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Q247

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

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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)?

yes
Please comment.:

Taking into consideration the principles of free enterprise and free competition prevailing in the Brazilian legal system, the trade secrets may be considered competitive advantage elements, imposing legitimate restrictions of trade. The trade secret protection and the restrictions imposed on competitors of the trade secret holders are regulated mainly by the Brazilian Industrial Property Law (BIPL), Competition Law and Labor Code.

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?

The Brazilian law does not clearly provides distinction between technical knowledge acquired during the course of employment, confidential information and trade secrets, so the distinction is made by doctrine and jurisprudence. Therefore, there is not legal distinction between them, so the legal protection is linked to the confidentiality element, and the TRIPS (article 39, 2) and BIPL (article 195, XI)

requirements are used as a parameter to evaluate whether the information is confidential. In this sense, the skills or knowledge acquired during the course of employment are not protected, as a rule. On the other hand, the confidential information and trade secrets are protected by Article 195, XI and XII of the BIPL, and Article 482, (g) of the Labor Code.

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

The act of disclosing trade secrets and confidential information of the employer that the employee acquired when in service is considered a serious fault and authorizes the employer to terminate the contract of employment pursuant to Article 482 (g) of the Labor Code. Further, it is also considered unfair competition crime, according to the Article 195 of the BLPI. This is because the duty of confidence does not prevent employees from exercising their job or profession, but simply prevents the disclosure and use of the information acquired during the course of employment contract to third parties.

a. The confidentiality clauses are permitted, but it is not possible to extend protection to information that does not meet the legal requirements for classification as 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?

The Brazilian law does not set time limits for the ex-employee confidentiality. In fact, the ex-employee's duty of confidence should remain in effect so long as such information is in secret, has commercial value (because is secret) and has been subject to reasonable steps under the circumstances to keep it secret. There are jurisprudential discussions about the possibility of agreeing on non-compete agreement and about the reasonable time for the quarantine period of the ex-employee after termination of the employment (there are decisions that considered reasonable a deadline up to 2 or 5 years, depending on the context).

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?:

In the absence of the non-competition agreement, the workers are not prevented from doing their work or profession and use the knowledge acquired in the course of earlier employment in their new job, since the information is not secret (confidential / trade secret).

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

yes

If so, which employees, and what is the rationale for any distinction between employees?:

The Brazilian law does not specifically regulate this question, establishing the obligation of

confidentiality without differentiating the position occupied by the employee. Anyway, as employees in high positions are more exposed to confidential information, the factual context tends to tighten the interpretation as to secrecy in such cases.

On the other hand, the BIPL (article 88) and the Software Law (article 4) by claiming that inventions (patents, utility models and software) belong exclusively to the employer when it results from a work contract being executed in Brazil and the object of which is research or the exercise of inventive activity or when such results from the nature of the services for which the employee was contracted, confirm that the employee may not use information relating to such inventions outside the scope of work.

Aspect (ii) - Ensuring confidentiality during Court proceedings

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

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;

As a rule the procedural acts are public, however the Brazilian Constitution and the Brazilian Civil Procedural Law, expressly provides exceptions to this rule, allowing that certain subjects runs under judicial secrecy. More specifically, and in harmony with the Brazilian legal system, the Industrial Property Law provides restricted access to hearing and court records involving trade secrets matters. (Section 206 of Brazilian Industrial Property Law^[1])

Footnotes

1. [^] Section 206 - *If, in the course of a court action, information is revealed that is of a confidential nature, be it an industrial or a trade secret, the judge must determine that the action continues "in camera", the use of such information by the other party for other purposes also is also forbidden.*

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

No, for one must respect the Adversary Proceedings and the Full Defense Principles which determine that all parties must have access to all of the documents and facts of the lawsuit so they can promptly defend themselves.

The adversary proceeding and full defense principal are based on the State's duty to provide the defendant the possibility of making the most complete defense as to the imputation that was done to him. The minimum conditions for coexistence in a democratic society are guided by the fundamental rights and guarantees. This means that all evidences must be submitted to the other party in sense to provide him the chance to manifest about it.

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

Such a procedure doesn't exist in the Brazilian Courts. Only the parties and their authorized attorney are able to access the case records and its documents.

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

Yes. The secret of Justice preserves the content of the material, not the news of its outcome. In other words, the final part of the sentence is published, whereas the identity of the parties and the summary of the events of the trial remain in secret.

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 judicial secrecy in cases involving trade secret is not fixed by the court ex officio but the party must request it justifiably. Nevertheless, it is assured to the Court the possibility to modify the decision of the singular judge that granted the judicial secrecy or keep it for their own reasons.

Such a claim can be done with a summary justification, but the Court can reverse the secrecy if it considers that the documents are not trade secrets or confidential.

The rule is the process is made available to anyone, that is, it is made public. However, given that involves industrial property, it affects economic rights, judicial secrecy should be required, justifying the needs for such secrecy.

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?

Yes. According to the Brazilian Industrial Property Law, in the event of being revealed in court to protect the interests of either party, information that is of a confidential nature, be it an industrial or trade secret, the judge must determine that the court suit proceed in legal secrecy, prohibited the use of such information also to the other party for other purposes (See Section 206 of the Brazilian Industrial Property Law).

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?

Yes, trade secret violation, as any other unfair competition act, is subject to compensation for damages.

If the publication was due to gross negligence of the proprietor of the trade secret, the value of compensation for damages would be highly diluted, even to the point of losing all value.

In the event that the disclosure or use of the trade secret occurred due to non-gross negligence of the proprietor, the judge may proportionately reduce the value of the compensation due in recognizing the claimant's partial guilt in the violation of his own trade secret rights.

Ultimately, if the proprietor had no fault in the publication of the trade secret, the Judge must afford damages as if the trade secret had not lost any value. Also, the damages must encompass the lost (future) opportunities and profits due to the publication of the trade secret, as it cannot be

reestablished and, therefore, it cannot recover its previous value.

- 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?

Material damages are divided into actual damages stemming from the violation of trade secret rights as well as loss of profit or loss of commercial opportunities.

The compensation for actual damages, according to article 208 of the BIPL^[1], "shall be determined according to the benefits that the injured party would have gained had the infringement not occurred".

The compensation for loss of profits may be calculated by the most favorable and adequate of the following standards set forth by article 210 of the BIPL:

I. the benefits that the injured party would have gained had the infringement not occurred; or

II. the benefits that were gained by the infringer of the right; or

III. the remuneration that the infringer would have paid to the holder of the infringed right for the grant of a license which would have enabled lawful use of the trade secret^[2].

The claimant may choose from one of the three standards or leave the choice to the Judge.

Even though the Brazilian Civil Code^[3] prohibits the unjust enrichment (art. 844), this aspect is encompassed by the criteria established in articles 208 and 210 of the BIPL.

Footnotes

1. [^] [Brazilian Industrial Property Law: Federal Law No. 9,279 of 1996.](#)
2. [^] [With a different wording, this criteria is substantially the one incorporated in article 13\(1\) of the Proposal for Directive 2013/0402 \(COD\)](#)
3. [^] [Federal Law No. 10,406 of 2001.](#)

- 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:

Moral damages must be compensated, according to article 5, item X of the Brazilian Constitution, as well as to article 186 of the Brazilian Civil Code.

Any person or legal entity is in theory entitled to compensation for moral damages. The possibility of moral damage of a legal entity was expressly established by the Superior Court of Justice in these terms: "The legal entity may suffer moral damages" (Summula No. 227).

However, in practice, the judges are typically resistant to considering that the violation of trade secret rights is able to cause relevant damages to the reputation, credit or objective honor of the legal entity or even of the natural person who is the proprietor of the infringed trade secret. In fact, contrarily to trademark infringement cases or lawsuits concerning the divulgence of false information or even copy of trade dress, the prejudice to the trade secret proprietor's credit and reputation in trade secret infringement cases is considered as not as evident.

This is specially the case when the trade secret is not divulged to the general public or in cases where this infringement did not reach the knowledge of clients, partners, investors, franchisees, licensees, i.e., it was kept at a discrete level.

Thus, we may conclude that under Brazilian law, the moral damage is to be compensated, yet the mere fraudulent or unlawful divulcation or use of the trade secret does not amount to moral damages to the trade secret proprietor. Other factors must come into play, such as damage to the claimant's reputation with clients, partners, franchisees, investors, furnishers and/or damage to the claimant's general credit.

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?

According to article 195, items XI, XII and XIV of the Brazilian Industrial Property Law (Law #9,279/96), violation of a trade secret is an unfair competition crime. Article 207 of the same statute determines that, independently of the criminal action, the aggrieved party may also file civil actions considered suitable.

In order to establish such violation, the plaintiff must prove that the defendant disclosed, exploited or used, without his authorization, confidential knowledge, information or data, to which the defendant gained access by means of a contractual or employment relationship, even after the termination of the contract, as per item XI of article 195. It must also be proven that the concerned information was not of public knowledge and was not obvious for a person skilled in the art.

In case there is no contractual and/or employment relationship, the plaintiff must also prove that the confidential knowledge or information was obtained directly or indirectly by illicit means or fraud, as per item XII of article 195.

In relation to the violation of results of tests or other undisclosed data the elaboration of which involved considerable effort and which has been presented to government entities as a condition for approving commercialization of products, the plaintiff must also prove that the defendant disclosed, exploited or used such data without his authorization, as per item XIV of article 195.

The abovementioned set of rules extends to the employer, partner or administrator of the undertaking that commits an act of violation of a trade secret. It is worth mentioning that the provisions of item XIV of article 195 do not apply with respect to disclosure by a government entity competent to authorize commercialization of a product, when necessary to protect the public.

Moreover, paragraph 2 of article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which is self-executing in Brazil – as internalized by Decree #1,355/94 –, establishes three conditions that must be fulfilled for the information to be eligible for protection as a trade secret. Thus a party must prove, in order to establish violation of a trade secret, that the information: (i) is secret in the sense that it is not generally known or readily accessible; (ii) has commercial value because it is secret; and (iii) has been subject to reasonable precautions to be kept secret.

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?

The elements required to prove a trade secret violation under Brazilian law are in accordance with the requirements to prove a "breach of confidence". In cases where the confidentiality obligation is not

expressly provided, Brazilian courts may look at the nature of the relationship between the parties in order to assess the existence and breach of an implied duty of confidence.

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? :

Brazilian Law does not differentiate actual from constructive knowledge. Likewise, Brazilian Judges when trying trade secret case will not make such differentiation. Hence, Brazilian courts tend to assess on a case-by-case basis whether the facts and circumstances are such that the new employer should have known that the information disclosed infringed trade secret rights.

It is worth noting that some judges are inclined to require the evidence that the former employee was expressly informed that the relevant information was subject to trade secret protection. For instance, in case #70011698974 (State Court of Rio Grande do Sul, 6th Panel, 2006), the court established that a former head of a company's R&D department was not under the duty to preserve trade secret because he has refused to sign a non-disclosure agreement. Thus, all information acquired during the employment relationship was not confidential to him. In another case #65800-34.2008.5.02.0221 (Superior Labor Court, 4th Panel, 2013), an ex-employee was not held liable for having recorded confidential information disclosed during business meetings as it was not proven in the dockets that the confidential character of those meetings was duly informed to the employee.

13) Does your jurisdiction provide for discovery?

yes

If yes, does it provide for discovery at the pre-action stage; and / or against third parties?:

The Brazilian jurisdiction does not provide for discovery as the US judicial system. However, plaintiffs can ask the court to determine the search and seizure of relevant documents and materials to be used as evidence, either during the proceedings of the lawsuit, or as a preparatory measure.

In this concern, the Brazilian Code of Civil Procedure establishes different precautionary measures to anticipate the production of evidence, which may be granted ex parte and consist in the interrogation of a party, the hearing of witnesses and expert examinations.

The requirements for these measures are the proof of the likelihood of success on the merits and the irreparable harm in case the plaintiff would have to wait for the regular course of the proceedings.

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?

yes

If yes, what is this threshold?:

As a general rule, the burden of proof falls on the plaintiff, who often presents evidence upfront of the facts alleged in the initial brief of the complaint. After the defendant is served, he may answer, arguing that there are facts that would hinder, modify or terminate the plaintiff's right. In this scenario, the defendant will carry the burden to prove such facts.

It should be noted that article 333 of the Brazilian Code of Civil Procedure establishes that the parties may agree to switch the burden of proof, as they deem adequate. Nevertheless, such agreement is null in case the burden of proof falls on an inalienable right of a party or make it excessively difficult for a

party to exercise it.

15) Does your law provide for any other methods for securing evidence, such as seizures or ex parte measures?

yes

If so, what requirements must be fulfilled in order for the measure to be ordered and what safeguards are in place to prevent abuse?:

Yes, Brazilian law establishes measures to secure evidence, such as the early production of evidence (i.e. interrogation of a party, hearing of witnesses and expert examination), search and seizure of documents and material evidence of the violation of a trade secret, as well as court orders to exhibit documents. These measures may be conveyed ex parte or inter partes through preliminary injunctions and provisional measures for the production of evidence.

Preliminary injunctions may be requested at any time and granted as long as substantive evidence is submitted, and the court is convinced of (i) likelihood of success on the merits, and (ii) the need for an urgent decision from courts to avoid irreparable harm. To grant a preliminary injunction, courts shall also balance the hardships, i.e. assess if the damage to be suffered by the defendant due to the injunction is not greater than the benefits it will provide to plaintiff.

To prevent any kind of abuse, for instance with regard to preliminary injunctions requests, trial judges may grant an injunctive relief and at the same time order the plaintiff to post a bond or a fiduciary guarantee, in case it is deemed necessary. Also, if the injunction is reversed, the plaintiff may be sentenced to indemnify the defendant of the damages it may have caused.

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?

Search and seizure measures can be used to secure evidence, but also to retrieve from the market infringing items or to prevent infringing items from entering into circulation by sealing them. Search and seizure may be effected in advance in an ex parte basis at the defendant's premises, especially when hearing the defendant is likely to frustrate the purpose of the provisional measure, which is often the case in infringement lawsuits in Brazil, since the infringers can change location very easily and usually do not keep accounting books. It may also be effected during a lawsuit and to enforce a preliminary injunction or a judgment on the violation of a trade secret.

Plaintiffs can request to the court the search and seizure in both civil and criminal complaints. In a civil complaint seizure is granted to the totality of the allegedly infringing items, as the main goal is to avoid further damages and seek compensation. In the criminal sphere there is usually a preliminary search and seizure of enough evidence to attest infringement (for instance, a few samples of infringing products, manuals, documents, computer programs and files related to its manufacture, as well as the books of the company may be sufficient). This type of preliminary court action is filed before the criminal court and is based on articles 200, 201 and 203 of Law #9,279/96 and the Code of Criminal Procedure. The search and seizure will be accompanied by two court-experts, who will then issue a report on the infringing nature of the samples. Only after the preliminary search and seizure action and only after the report confirming the trade secret infringement is issued by the expert appointed by the judge, the patent holder may file a criminal action. On another hand, such criminal lawsuit does not prevent the filing of a civil action.

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

Aspect (i) - Overlaps with restraint of trade

17) Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade?

no

If not, why?:

The Directive does not seem to violate limits for the protection of trade secrets in regard to restrictions on trade. This is because (i) adopts the definition of trade secrets established by TRIPS; (ii) is premised for acts contrary to honest commercial practices violations. Therefore, the measures against the misuse and unlawful disclosure of a trade secret should be applied in a manner that avoids the creation of barriers to legitimate trade.

18) Should different obligations of confidence / non-use apply to different employees? Why/why not?

The treatment of distinction does not seem necessary, considering the criteria adopted by the Directive. That's because not always the employee's position faithfully reflect their level of access to confidential information. It seems more appropriate that the requirements are applied without distinction, and that the analysis as to the responsibility for any violation occurs based on the case, considering the applicable access level.

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?

Yes. The Brazilian IP Law foresees in Section 206 that court proceedings involving trade secret infringement must be prosecuted under judicial secrecy. As a consequence, the parties are obligated to maintain confidentiality of any information obtained during the litigation process and are prohibited to use such knowledge for any other purposes, including after the conclusion of the proceeding.

The requirement of secrecy involving trade secret is widely supported by the Brazilian Law. The Federal Constitution and both Civil and Criminal Laws provide the need for confidentiality when dealing with the protection and disclosure of information involving trade secrets. In fact, Section 154 of the Criminal Code provides that the revelation of a trade secret by an employee is considered a criminal offense, regardless of the timing of the disclosure (before, during or after court proceedings). On the same note, Section 195, item XI of the Brazilian IP Law considers a crime of unfair competition the unauthorized disclosure, exploitation or use of trade secret information by an employee or contractually bound party.

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?

The information developed independently by the defendant can only be subject to confidentiality protection if demonstrated that such knowledge derives from access to the trade secret, regardless from being obtained before or after the court proceedings.

This is due to the fact that a trade secret is, essentially, secret information only known by a specific group of people which have a duty to maintain its confidentiality. Therefore, should the defendant prove that the information was developed without access to the trade secret, there is no confidentiality requirement.

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?

yes

If yes please answer the following sub-questions::

a) only where injunctive relief is not possible?

b) only where injunctive relief is not adequate

c) only where injunctive relief is not necessary?

d) If by default, why?

They should be available by default. Even if the injunctive relief is possible, adequate and necessary, it is not always fully effective, i.e., achieves the goal of impeding completely the divulgation, use or publication of the trade secret.

In the event that the injunctive relief is so effective as to avoid any moral or material damage to the proprietor, the Judge shall ascertain this fact in its ruling, refraining from condemning the violator in damage compensation. However, in practical terms and due to the nature of the trade secrets and the available communication systems, this seems an unlikely scenario.

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? :

It is necessary to do a careful evaluation on case-by-case basis analysis regarding the facts, circumstances and if the new employer should have known that the information disclosed infringed trade secret rights and/or if data provided by such employee was protected under a non-disclosure agreement.

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?:

If plaintiff demonstrates the respective requirements (*fumus boni iuris and periculum in mora*) to Judge grant the preliminary injunction, it should be granted "ex parte" and its decision should not be available to assure that the judicial decision will be effective, avoiding defendant to hidden or destroy the evidences.

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?

The Brazilian Industrial Property Law (206 of Law nº 9.279/96) states that plaintiff and defendant are not allowed to use this data, in the Court or out of it, for other goals, and also states that the lawsuit should flow under secret of justice. The Brazilian Software law (14, § 4º of Law n.º 9.609/98) also states similar rules for confidential data. In both situations, plaintiff and defendant are liable for the illegal use of it.

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Yes. The publicity of a violated trade secret has no territorial limits. Information made public in a country can become accessible almost instantly in the entire globe, potentially harming its status as a commercial asset. A harmonized protection system can be an effective instrument to fight the undue use and disclosure of trade secrets, thus, securing its commercial value in any part of the world.

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.

The trade secrets protection must observe the principles of free enterprise and free competition (including the requirement of good faith in the conduct of business). The combination of these principles by means of reasonableness and proportionality criteria enable the adequate evaluation of limits for the protection of trade secrets, minimizing the risk of restraint of trade.

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?

If the enforcement action to protect a trade secrets is barred as a restraint of trade which is not reasonable (in which case the use of the secret by a third party would not be prevented), it is reasonable that compensation can be calculated based on the revenue that would be due under the licensing of confidential information. In this case, the amounts due should consider greater or lesser propensity to license certain information, the effect of the loss of that competitive advantage, among other factors, as the case.

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

The assumptions listed in Article 4 (2) of Directive cover properly the cases in which the duty of confidentiality does not apply to employees. In the circumstances described in that article, employees should not be subject to confidentiality obligations.

It would also be reasonable to have confidentiality obligations to exceptions in cases where a confidential information is not used by its holder after a certain period, as in cases of permanent paralysis of activities or unlawful retention of confidential information (only with the intention to harm competition, for example).

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?

In Brazil, due to a constitutional provision (art. 5, item LX), the publicity of the case dockets is the general rule. Thus, any person can request before Court access to the case dockets and obtain copies of the documents attached thereof. When the proceedings have dockets available electronically in the court's website, access is one click away.

Having court dockets under seal is an exception, allowed only in very specific cases. The protection of trade secret is one of them, as set forth in article 206 of Brazilian IP Statute (Federal Law 9,279 of 1996), which also provides that the parties cannot use the information accessed during court proceedings for any purpose other than defend the rights being discussed in the case.

The protection of a trade secret during court proceedings must be analyzed from different perspectives. Who can have access to the case dockets, when the trade secret protection should begin and end during court proceedings, what type of information the protection comprises; absolutely necessary questions while seeking a harmonized protection system.

Regarding who can have access to the case dockets, it should be restricted to the judge and the court clerks, court experts, as well as the parties and their attorneys, who would be prevented from using the information accessed during court proceedings for any purpose other than to solve the matter being discussed in the case.

One could ask if the parties should not have access to the court dockets. In this case, only their legal representatives would have access to the confidential information revealed during court proceedings. However, in most cases, legal representatives develop their legal and factual arguments based on information received by their clients. Therefore, prohibiting lawyer and client to discuss information contained in the case dockets, even if it is a trade secret, would certainly create undesirable obstacles to the communication and information exchange indispensable for the clients' interests to be well represented before court.

The restricted access of the case dockets to the abovementioned individuals should be secure whether the dockets are accessible physical or electronically. When the only way to access the case dockets is by going to court and requesting it, the enforcement of said rule is simpler. But, when the case dockets can be accessed electronically, before the court's website for instance, one possible solution is restricting the access to only pre-authorized individuals, through a password and key system.

Also, only the abovementioned individuals would be able to attend to hearings and trial sessions, in which trade secrets would be discussed.

Regarding when the trade secret protection must begin and end during court proceedings, the case dockets should become under seal from the moment that the trade secret is revealed before court. Thus, the restricted access of the dockets should start simultaneously to the filing of the complaint (if the trade secret is being revealed by the plaintiff) or the defense (if the trade secret is being revealed by the defendant).

Moreover, the confidentiality of the dockets should be effective automatically upon simple request by one of the parties. The trial or appellate judge would later confirm the need of having the dockets under

seal, but, until the analysis is made, the confidential information would be provisionally safe from unlawful access.

Once again, this rule should apply to dockets accessible physical or electronically. If the case dockets are available physically, the court is responsible for receiving the complaint, the defense or any brief that contains confidential information, and should take all the necessary measures to avoid any access to the case dockets by third parties. If the case dockets are available electronically, the court must create mechanisms to restrict the access to the judge and its clerks and pre-authorized individuals, such as the parties and its legal representative, at the moment that the confidential information is submitted.

Also, the case dockets should remain under seal even after the end of the lawsuit, but only while the information complies with the requirements for legal protection as a trade secret. For instance, if the confidential information is legally disclosed and becomes public, the seal should be lifted upon request and the case dockets must be accessible to any interested third party.

Regarding what type of information the protection comprises, all documents in the case dockets that contain confidential information should be under seal. Therefore, briefs, motions, decisions, evidences, legal and technical opinions submitted by the parties and hearings transcripts that contain confidential information eligible to trade secret protection should have its access restricted to those abovementioned individuals.

However, as per art. 8, 2.c., of the Proposal for Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets), the court should provide non-confidential version of the decisions, in which the excerpts containing trade secrets have been removed. The access to the legal discussions contained in a court decision is a necessary measure due to the importance of case law in the formation of the correct interpretation of the law, especially when the decisions are rendered by the highest courts of a country, as the Supreme Courts.

In order to be eligible to trade secret protection, the information should comply with the requirements established in art. 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights - TRIPS, also mentioned in art. 2nd of the Proposal for Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets), which are:

- i. must be secret in the sense that it is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;*
- ii. must have commercial value; and*
- iii. must have been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.*

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?

Even if an enforcement action fails, the party that had access to the other party`s trade secret during court proceedings should be subject to the obligation of not using the other party`s trade secret for any purpose other than to the defense of their rights in that lawsuit.

This obligation should remain even after the court proceedings are terminated and while the confidential information is compliant with the requirements set forth by art. 39 of the TRIPS.

In the example given in the question, the defendant`s use of its own secret information would not be prevented from said obligation, even if the information is the same as the plaintiff`s. As part of its immaterial asset, the defendant has the ability to exploit, disclose, trade, sell and in any way use its own confidential information. However, the defendant would be prevented from mentioning or implying that this same confidential information is used or owned by the plaintiff.

Aspect (iii) - Valuation of loss

31)	Please propose the principles for quantifying damages for trade secret violations.
	<p><i>The quantification of damages for trade secret violations should take into account the following facts:</i></p> <ul style="list-style-type: none"><i>i) The commercial value of the violated trade secret before violation;</i><i>ii) The loss of the trade secret value due to violation;</i><i>iii) The loss of the proprietor's market share caused by the violation;</i><i>iv) The degree of culpability of the proprietor in the divulgence of its trade secret;</i><i>v) The loss of future profits and opportunities caused by the violation;</i><i>vi) The usual fee that would be charged by the proprietor for licensing its trade secret (for example, in a technology transfer agreement);</i><i>vii) The advantages obtained by the trade secret violator(s) through the infringement of the trade secret.</i>

32)	Should courts award moral damages?
	<p>yes</p> <p>If so, how should they be quantified?:</p> <p><i>Yes. The moral damages should be quantified by arbitration of the Judge, taking into account the following facts:</i></p> <ul style="list-style-type: none"><i>i) Whether the trade secret was divulged to the public;</i><i>ii) The degree of culpability of the proprietor in the divulgence of the trade secret;</i><i>iii) Whether the infringement has reached the knowledge of clients, partners, investors, franchisees and licensees.</i><i>iv) Whether the infringement has damaged the proprietor's reputation with clients, partners, franchisees, investors, furnishers; and/or</i><i>v) Whether the infringement has caused damage to the proprietor's general credit.</i> <p><i>The underlying principle is that the breach in secrecy and confidentiality may stain the trustfulness of the trade secret proprietor, revealing weak spots and undermining its credit and reputation in the market.</i></p>

Aspect (iv) - Proving infringement

33)	What measures to secure or preserve evidence should be available?
	<p><i>All measures should be available to secure or preserve evidences and after a preliminary injunction is granted, the Court should be agile to do the respective warrants to be executed very shortly to avoid additional damages to the owner of the trade secret.</i></p>

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

The Brazilian Law already states that plaintiff (or defendant) is NOT allowed to use trade secret for other goals and the lawsuit has to flow under secret of justice.

Summary

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

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