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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

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| National/Regional Group | Mexico |
| Contributors name(s) | Fernando BECERRIL, Hector CHAGOYA, Laura COLLADA, Jorge GOMEZ, Octavio ESPEJO, Eryck CASTILLO and Daniel SANCHEZ |
| e-Mail contact | fbecerril@bcb.com.mx |
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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.:
- The Mexican Industrial Property Law (IPL) regulates the Trade Secrets and it does not provide any effect in commerce in virtue of its existence but only obligations for those who have access to it. In other words a trade secret does not grant a monopoly to the holder in virtue of its existence. Further, the Mexican Federal Criminal Code (FCC) classifies as crime the disclosure of trade secrets but it does not have to do with any trade effect. A person knowing a trade secret of another person is restricted to use such information.
- However, sharing trade secrets and licensing of trade secrets may constitute anticompetitive behavior in terms of the Competition Law under specific circumstances depending on the nature of the confidential information and its effect in commerce.
- a) If so, under what circumstances and under which legal regimes (e.g. competition law)?

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| 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? |
| <p>The Mexican legal system establishes protection for some, though not all, information.</p> <p>General skills or knowledge acquired during the course of employment:</p> <p>As to the “general skills or knowledge acquired during the course of employment”, even though they are not expressly provided in our legislation, our Federal Labour Law states forth the employers’ obligation to provide their employees with the required “training” in order to let them have access to a better quality of life. Moreover, the purpose of such “training” is to update and develop the employees’ skills, so they can use/apply new technologies in order to increase the productivity in their companies (Article 153-C of the Federal Labour Law), so those skills or knowledge may be understood to be acquired during the course of employment. However, this is not what defines the confidential or trade secret nature of the knowledge or information in possession of an employee, which may be or not confidential or trade secret, as explained below.</p> <p>Confidential information:</p> <p>Any information that is accessible to a person under a restriction for its disclosure. Different statutes may provide that certain information is confidential by law and that other information cannot be confidential also by law. Therefore, for a determined piece of information, applicable law should be analyzed in order to determine if it is confidential by law, if it may be confidential by agreement or if it cannot be confidential.</p> <p>Trade Secret:</p> <p>The Industrial Property Law (IPL) includes Title Third, on Trade Secrets (Art. 82-86 Bis 1), including its definition, certain rules related to them and the right to transfer the same. The law defines that any information susceptible of industrial or commercial application that a natural person or legal entity keeps as confidential that is associated with securing or retaining a competitive or economic advantage over third parties in the conduct of economic activities, and regarding which such person or entity has adopted sufficient means or systems for preserving confidentiality and restricting access, shall be considered a trade secret. (Art. 82)</p> <p>Further, the IPL states that the information constituting a trade secret shall necessarily relate to the nature, characteristics or purposes of products, to production methods or processes or to ways or means of distributing or commercialization of products or rendering services.</p> <p>It is not considered a trade secret, the information that is public, evident to a person skilled in the art on the basis of previously available information, or information that must be disclosed by virtue of a legal provision or by judicial order.</p> <p>Under Mexican law, information subject matter of a trade secret, must be fixed on a tangible media; on the contrary and even if such information provides to its proprietor certain competitive edge over its competitors, the same should be considered as confidential information, rather than as a trade secret.</p> | |

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| 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 have the duty to keep the confidentiality of the secrets related to technical and commercial issues as well as those related to the fabrication of the products to which they have direct or indirect contact (Article 134, item XIII of the Federal Labour Law).

Regarding express confidentiality clauses, yes, it will always be advisable to set out clauses referring to the reach of protection of both, confidential information and trade secrets. Note that the fact that the information is confidential is part of the definition of a trade secret, but not all confidential information is a trade secret.

Confidentiality clauses determine what information shall be understood as confidential and the consequences of a possible disclosure. By means of such kind of clauses, the trade secret's owner may have access to more effective tools to enforce its rights.

In agreements under which know-how, technical assistance and basic or detailed engineering are provided, confidentiality clauses should be included to protect any trade secrets that may form part of such services, and said clauses should specify the aspects to be treated 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 Mexican law does not explicitly determine for how long the duty of confidence will last after the end of the employment.

Thus, the employee has the obligation to maintain such trade secrets in secrecy only during its contract, unless there is a contrary provision for an indefinite time, or unless such information becomes of public knowledge through no fault on behalf of the employee, or based on a court order, ordering its disclosure, although in this case the court or authority accessing the information may keep confidentiality obligations.

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?:

No express prohibition is provided. Thus, workers may use knowledge acquired in the course of their earlier employment in their new employment, unless such use constitutes the illegal disclosure of a given trade secret or the use of confidential information of which the employee was warned. Mexican law, in fact, provides that a third party that hires a former employee of a trade secret holder may be liable for damages (Art. 86, IPL)

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?

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;

Yes, the Court may restrict the access to hearings if a trade secret would be disclosed during such procedure.

In this regard the Article 86 bis 1 states:

“Article 86 bis.1. Where one of the parties involved in any judicial or administrative proceeding is required to reveal a trade secret, the authority hearing the proceeding shall take the necessary measures to prevent its disclosure to third parties having no connection with the dispute.

No interested party may, in any event, reveal or make use of the trade secret referred to in the previous paragraph.”

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

Yes, in some certain cases, the disclosure of the evidence is only allowed to the opponent’s representatives.

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

Yes, only in some certain cases this kind of measures has been implemented.

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

Yes, the publication of non-confidential versions of complete rulings has been implemented by our Courts some years ago.

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 should require the Court to treat the information as a secret as possible when submitting evidence or information deemed as “confidential” or constituting a trade secret. Further, it is required to clearly state this and the reasons that support such statement, as there is a generalized criteria concerning what is considered confidential information and what is not.

As to the rulings, they are published by default.

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?

Under Mexican law, while the Court and/or Administrative Authority is obliged to exert and provide all applicable measures to ensure the confidentiality of the information entrusted in order to and protect the owner from its misuse, in the practice there is no further restriction or prohibition other than not allowing the other party to access such information, even during the procedure.

If the confidential information is “leaked” and used, the only restraint would be the liability derived from

that unauthorized use, as it would be deemed as a cause for claiming damages or indemnification derived from such use, and it would be relatively easy to credit the origin of the information.

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?
 There would have to be a direct causal relationship between the publication and the loss of economic value, depending on the available evidence. The dilution of the value after publication may be actually one of the damages caused and claimed, amongst other damages falling into the definition of damage of the Mexican Civil Code.

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?
 Under Mexican Law and practice (Articles 2108, 2109 and 2110 of the Federal Civil Code) the concept of “damages” is defined as the reduction or decrease in the patrimony or assets of any individual or corporation that is direct result of the actions and/or omissions of another party, and the concept “losses” is also defined as the inability to receive a lawful earning or profit, that an individual or company was both entitled and reasonably expecting to receive or obtain, as a consequence of the actions or omissions of another party. Thus, there is the need to fully credit the causality of the actions and the consequences that are the basis of the damages action, which in most cases exclude considerations of “unjust enrichment” and license/royalty issues in order to claim damages.
 Furthermore, MIPL establishes general guidelines concerning the quantification of such damages as per article 221 bis of such law, as follows:
 “Article 221 bis. Compensation for material damages or indemnification for damages and harm due to violation of the rights conferred by this Law shall in no case be less than 40 per cent of the public sale price of each product or the price of the rendering of services where infringement of any one or more of the industrial property rights provided for in this Law is involved.”
 Therefore, the IPL grants the right to the trade secret owner to pursue at least the equivalent of 40% of the public sales price of each of the products that were a result of the violation of such secret; in this regard it is important to bear in mind that only if the owner obtains a firm and definitive resolution declaring violation of the trade/industrial secret, such resolution may serve as the basis of a Civil Claim in which the plaintiff (trade secret owner) may request, at least, 40% of the sales price of each product manufactured as a result if the infringement declared.

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 prejudice is defined as the affectation that a person suffers in its feelings, emotions, beliefs,

propriety, honor, reputation, private life, configuration and physical appearance, or in the consideration of itself with others.

The compensation for moral prejudice would be determined according to Article 1916 of the Federal Civil Code, taking into consideration:

(i) the expenses incurred in respect to the violation; (ii) the expenses to be incurred; (iii) the degree of responsibility; and (iv) the economic situation of the injured party.

Further, according to the Supreme Court criteria, it should be considered:

Regarding to the injured party: (i) the qualitative aspect of the prejudice, which should be demonstrated: a. the infringed right, b. the existence of the damage and level thereof. (ii) the patrimonial aspect derived from the moral damage: a. the expenses already paid and b. expenses to be paid.

Regarding the infringer of the right:

(i) the degree of responsibility, (ii) the economic situation.

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

The compensation for moral prejudice would be determined according to Article 1916 of the Federal Civil Code, taking into consideration:

(i) the expenses incurred in respect to the violation; (ii) the expenses to be incurred; (iii) the degree of responsibility; and (iv) the economic situation of the injured party.

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Regarding the infringer of the right:

(i) the degree of responsibility, (ii) the economic situation.

Aspect (iv) - Proving infringement

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

According to Article 223 sections IV, V and VI of IPL, there are several causes foreseen in law considered as a violation of trade secret, as follows:

“Article 223. The following shall constitute offenses:

...

IV. revealing to a third party a trade secret that was known by virtue of employment, position, responsibility, the practice of a profession or business relations, or as a result of the grant of a license for its use, without the consent of the person keeping the trade secret, having been advised of its

confidentiality, for the purpose of procuring an economic benefit for oneself or for the third party, or for the purpose of doing harm to the person keeping the secret;

V. appropriating a trade secret without the right to do so and without the consent of the person who keeps it or its authorized user, in order to use it or reveal it to a third party for the purpose of procuring an economic benefit for oneself or for the third party, or for the purpose of doing harm to the person keeping the trade secret or to the authorized user thereof; and

VI. using information constituting a trade secret that is known by virtue of employment, responsibility or position, the practice of a profession or business relations, without the consent of the person keeping it or the authorized user thereof, or that has been revealed to one by a third party, in the knowledge that said third party was so acting without the consent of the person keeping the trade secret or the authorized user thereof, for the purpose of procuring an economic benefit or doing harm to the person keeping the trade secret or the authorized user thereof...”

Summarizing, the IPL provide for the elements of proof for violation of a trade secret, which may be reduced to revealing, using or obtaining the trade secret:

1. without consent
2. in spite of have been warned of the confidential nature.
3. with the purpose of obtaining an economic benefit or of damaging the holder

In consequence, there are several conditions that have to be credited in order to demonstrate the existence of a violation of a trade secret, namely i)the existence of such secret ii)the obligation to keep it as such (as a secret) that was duly informed to the perpetrator iii)its unauthorized use, disclosure and/or publication and iv) a material result that is a direct consequence of such illegal conduct.

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?

Under Mexican Law, a “breach of confidence” is whatever action or omission that a person or entity commits by acting against the interests of the person or entity that entrusted the former by means of a commercial and/or employment relationship. This is much broader than the violation of a trade secret, as it implies many actions or omissions that can include disloyal conduct, negligence, etc., whereas violation of a trade secret is a criminal offense that requires (as seen in the previous question) several aspects to be met and credited in order to prove its existence.

In brief, in order to prove a trade secret violation, the existence of the trade secret must be proven first (according to the requirements of the law described above) and then prove that the trade secret was revealed, used or obtained:

1. without consent
2. in spite of have been warned of the confidential nature.
3. with the purpose of obtaining an economic benefit or of damaging the holder.

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? :

Regarding the new employer, the IPL states in its Article 86

“Any natural person or legal entity engaging either a worker who is working or has worked for, or a professional, adviser or consultant who is rendering or has rendered his services on behalf of another person or entity with a view to obtaining trade secrets from the latter, shall be liable for payment of damages for any prejudice caused to that person or entity.”

Considering that the use of the trade secret:

1. without consent
2. in spite of have been warned of the confidential nature.
3. with the purpose of obtaining an economic benefit or of damaging the holder

If considered a breach and a crime, constructive knowledge can be considered a way of using the trade secret and may be imputed.

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?:

It is not provided for as understood under common law systems. Under Mexican Civil Procedural Law, there is a legal institution similar to discovery “medios preparatorios a juicio”, but is limited to certain specific aspects and only applicable to the parties involved (defendant). In addition to this, it is important to bear in mind that violations to trade/industrial secrets are enforced/prosecuted mainly as a criminal offense, and criminal procedure does not foresee any “discovery” or similar institutions to gather evidence, relying instead in the investigation work (“averiguacion previa”) done by the prosecutor immediately after a formal complaint (“querella”) is filed.

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?

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?:

Our law does not provide specific measures to maintain the confidentiality of a given trade secret; such measures have to be adapted to the nature of the information in interest.

As trade/industrial secret violation is considered a criminal offense, once the formal complaint before the General Prosecutor’s Office (PGR) is filed and the preliminary investigation is initiated, the agent-in-charge has to physically attest the existence of the evidence leading to the alleged violation, thus such agent can request a Federal Judge a Search & Seize Warrant (such order can also include or exclude detention powers) in order to gather evidence and, if granted, agent-in-charge will carry out such warrant with the help (he/she will be legally in command of) Federal and/or Local Police while the raid/seizure takes place.

After the Warrant is carried out and depending on the outcome of the operative in which said Warrant was carried out, the seized objects and documents (could also include apprehended people) are also presented before a Judge, that in turn has to decide on whether to issue a Formal Imprisonment order

(similar to an indictment) for the detainees and any special method to secure the evidence and the confidentially thereof.

Nevertheless, the Mexican Institute of Industrial Property is entitled to perform certain actions related to all rights regulated by the Industrial Property Law, which means that this includes trade secrets.

Therefore, Under Art. 203, "In order to verify compliance with the provisions of the Law and other legal mandates derived therefrom, the Institute shall perform the inspection and surveillance according to the following procedures:

I.- Requirement of reports and data.

II.- Visits of Inspection.

Article 211 expressly mentions that, if during the course of a visit of inspection it is evidently confirmed the performance of acts or facts provided for in articles 213 and 223 (which includes trade secrets violation), there are measures that can be taken.

Although such provisions are not often used for trade secrets, they are expressly applicable in virtue of the general scope of the provisions and the express mention to Art. 223 related to violation of trade secrets.

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?

As described in the previous answer, the seizure could be requested and, if granted, it could serve for both gathering evidence and prevent items that are a product of the violation to enter circulation.

Under Art. 211 and Art. 212 Bis related thereto, the Mexican Institute of Industrial Property through its inspectors may secure equipment, instruments, machinery, devices, designs, specifications, layouts, manuals, molds, plaques and any other means used to perform the criminal acts.

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 protection of trade secrets should be limited to the Constitutional rights of the trade secret holder.

Further, it is concluded that the protection of trade secrets should not be considered as a restraint of trade, but rather as a way to permit fair competition and avoid violation of information that represents an economic or competitive advantage for the owner over its competitors.

Nevertheless, as provided in the competition law, to the transactions or communication of trade secrets between competitors, which may be a restraint on trade depending on the nature of the information and the circumstances around such transaction or information exchange.

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

Yes, the strictness and sanctions of the confidentiality clause should depend on the type of access each employee has to the relevant information.

Therefore, if the employee has more access to the information than others, the terms and conditions of his/her confidentiality clause should be harsher.

However, such differentiation of the obligations should be determined by the employer and not by law or statutory provisions.

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?

It would be very difficult for a defendant to gain access to the information protected by a trade/industrial secret as the authority/court has the legal obligation to exert and provide all applicable measures to ensure the confidentiality of the information entrusted in order to and protect the owner from its misuse, and if the defendant gets to know such information by any means, such knowledge would carry the obligation to refrain from disclosing, publishing and/or using it.

Furthermore, if the suit was unsuccessful it means that its operations were performed legally without accessing the trade secret, and therefore, it should not be necessary for such defendant to use the trade secret

Nevertheless, if the information on the trade secret becomes public by other means, the defendant would be in position to use the trade secret after proceedings.

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 that has been independently developed by the defendant (or any other person), should not be under the confidentiality obligations, unless agreed otherwise by both parties.

Further, the trade secret remains so until it is published with the liability that this would represent for the person/entity who publishes the information.

As mentioned before, if the suit was unsuccessful, it means that its operations were performed legally without accessing the trade secret, which may include in fact that the information was developed independently of the plaintiff.

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

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| 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? |
| <p>Damages should be available by default in order that trade secret owners can be granted with expeditious legal tools to act against the illegal disclosure of their confidential information.</p> <p>Regardless of any injunctive relief, if the compliance of the conditions that make confidential information constitutes a trade secret is enough to consider that competitiveness of the company has been undermined and therefore, damages should be available by default.</p> <p>It is important to mention that according to the Mexican law, restitution of damages is an integral part of the sentence issued by a Criminal Federal Judge condemning a defendant, which adds to the fact such sentence could serve as the basis on which a trade secret owner can also initiate a Civil claim asking damages & losses (which is independent of the damages restitution that could be ordered in the Criminal sentence),</p> <p>Thus, it is considered that it should be open the possibility that trade secret infringement could be prosecuted via an administrative action similar to what happens in trademark or patent infringements and not only via a criminal complaint as it is now.</p> |

Aspect (iv) - Proving infringement

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| 22) Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer? |
| no |
| If no, why not?: |
| <p>The nature of trade secrets, in particular in systems where trade secrets are enforced through criminal actions, is very difficult to prove in terms of traditional elements of conviction.</p> <p>Particularly, a Criminal Judge will typically request to prove the “act” by which the former employee revealed to the new employer, used in favor of the new employer or obtained without consent the trade secret in order to benefit from it. Constructive knowledge implies that the trade secret will be implemented and transferred to the new employer in the course of the regular work of the former employee of the trade secret holder, and that therefore, such transfer, use or disclosure is performed gradually and not in a single “act” that occurred in a determined time.</p> <p>Other elements of the effect of such constructive knowledge must be present, though, in order to avoid abuses. Such elements include a dilution of a competitive advantage between the competitors or the like.</p> <p>Furthermore, under current legislation there is no explicit limit of the liability on a new employer due to the actions of a former employee disclosing and/or using the secret in its favor, the new employee could also be facing civil liability if it is proven that the new employer had previous knowledge of the illicit actions, although this liability would be very limited and would certainly not enough to pursue a criminal</p> |

action (the new employer would not have the actual obligation of avoiding any use or disclosure thus would not be criminally responsible), thus maybe an amendment in this sense would help to discourage new employers to benefit from ill-obtained information, thus providing better protection to trade/industrial secret owners.

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?:

Yes, but unlike the case of Mexico, such actions and seizure orders should be applied by the same authority that will decide about the violation of the trade secret under specific rules unique to trade secrets.

In accordance to the Mexican IP enforcement system, we would consider that a favorable change includes not only the availability of administrative trade secret infringements, but also the availability of provisional measures which are currently available for trademark, patent and copyright owners and the only meaningful requisite would be the determination of the amount of the guarantee that the plaintiff should post before the authority in order to guarantee the rights of the defendant.

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

yes

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

Yes, but unlike the case of Mexico, such actions and seizure orders should be applied by the same authority that will decide about the violation of the trade secret under specific rules unique to trade secrets.

In accordance to the Mexican IP enforcement system, we would consider that a favorable change includes not only the availability of administrative trade secret infringements, but also the availability of provisional measures which are currently available for trademark, patent and copyright owners and the only meaningful requisite would be the determination of the amount of the guarantee that the plaintiff should post before the authority in order to guarantee the rights of the defendant.

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

The measures shall not be available only to maintain the confidentiality of the disputed trade secret, but also other trade secrets that may come up during the trial. If such is the case, the injured party shall let the Court know about such situation and request the applicable measures in order to guarantee the confidentiality of the new trade secret.

If this occurs and the claimant misuses the information learned during the course of a seizure, the defendant may initiate a new proceeding.

Otherwise actions will be used as a tool to obtain "lawfully" trade secrets from competitors.

III. Proposals for harmonisation

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| 25) | Is harmonisation in this area desirable? |
| | Yes |

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

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| 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. |
| | <p>The actions “per se” should not fail never if in the end the violation of the trade secret is proven, although the measures and punishment related thereto should respect basic constitutional rights of persons, in particular of employees.</p> <p>Certain measures such as injunctions or seizures may be restricted if the competent authority on Competition Law determines that such measures will have an effect in competition or will greatly affect the market, but in the end, as trade secrets do not provide exclusivity rights, the enforcement actions in the end should include proper damages to the holder of the trade secret, including, if that is the case, the damage caused by the dilution of the competitive advantage that the trade secret constituted</p> <p>In addition, circumstances in which an employer obliges its employees to renounce temporarily or permanently to a determined profession, industry or business activity should be considered as a restraint of trade and avoided.</p> |

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| 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? |
| | <p>Courts should judge regarding the payment of losses and damages. Trade secret enforcement actions should not be considered a restraint of trade per se and should not be barred absolutely. If injunctions or measures are barred within a procedure, the economic effect against the trade secret holder should be measured and taken into account in the determination of the damages if the holder of the trade secret in the end succeeds and proves the violation of the trade secret.</p> <p>Further, if the trade secret violation has occurred in view of the knowledge of a ex-employee with a new employer, the Court should open the possibility for the ex-employee to keep working with his/her new employer, under the condition of not disclosing any information related to the trade secret, having proper regard of the maintenance of the competitive advantage of the former employer over the new employer.</p> |

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| 28) | Should employees subject to a stricter obligation of confidentiality be released from that duty in certain circumstances? If so, in what circumstances? |
| | If it becomes public under no fault of the former employee and only under judicial order but provided that the measures to prevent violation of the trade secret are taken. |

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?

We deem that the protection of trade secrets shall rely on the Judge. The measures to be implemented should be adapted according to the nature of the relevant information.

Nowadays, such information is saved in different and complex electronic devices. Therefore, the parties should have the responsibility to provide the Court with the proper elements/devices to guarantee the secrecy of the disputed trade secret during the proceedings.

In any case, the judge must ensure that one party does not use the trade secrets of the other party and, as much as practicable, that one party does not have access to the confidential information of the other.

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?

As it may be understood to be convenient for both parties, both of them shall undertake to guarantee the secrecy of each other's confidential information.

Therefore, the same measures already available would apply between them and for third parties, i.e. if the person that has accessed / known the trade secret is made aware of its confidential character, the obligation to refrain from using and/or disclosing are still valid.

All confidentiality and non-use obligations should continue to apply because the trade secret was not necessary for the operations of the defendant.

Aspect (iii) - Valuation of loss

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

The principles to be taken into consideration should be the following:

- The economic value of the trade secret.
- The losses caused by the disclosure of the trade secret and the future losses.
- The inherent complexity to replicate the trade secret.
- The incurred costs in connection with the measures/systems implemented by the owner to guarantee the confidentiality of its trade secret.
- The profit of the infringer resulting from the misappropriation of the trade secret.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

Moral damages shall be awarded. The quantified damages as well as the way in which such violation affects the reputation of the injured party shall be the elements to be taken into consideration when quantifying the moral damages.

The principles to be considered should be:

Regarding to the injured party: (i) the qualitative aspect of the prejudice, which should be demonstrated: a. the infringed right, b. the existence of the damage and level thereof. (ii) the patrimonial aspect derived from the moral damage: a. the expenses already paid and b. expenses to be paid. Both considering the change in the market value of the company if it is publicly trading and the loss of the competitive advantage that the trade secret provided.

Regarding the infringer of the right:

(i) the degree of responsibility, (ii) the economic situation.

Aspect (iv) - Proving infringement

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

In our opinion, procedures should be more flexible and/or broaden the means or causes by which a plaintiff may request apportioning evidence, either directly between the parties involved in these procedures or to the court or authority before such procedure is being tried, with stiffer penalties to avoid destruction or concealment of evidence and expedited procedures to obtain it.

Further, any other measure that, according to the nature of the information, has the purpose to guarantee the confidentiality of the trade secret considering the existence of new technologies. In this regard, such measures could be limited access to information by the parties and orders to avoid the use of determined knowledge that is qualified as a trade secret.

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

The restrictions to be applied, among others, should be the following:

- That only their legal representatives shall have access to relevant information for a limited period of time. i.e. limited access to information by the parties
- That information can be only reviewed in the Court.
- That legal representatives are not allowed to use the disclosed information for other purposes than those expressly provided by the Court.
- Orders not to use determined knowledge that is qualified as a trade secret.

All the above considering stiffer penalties, more available means to enforce such protection.

Summary

The Mexican group considers that the harmonization regarding the basic rules for protecting Trade Secrets is desired. Regarding the four aspects to be studied in the Q247, first it has been stated that the Industrial Property Law (IPL) that regulates the trade secrets in Mexico does not provide any effect in commerce in virtue of its existence but only obligations for those who have access to it. Moreover, it has been concluded that the protection for trade secrets during Court proceedings shall rely on the Judge in such way that the measures to be implemented should be adapted according to the nature of the relevant information. Further, the economic value of the trade secret to calculate the damage is related to i) the losses caused by the disclosure of the trade secret and the future losses, ii) the inherent

complexity to replicate the trade secret, iii) the incurred costs in connection with the measures/systems implemented by the owner to guarantee the confidentiality of its trade secret, and iv) the profit of the infringer resulting from the misappropriation of the trade secret. Moral damages shall be also awarded. Finally, in order to prove a trade secret violation, the existence of the trade secret must be proven first and then prove that the trade secret was revealed, used or obtained i) without consent, ii) in spite of have been warned of the confidential nature and/or iii) with the purpose of obtaining an economic benefit or of damaging the holder.

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

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