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Q247

Trade secrets: Overlap with restraint of trade, aspects of enforcement

Responsible Reporters: by Sarah MATHESON, Reporter General John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General Yusuke INUI, Ari LAAKKONEN and Ralph NACK Assistants to the Reporter General

National/Regional Group	Argentina
Contributors name(s)	Jorge OTAMENDI
e-Mail contact	joo@gbreuer.com.ar
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I. Current law and practice

Aspect (i) - Overlap with restraint of trade

1) Is trade secret protection viewed as a form of restraint of trade and, if so, under what circumstances and under which legal regimes (e.g. competition law)?

no

If not please comment.:

Trade secret protection is not viewed as a form of restraint of trade and it should not be. See our response to Q26.

a) If so, under what circumstances and under which legal regimes (e.g. competition law)?

2) How does your law distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets? What protection is extended to each?

Labour law does not address general skills or knowledge acquired by employees. Confidentiality law, that protects secret information, establishes among other persons that an employee that has accessed any information which the law considers secret (basically what is defined as such in Section 7 of the TRIP's) "is bound to refrain from using or disclosing it without a justified cause or in absence of consent by whoever guards such information or whoever is deemed its authorized user":

Labour law states that employees owe loyalty to their employer according to the nature of the

tasks assigned to him/her, being bound to keep confidential or in secret the information that the employee accessed during his/her job. Pursuant to general provisions of employee’s duties and liabilities, it may be sustained that the employee is liable vis-à-vis the employer for damages caused to the interests of the latter, if such confidentiality obligation is not respected. Also, violation of secrets by employees is a crime under Argentine criminal law (Section 156).

In short, a trade secret is protected as such against third party’s unauthorized use or disclosure.

Labour law imposes the employee not to disclose confidential information acquired during the course of employment. There is no specific provision in the labour law preventing third party uses. Nevertheless, if confidential information is deemed equivalent to a trade secret, then protection is also afforded by the confidentiality law.

3) Are employees under a duty of confidence whether or not such a duty is set out in their contract of employment?

yes
If yes please answer the following sub-questions::

a) are express confidentiality clauses to protect classes of information broader than would anyway be protected by the employee's duty of confidence permitted; and

That depends on what the agreement provides, but in principle there should be no difference in what is to be kept confidential.

b) how long after the end of employment does an ex-employee's duty of confidence in relation to trade secrets last in the absence of any express confidentiality clause?

As long as the information is confidential, the law establishes no limit.

4) If not constrained by an enforceable non-compete agreement, may workers use knowledge acquired in the course of earlier employment in their new employment?

yes
If yes, is there any distinction between the types of knowledge they can use?:

As long as he is not constrained to do so because it is confidential information, the worker can use any personal skill.

5) Are certain employees subject to a higher obligation of confidentiality / non-use?

no

Aspect (ii) - Ensuring confidentiality during Court proceedings

6) What measures or provisions are available to preserve the secrecy of trade secrets during Court proceedings?

There are no specific rules established to secure trade secrets in court proceedings. Nevertheless, the confidentiality law clauses are in force even during court proceedings. In this case the Judge, upon petition of secrecy by the interested party, will have to balance the obligation to maintain secrecy with the right of defence of the counterparty. So the first decision he will have to make is to determine how

relevant to the case this secret information is. If it is considered relevant, the judge may determine that only the expert and the counterparty may see it or may take any of the resolutions in the following examples a, b, c and d.

For example, do trade secret proprietors have access to the following mechanisms to preserve the secrecy of a trade secret during proceedings (subject to the Court's discretion to allow/disallow such access):

a) restricted access to the hearing and / or evidence;

Please, see answer to question 6.

b) disclosure of evidence only to the legal representatives of the opponent, but not to the opponent themselves;

Please, see answer to question 6.

c) non-confidential versions of documents being provided to all except authorised individuals;

Please, see answer to question 6.

d) only non-confidential parts of any judgment / decision publicly available?

Please, see answer to question 6.

7) If such (or similar) measures are available, do they apply by default, or must the trade secret holder submit sufficient evidence to convince the Court that the information merits protection?

The trade secret holder is the one that must show why the information must be protected.

8) Whether or not such measures are available, does the Court restrict the defendant's or claimant's use - after the proceedings have terminated - of the information they gain during the proceedings?

The confidentiality law forbids such use. Anyway, the secret holder may ask the judge to rule that anyone to whom the information in the case becomes available be forbidden from disclosing or using it.

Aspect (iii) - Valuation of loss

9) Are damages available as a remedy for trade secret violation?

yes

If so please answer the following sub-questions::

a) how (if at all) is that value diluted by publication?

Publication is surely a cause of the damages if originated by the infringer. If publication comes from a third party developer of the same information, the secret will no longer be a secret and protection ceases as of that date. Until that happens, the wrongdoer should be responsible for the damages.

b) how are those damages quantified? Specifically, is allowance made for loss of profits; unjust enrichment; and /or what the trade secret holder would or might have charged as a reasonable royalty fee or licence?

The rule is that the secret holder must prove the damages caused and he will choose what formula of quantification should be used. He can choose any. We do not think that a reasonable license fee would be established since this would mean that any infringer could become a licensee.

c) can damages be awarded for moral prejudice suffered by the trade secret holder? If so, how is moral prejudice defined, and how are such damages quantified?

yes

Please comment:

if the secret holder is an individual person, moral damages can be awarded. The secret holder should have to prove that he has spiritually suffered because of being hurt in his legitimate affections.

d) If so, how is moral prejudice defined and how are such damages quantified?

Aspect (iv) - Proving infringement

10) What elements must be proved to establish violation of a trade secret?

First it must be proved that the plaintiff is the legitimate holder (legitimate control) of the information that constitutes a secret, has a commercial value because it is a secret and that same has been object of reasonable measures to be kept as a secret.

Then it must be proved that defendant obtained the information in a manner that is contrary to fair commercial standards.

Lastly, it must be proved that the secret information is the same obtained or used by defendant.

11) What additional elements must be proved (if any) for a trade secret violation in comparison to a breach of confidence, to the extent those are different types of violations?

In the breach of confidence it must be also proved that the person involved was under a confidentiality agreement; which, by the way, is one of the ways secret information is revealed and then illegally used by the person bound by a confidentiality obligation.

12) Can constructive knowledge of a trade secret by an ex-employee or a new employer be imputed, e.g. if the subject-matter of that ex-employee's work was closely linked to the trade secret?

yes

If so, in what circumstances? :

This is a very delicate issue. It has no precedents in our courts. Common sense indicates that one thing is personal knowledge and experience and another is the trade secret. The latter is precise, exact and objective. It is a determinable describable piece of information, at least it should be, and that information should not be used by anyone without authorization.

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| 13) | Does your jurisdiction provide for discovery? |
| | no |
| 14) | Does the burden of proof switch to the defendant if the applicant is able to demonstrate, to a certain level of probability, that there has been a violation? |
| | no |
| 15) | Does your law provide for any other methods for securing evidence, such as seizures or ex parte measures? |
| | <p>yes</p> <p>If so, what requirements must be fulfilled in order for the measure to be ordered and what safeguards are in place to prevent abuse?:</p> <p>it does provide for seizures or ex-parte measures. Argentina is a member of the TRIP's agreement. Despite this, it is common practice that the plaintiff motions to seize a sample of the infringing product before the legal action is filed, in order to secure proof of the corpus delicti. The requirements are: a high degree of conviction by the judge that the secret information has in fact been used, the "fumus bonis iuris", the existence of jeopardy in any delay, that there are no other courses of action to remedy the situation, and eventually the deposit of a bond for costs.</p> |
| 16) | Where seizure is available, for what purposes can it be used? To secure evidence, to prevent items entering into circulation or for other reasons? |
| | <p>Seizures are used both to secure evidence and stop the seized merchandise from being sold. A temporary injunction -which courts are more restrictive at the time of granting- could also be required and that will prevent circulation until the legal action concludes.</p> |

II. Policy considerations and proposals for improvements of the current law

Aspect (i) - Overlaps with restraint of trade

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| 17) | Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade? |
| | <p>no</p> <p>If not, why?:</p> <p>We deem it very difficult to set limits, that, by the way, would be the same to be required from patent or trademark holders. If plaintiff is right, there will be no illegal restraint, if not, plaintiff will lose the case. If a temporary injunction was obtained and plaintiff loses, plaintiff will have to pay damages if sued by defendant.</p> |
| 18) | Should different obligations of confidence / non-use apply to different employees? Why/why not? |
| | <p>The obligation is the same for anyone handling confidential information. The difference is, if the case is brought to court, in the hierarchy of the employee. The higher the level, the lesser possibilities will the employee have to claim "I did not know". The same applies for non use, which is part of any confidentiality agreement.</p> |

Aspect (ii) - Ensuring confidentiality during Court proceedings

19) Should a defendant, who is sued unsuccessfully for a trade secret violation, and who learns of the trade secret during the course of the litigation, be required to not use the trade secret after the proceedings? Why/why not?

Defendant may be sued again if it violates the secret after and not before the legal action. *Res iudicata* should not be applicable here.

20) Should such obligations of confidentiality attach to information that the defendant developed independently prior to the trade secret proceedings, or develops independently after the trade secret proceedings? Why/why not?

It is not a matter of dates, it is a matter of secret information being used or not, for whatever purpose whatsoever.

Aspect (iii) - Valuation of loss

21) Should damages as a remedy be available by default, or only where injunctive relief is (a) not possible, (b) adequate, or (c) not necessary? If by default, why?

Aspect (iv) - Proving infringement

22) Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer?

yes
 If yes, in what circumstances? :

If the circumstances of the case show that there is no explanation as to why something was manufactured by the new employer with information other than the information coming from employee of the former employer, then it should be attributed to the new employer. As a defence the new employer may show that it has been researching the particular issue or field for some time and shows that the result was obtained with independent information.

23) Availability of pre-action evidence orders and seizure orders.

a) Should pre-action evidence preservation orders be available?

yes
 If so, should the hearings to decide whether or not to grant them be able to take place ex parte?:

Such orders are available, whether they are granted ex-parte will depend on the evidence produced by the plaintiff showing, i.e., that the new employer was never engaged in any related research. Also, the threat of evidence disappearing if not carried ex-parte will be analyzed.

b) Should pre-action evidence seizure orders be available?

24) What if the claimant learns of new trade secrets (of the defendant) during the course of a seizure?

This is why the issue is very delicate, and protection of the defendant’s information should also be granted. Nevertheless, if claimant learns of any secrets, defendant should have the right to any actions

available to all owners of confidential .

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Yes, only if the laws will be improved to enhance protection, clarify vague issues and protect the rights of plaintiff and defendant

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

Aspect (i) - Overlaps with restraint of trade

26) Please propose principles for the circumstances in which trade secret enforcement actions should fail, because such actions would be de facto restraints of trade.

Restraints of trade under antitrust laws are a different matter that is more difficult to pursue in what concerns trade secrets. But if the conditions are met, these laws should apply. The fact that they do not meet such conditions does not mean that there is no protection for trade secrets.

27) What relief should courts give when a trade secret violation has occurred or is about to occur, but an enforcement action is barred as a restraint of trade?

It seems unlikely that a court would deny such measure ab initio, simply stating there is a restraint of trade. First the judge must consider if the conditions to grant such measure are being met. If not, the judge could add that granting them would mean an undue restraint of trade, or an undue restraint to the right of commerce or to any other right the court understands is being restrained.

28) Should employees subject to a stricter obligation of confidentiality be released from that duty in certain circumstances? If so, in what circumstances?

We believe that there is no reason to differentiate "stricter obligations of confidentiality" from other any other obligation of confidentiality. In this respect, the circumstances could be many, but anytime this special treatment is given, it should be under very strict conditions, to prevent trade secret protection from disappearing.

Aspect (ii) - Ensuring confidentiality during Court proceedings

29) What protection for trade secrets should be available during Court proceedings, and what conditions should be satisfied for that protection to be given?

All trade secrets should be protected in court proceedings, and therefore should be kept out of the public eye. The difficult issue is how to keep it from the counterpart, without affecting one of the pillars in which all court proceedings rest: the right of defence. Maybe a solution would be to only allow the relevant expert of the case to see it, though this is difficult.

In any case, if the counterpart is allowed to see the secret information, it should sign whatever

acknowledgements, undertaking and liabilities necessary including the imposition of high fines in the event of breach, to secure that it will not use any such information. The counterpart should even be caused to accept future inspections to verify it is complying.

30) If an enforcement action fails (e.g. because the defendant had independently developed the secret information and did not misappropriate it), what type(s) of confidentiality or non-use obligation, if any, should continue or cease to apply?

If there is no secret information breach there should be no limitation to its use by its developer.

Aspect (iii) - Valuation of loss

31) Please propose the principles for quantifying damages for trade secret violations.

They could include loss of business, cost of development, undue enrichment or profits, loss of chance, loss of profits.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

as said before, when the owner is an individual person. The judge has to determine such suffering based on the public impact of the breach and the harm on the image of the owner that caused the spiritual suffering.

Aspect (iv) - Proving infringement

33) What measures to secure or preserve evidence should be available?

Any and all necessary to preserve it from being exposed to anyone that does not need to know it.

34) What restrictions should apply to the use of seized evidence by the claimant?

Claimant can never use such information. This can only be "used" to be analyzed by a case expert and by the counterpart in order to determine whether there was or not a breach.

Summary

Please comment on any additional issues concerning trade secrets you consider relevant to this Working Question.