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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	Indonesia
Contributors name(s)	Cita CITRAWINDA and Cita CITRAWINDA
e-Mail contact	cita_p@ccpassociates.com
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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.:

Trade Secret protection in Indonesia is not viewed as a form of restraint of trade. Trade Secret in our country is included in IP Rights.

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?

Our law does not distinguish general skills or knowledge acquired during the course of employment, confidential information and trade secrets.

Trade secret is protected under Law Number 30 Year 2000 Regarding Trade Secret. Trade secret is information in the field of technology and/or business that is not known by the public and has economic value as it is useful in business activities, and the confidentiality of which is maintained by its owner."

Confidential information outside of trade secret is protected under Criminal Code. Article 322 and Article 323 Criminal Code prohibits the disclosure of confidential information. The elucidation of Article 322 Criminal Code defines confidential information as something that only can be known by the parties concerned.

Pursuant to the Article 1 para. 1 of Indonesia Trade Secret Law : "*Trade Secrets is information in the field of technology and/or business that is not known by the public and has economic value as it is useful in business activities, and the confidentiality of which is maintained by its owner.*"

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 employees are under a duty of confidence if such duty is set out in their contract of employment and/or stipulated by law.

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?

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?:

The workers may use the knowledge acquired in the course of earlier employment in their new employment unless it is agreed otherwise. There are common general knowledge, confidential information and 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?:

Yes. Certain employees are subject to a higher obligation of confidentiality/non-use (e.g. Bank employees, directors, etc.). The rationale for distinction between employees because of the position, authority, line of information and trust.

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 is not any exact measures or provisions available to preserve the secrecy of trade secrets during court proceeding. The mechanism to preserve such secret depends on the policy of the judges.

According to Article 18 Law Number 30 Year 2000, a judge may order that the hearing be conducted in private/closed for public upon a request from the parties in criminal cases or in civil cases.

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;

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

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

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

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 must submit sufficient evidence to convince the court that the information merits protection.

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?

There is not any law for the court to restrict the use of the secret information after the trial proceeding. It could be asked by the claimant in its lawsuit to the Court to restrict the defendant use the information that is protected under trade secret which they gained during the proceedings. Besides that, any conduct by the party that without rights use the information which is protected under trade secret (although they gained from proceedings) can be considered as infringement on trade secret

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?

Damages are available as remedy for trade secret violation. There is not any explicit regulation regarding the amount of damages which can be requested to the infringers. Nevertheless based on under practice, such damages are counted from the financial lost suffered by the trade secret owner due to the spreading of infringed products added with other reasonable compensation.

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?

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?

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?

That the information is secret, kept confidential and useful for trade.

First, the information must in the field of technology and/or business that is not known by the public and has economic value as it is useful in business activities, and the confidentiality of which is maintained by its owner. Second, there is other party that discloses the trade secret or breaks the agreement or breaks the obligation either written or not to maintain the confidentiality of the relevant trade secret or obtains/possesses the trade secret in a manner that is contrary to the prevailing laws and regulations or deliberately and without rights use the trade secret of another party.

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 connection between the defendant and the secret, etc.

Trade secret violation and breach of confidence are different types of violation. The difference is stated in answer number 2.

For trade secret violation, the additional elements that must be proved are:

- the disclosure of the trade secret or the use of the trade secret is not based on the interest for the security and defense, health, or safety of the public;
- the reverse engineering of a product that is produced from the use of the trade secret of another person is not solely conducted for the interest of making further development of relevant products;

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? :

The constructive knowledge of a trade secret by an ex-employee or a new employer can be imputed, in the circumstances of food recipe in the field of trade secret.

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?

yes

If yes, what is this threshold?:

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, our law provide a seizures as the methods for securing evidence. Based on the Article 38 of the Law of Criminal procedure, seizure may only be carried out by an investigator with warrant from the head of the local district court. Yes, our law provides a seizures as the methods for securing evidence. Based on the Article 38 of The Law of Criminal procedure, seizure may only be carried out by an investigator with warrant from the head of the local district court.

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?
	The seizure can be used for securing the evidence so that the defendant can not destroy the evidence and it also used for keeping the confidentiality of its evidence.

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?
	yes If so, what limits? : The limitation, such as limitation of substantiation of Confidentially Agreement, should be placed on the protection of trade secrets to avoid unlawful restraints on trade

18)	Should different obligations of confidence / non-use apply to different employees? Why/why not?
	The different obligations of confidence or non-use should not be applied to different employees because each employee has the same right to be threatened in the employment (equality before the law).

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?
	The defendant should be required to not use the trade secret after the proceedings because the secrecy of the trade secret is lost and causes the financial and material cost loss of the owner of trade secret.

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 obligation of confidentiality for the defendant developed independently during the trade secret proceedings because if the developing independently prior or after the trade secret proceeding, the confidentiality of its trade secret would be lost.

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?
	no If not please comment.:

b)	only where injunctive relief is not adequate
	no If not please comment.:

c)	only where injunctive relief is not necessary?
	no If not please comment.:

d)	If by default, why?
	The damages as a remedy be available by default and/or where injunctive relief is adequate.

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 should be imputed as long as the business of their new employer has the same business with their old employer.

23)	Availability of pre-action evidence orders and seizure orders.
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a)	Should pre-action evidence preservation orders be available?
	no If not please comment.:
	The pre-action evidence preservation order and seizure orders should be available. However there are not chance for the ex parte because in principle, every lawsuit that consist a conflict between

two party or more must give same chance to all parties to defend themselves.

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?

If the Claimant learns of new trade secret of the defendant during the course of a seizure, this matter can be classified as infringement of trade secret.

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

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.

Based on the Article 1 para. 15 of Indonesian Labor Law, it is stated that: "*employment relationship is the relationship between employers and workers or laborers working under the agreement, which has elements of employment, wages, and command*". It means that keeping trade secrets is the obligation of the employee. Therefore, the enforcement action should not fail because it is not restraints 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?

The relief that should be given by the court is presenting an expert witness to the trial to give the clear information whether or not the enforcement action is barred as a restraint of trade.

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

In the litigation circumstance, such as the evidence in the court proceeding, the employee is released from the duty to secrecy of the trade secret by the employee's request and based on the decision of the judge to release or not.

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?

Protection for the trade secret can be given to the authorize party to keep secrecy of trade secret during the court proceeding.

Protection namely the hearing is closed for public, all evidence and the court file should be considered as confidential information should be given in the court proceeding of trade 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?

If the defendant had independently developed the secret information and did not misappropriate it, the enforcement action should cease to apply.

Aspect (iii) - Valuation of loss

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

Based on the Jurisprudence of the Supreme Court of Republic Indonesia, the claim for compensation of trade secret violations must be clearly specified, if the compensation lawsuit is not clearly specified, the lawsuit would be rejected in whole or otherwise not received. There must be a valuation about the value of the trade secret from the expert to quantifying damages.

32) Should courts award moral damages?

no

Aspect (iv) - Proving infringement

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

Economical evidence or the evidence that can be measured by money or the evidence that related with confidential of its trade secret.

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

The restrictions that should be applied to the use of seized evidence by the claimant is the claimant should not use the new trade secret owned by the defendant.

Summary

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