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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)?

no  
If not please comment.:

Trade secrets are specific subject matter. The regulation of trade secret is provided in the Civil Code of the Russian Federation. They embrace any confidential information of any nature (related to manufacture, technology, economics, organization, etc.) unknown to third persons. They are not viewed as a form of restraint of trade.

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?

Relevant Russian legislation protects confidential information which may be acquired inter alia during employment. This may also concern skills acquired by the employee in the course of employment. The law does elaborate on the source of the knowledge acquired or imparted to the employee.

Any confidential information becomes a trade secret or know-how if the employer introduced a special

regime of protection and took a number of measures prescribed by law to safeguard confidential information from disclosure.

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 employee must keep the confidential information secret within the whole period of secrecy even after expiration of a labor contract. The duty of non-disclosure may be also set out in the employment agreement, or, in an addendum thereto or in a separate agreement.

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 employee must refrain from disclosure of confidential information regardless of whether such provision is stipulated in the labor contract. If the employer has not introduced a special regime for information it should not be considered as a commercial secret and in this case the employee would have a possibility to use the same. There is no distinction between the types of knowledge they can use.

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;  
  
Russian statutes do **not** contain provisions limiting submission of evidence. A party in the conflict may ask the court to oblige the other party to submit evidence containing confidential information if this is really required for examination of the case. The court may agree or decline such motion. If the party is forced to submit confidential evidence it shall have the right to ask the court for consideration of the case in a closed hearing. The court will also restrict attendance at the hearing to the participating parties. In this case the judge and the parties will have an access to such information only. The disclosure of such information would entail a liability.

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

See above.

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

Though court hearings per se are open to the public only parties in the conflict may have access to the documents on court file. However, each party may ask the court to consider the case in closed hearings due to certain reasons (e.g. in case commercial information can be disclosed).

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

Russian statutes do not have provisions addressing the redaction of court judgments or decisions. Similarly Russian courts do not have explicit or formal rules that enunciate the basis or conditions for such censorship restrictions. However, in case of consideration of the case in closed hearings the full text of the judgment shall not be available to public.

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 holder of such information must provide the Court with sufficient evidence to confirm that information is duly protected and the holder has taken necessary steps to introduce a special regime for commercial information.

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

The party which obtained access to confidential information during the court hearings must keep confidentiality 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?

A person having access to confidential information should normally be bound by a labor agreement or otherwise. The agreement shall provide for the measures agreed upon by the parties for the disclosure of confidential information. If confidential information has been e.g. stolen general provisions for restoration of damage shall apply.

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

The amount of damages shall be proved by the owner of confidential information. Allowance for lost profits is also possible as well as a reasonable royalty fee approach.

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” or rather moral rights may be subject to monetary compensation if they can be linked to the loss of confidential information.

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?

It is necessary to prove the fact that confidential information has been disclosed and that it was disclosed by a particular person.

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 law does not specify what additional elements should be proved. The plaintiff may provide any evidence that he is able to collect.

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 bearer of the trade secret is bound by the provisions of the contract with his former employer. If the contract contained post-employment provisions the guilt of disclosure may be imputed to him.

13) Does your jurisdiction provide for discovery?

no

14) Does the burden of proof switch to the defendant if the applicant is able to demonstrate, to a certain level of probability, that there has been a violation?

no

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

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?:

The law does not limit methods whereby evidence can be secured. A party may provide evidence itself or ask the court to oblige the other party to provide evidence not publicly available. Seizure is also available.

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?  
  
Seizure may be sanctioned by court in order not to allow the party to conceal evidence and prevent the items from entering the market.

**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?:  
  
No limits shall be placed on the protection of trade secrets because trade secrets do not impose unlawful restraints on trade.

18) Should different obligations of confidence / non-use apply to different employees? Why/why not?  
  
Assuming that the scope and importance of the trade secret is the same, same obligations should be imposed on all employees. If confidential information is disclosed by no matter which employee the damage will be the same.

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?  
  
If the defendant is sued and is found not violating a particular trade secret that means that there was no trade secret in the information he disclosed. Consequently there will be no obligation for him not to use that information.

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?  
  
If the contract of the employee does not encompass information developed by the employee during his employment or after that, the employee will be able to use that independently developed information at his discretion.

Aspect (iii) - Valuation of loss

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|-----|--|
| 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 |
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|    |  |
|----|--|
| c) | only where injunctive relief is not necessary? |
|----|--|

|    |   |
|----|---|
| d) | If by default, why?   |
|    | Damages are available regardless of injunctive relief. Injunctive relief can make it easier to prove the amount of damages. |

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?:   |
|     | Constructive knowledge of a trade secret by an ex-employee cannot be imputed to the new employer. However, if the trade secret has not become publicly known the court may impose an obligation for the new employer to keep confidential information secret and forbid the use of the trade secret. |

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|-----|--|
| 23) | Availability of pre-action evidence orders and seizure orders. |
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|----|--|
| 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?:             |
|    | Pre-action evidence preservation and seizure orders are available within the framework of injunctive measures. |

|    |   |
|----|---|
| b) | Should pre-action evidence seizure orders be available? |
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|-----|--|
| 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 secrets during seizure the court may oblige the claimant to keep the newly obtained information secret and not use it. |

**III. Proposals for harmonisation**

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| 25) | Is harmonisation in this area desirable? |
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The Russian law is coherent in the field of trade secrets. Harmonization could be possible if it does not weaken protection of trade secrets in Russia.

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.

None.

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?

We do not see the possibility of barring an enforcement action because of 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?

The obligation of confidentiality shall be set forth in the labor or other contract. The bearer of the trade secret may be released from the obligation by court depending on the circumstances.

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?

The parties in a conflict will be obliged by court to keep confidentiality of information they obtain during the court proceedings.

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 has independently developed a trade secret he shall have the right to use it.

Aspect (iii) - Valuation of loss

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

Damages may be quantified as lost profits or as a slump in trade.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

The courts may award moral damages in case such a claim was raised by the plaintiff in the respective lawsuit. The amount is to the discretion of the court and depends on evidence produced by the parties and circumstances surrounding the case.

Aspect (iv) - Proving infringement

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

Evidence, when obtained shall be kept by the plaintiff. If evidence is obtained as a result of injunctive measures it should be kept as ruled by court.

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

Seized evidence shall not be used until the outcome of court proceedings. The judgment of the court will determine the fate of the seized evidence.

Summary

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