legal system is in our view adequate. At the level of the court decisions, in our view it would in some cases be desirable for there to be greater sensitivity regarding the protection of information that does not relate to inventions and is not of an industrial nature but whose control and secret feature are of great value to the company (for example, information of a commercial or financial nature).

11. What is required for an improved global standard for trade secret protection?

As discussed above, collaboration among different entities in product development is becoming more important on a global scale. Groups are asked to entertain proposals for enhancement of international standards on remedies against trade secret violations. Groups are also asked to comment on what is necessary in practice for the protection of trade secrets during litigation and to discuss proposals for standard means available in court proceedings.

As noted earlier, the measures available in the case under Spanish law for the protection of trade secrets and the standard contained in the TRIPS Agreement seems to us adequate.
However, in so far as it is increasingly important the collaboration of companies from various countries in developing information which constitutes trade secret, a greater rapprochement between the regulations of the various countries involved would provide companies with greater certainty. In this respect, in the European area, just as Directive 2004/48 has endeavored to bring national legislations closer to on the protection of intellectual property rights, so too with respect to trade secrets bringing closer the regulations protecting such secrets, both substantively and procedurally, could be advisable.

12. **What would be a desirable and realistic way to proceed?**

   *For future possibilities, we have a choice among another multilateral convention, bilateral agreements or agreements among certain countries that are regionally close to each other or in similar stages of industrial development. What would be, in your view, a realistic way for us to proceed?*

We believe that regional agreements (for example at a European level) are the most realistic way of proceeding.

13. **Any other comments?**

There are no further comments.

**SUMARIO**

En la normativa española el secreto empresarial no está concebido como un derecho de propiedad o un derecho de exclusiva, aunque se le reconozca su condición de bien inmaterial susceptible de negocios como cesión o licencia. Su protección se alcanza mediante la represión del acceso y explotación no autorizados, tanto en vía penal como en vía civil mediante la Ley de competencia desleal.

No existe tampoco una definición única en la normativa del secreto empresarial, si bien los requisitos que deben concurrir en una información para su protección como secreto empresarial son claros: (i) que sea secreta, es decir que no sea pública ni fácilmente accesible; (ii) que tenga valor competitivo; y (iii) que exista una voluntad de mantenerla reservada, mediante la adopción de medidas razonables para ese fin.

Con carácter general el Grupo Español considera que las medidas existentes en el ordenamiento jurídico para la protección de los secretos empresariales son
adecuadas. Existe no obstante margen de mejora en los que se refiere a la aplicación de dichas medidas cuando se trata de proteger secretos empresariales que consisten en información de la empresa que no tiene carácter industrial sino comercial o financiero.

De la misma forma, y en la medida en que el desarrollo de información que sea secreto empresarial es cada vez más producto de la colaboración de empresas de países diversos, y que su explotación tiene asimismo lugar en diversos países, la aproximación tanto sustantiva como procedimental en las normativas de diversos países en esta materia (por ejemplo, en el ámbito de la Unión Europea), sería también conveniente para dar mayor seguridad jurídica a las empresas.
Question Q215: Protecting trade secrets through intellectual property rights and the Unfair Competition Act

SUMMARY

Under Spanish law, trade secrets are not considered property rights or exclusive rights, although they are recognized as immaterial assets that can be transferred or licensed to others. Trade secrets are protected by restricting any unauthorized use and access to them, both through civil proceedings under the Unfair Competition Act as well as criminal proceedings.

Although the law does not include a definition specific to trade secrets, it is clear that for information to be considered a trade secret: (i) it must be secret, i.e., it cannot be public or easily accessed; (ii) it must have a competitive value; and (iii) its holder must have the will to keep it secret by adopting reasonable measures for that purpose.

In general, the Spanish Group considers that the current legal measures to protect trade secrets are adequate. However, there is scope for improvement in the application of these measures when the company information involved is a commercial or financial nature rather than of an industrial nature.

Likewise, to the extent that the development of information which constitutes trade secrets is more often the result of collaboration between companies of different countries and that this information is then exploited also in different countries, it would be advisable to harmonize the regulations of countries, both in terms of content and procedures, e.g., within the European Union, to offer companies more legal certainty.
**Question Q215** La protection des secrets d’entreprise par les Droits de Propriété Intellectuelle et la Loi relative à la concurrence déloyale.

**RESUME**

Dans la législation espagnole, le secret d’entreprise n’est pas considéré comme un droit de propriété ou un droit d’exclusivité. Il est toutefois considéré comme un bien immatériel susceptible de faire l’objet d’une cession ou d’une licence. La protection du secret d’entreprise est assurée par l’interdiction, aussi bien sur le plan civil par les dispositions de la Loi relative à la concurrence déloyale que pénal, de l’accès et exploitation non autorisés dudit secret.

La législation n’établit pas non plus de définition unique du secret d’entreprise. Toutefois, les conditions devant être remplies par des informations pour pouvoir être protégées comme étant constitutives d’un secret d’entreprise sont claires : (i) les informations doivent être secrètes, elles ne doivent donc pas être publiques ou facilement accessibles ; (ii) elles doivent avoir une valeur d’un point de vue concurrentiel et (iii) il doit exister une volonté de préserver leur caractère confidentiel au moyen de l’adoption de mesures raisonnables à cet effet.

A titre général, le Groupe Espagnol considère que les mesures existant dans le système juridique pour la protection des secrets d’entreprise sont adéquates. Il existe toutefois une marge d’amélioration envisageable en ce qui a trait à l’application desdites mesures lorsqu’il s’agit de protéger des secrets d’entreprise constitués par des informations de l’entreprise n’ayant pas un caractère industriel mais un caractère commercial ou financier.

De la même manière et dans la mesure où les informations constituant un secret d’entreprise sont de plus en plus souvent le fruit de la collaboration entre des entreprises établies dans différents pays, un rapprochement entre les législations de différents pays en la matière, aussi bien sur le plan matériel qu’au niveau de la procédure, (notamment dans le cadre de l’Union Européenne) serait également souhaitable afin de garantir une meilleure sécurité juridique aux entreprises.
Betreff Q215 - Schutz von Betriebsgeheimnissen durch das Urheberrecht und das Gesetz gegen den unlauteren Wettbewerb.

ZUSAMMENFASSUNG

In der spanischen Gesetzgebung ist das Betriebsgeheimnis nicht als ein Eigentums- oder Exklusivrecht konzipiert, obgleich ihm die Eigenschaft als immaterielles, für Abtretungen oder Lizenzvergaben geschäftsfähiges Gut anerkannt wird. Sein Schutz wird durch die Bekämpfung des unbefugten Zutritts oder Nutzung erreicht, und zwar sowohl auf strafrechtlichem als auch auf zivilrechtlichem Weg durch das Gesetz gegen den unlauteren Wettbewerb.

Es existiert auch keine alleinige Definition in der Gesetzgebung über das Betriebsgeheimnis, obwohl die Voraussetzungen die in einer Information vorliegen müssen, damit sie als Betriebsgeheimnis geschützt wird, klar sind: (i) sie muss geheim, dass heißt, nicht öffentlich oder leicht zugänglich sein; (ii) sie muss einen Wettbewerbswert besitzen; und (iii) es muss der Wille vorhanden sein, sie mit angemessenen, zu diesem Zweck dienlichen Maßnahmen als vertraulich zu halten.

Allgemein erachtet die Spanische Gruppe, dass die in der Rechtsordnung zum Schutz von Betriebsgeheimnissen vorhandenen Maßnahmen zweckmäßig sind. Es ist jedoch in Zusammenhang mit der Anwendung der genannten Maßnahmen Besserungsbedarf vorhanden, wenn es darum geht, Betriebsgeheimnisse zu schützen, bei denen es sich um Unternehmensinformation handelt, die nicht von industrieller, sondern von kommerzieller oder finanzieller Natur sind.

In der gleichen Art und Weise und in dem Maße, in dem die Entwicklung der als Betriebsgeheimnis geltenden Information immer mehr als das Ergebnis der Zusammenarbeit zwischen Unternehmen verschiedener Länder anzusehen ist, und seine Nutzung ebenfalls in verschiedenen Ländern stattfindet, wäre sowohl eine materiellrechtliche als auch eine verfahrenstechnische Annäherung in der diesbezüglichen Gesetzgebung verschiedener Länder (zum Beispiel im Geltungsbereich der Europäischen Union) angebracht, um den Unternehmen mehr Rechtssicherheit zu geben.