



Date: 8th July 2015

## Q247

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

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Date	19-05-2015

## 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)?
	<p>no If not please comment.:</p> <p>The protection of trade secrets, although it may have the effects of a restraint of trade, is regarded as a legitimate measure to promote innovation and competition of enterprises, thus improving competitiveness and the functioning of the market. Spanish law recognises the rights to preserve the confidentiality of industrial, commercial and financial information, guaranteeing an exclusive right to exploit information by controlling the dissemination of know-how, which represents a corporate asset.</p> <p>EU law restricts the right to transfer technologies that are protected as trade secrets, with the aim of preventing the right holder of the technology in question from abusively exercising its rights by imposing conditions that are prejudicial for the market (Regulation (EU) No. 316/2014, on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.</p>

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?

Even though our law does not specifically define these concepts, Spanish case law has distinguished between the general knowledge acquired by a worker during the course of his/her employment (which cannot be appropriated by the company, since it is inherent in the worker), and confidential information or trade secrets in the sense set out in Article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement).

Thus, the skills, experience and knowledge that constitute a worker's training remain freely available for use by the worker and may, therefore be freely taken advantage of by other competing entrepreneurs when they hire a certain worker. This has been repeatedly acknowledged in Spanish case law, which establishes that the mere recruitment and transfer of workers from one company to another does not constitute unfair competition, and nor is it unfair competition if a worker or manager from one company moves to another and engages in the same professional activity, taking advantage of his/her experience and knowledge, given that if this were not the case then there would be a restriction of mobility in the employment market.

The protection of confidential information and trade secrets is established by means of a prohibition on the use of illegal methods to obtain such information or secrets, combined with an obligation to respect the duty of reserve. This is set out in Articles 13 and 14 of the Spanish Unfair Competition Act (UCA), which establishes the following:

*"Article 13. Violation of secrets*

*1. The disclosure or exploitation, without the right holder's permission, of trade secrets or any other kind of business secret to which one has had legitimate access but with a duty of reserve, shall be considered unfair, as shall the disclosure or exploitation of such information obtained illegally as the result of any of the actions described in the following section or in Article 14.*

*2. The acquisition of secrets by means of espionage or any other similar process shall also be considered unfair.*

*3. It is not necessary for the requirements set out in Article 2 to be met in order to prosecute the violations of trade secrets provided for in the foregoing sections. However, it shall be necessary for the violation to have been committed with the intention of obtaining advantage for oneself or for a third party, or with the intention of harming the right holder of the trade secret.*

*Article 14. Inducement to contractual infringement*

*1. Inducing workers, suppliers, clients or other contractually bound parties to infringe the basic contractual duties that they have assumed with competitors shall be considered unfair.*

*2. Inducing a worker to request the regular termination of his/her contract, or taking advantage of a contractual infringement by an unconnected party for one's own benefit or for the benefit of a third party shall only be considered unfair when it is intended for the purpose of disclosing or exploiting a*

trade or business secret, or involves circumstances such as deceit, an intention to remove a competitor from the market place, or other similar circumstances.”

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  
  
Yes, although indirectly formulated, in establishing the Spanish labour law (*Estatuto de los Trabajadores*, basic code to regulate employment matters) as a general standard, the *bona fide* as a guiding principle of employment relationship. Its transgression, considered as a dismissal cause, can be produced, among other cases, by the unloyal concurrence (unfair competition).  
  
**1. are express confidentiality clauses to protect classes of information broader than would anyway be protected by the employee’s duty of confidence permitted; and**  
  
As part of the employment relationship, it is customary underwriting express confidentiality agreements, complementary to the general provisions established by labour legislation. The *Estatuto de los Trabajadores* itself so provides. Their scope (particularly the different types of confidential information contained in such agreements) is subject to the principle of the free will of the parties.  
  
Yes, although indirectly formulated, in establishing the Spanish labour law (*Estatuto de los Trabajadores*, basic code to regulate employment matters) as a general standard, the *bona fide* as a guiding principle of employment relationship. Its transgression, considered as a dismissal cause, can be produced, among other cases, by the unloyal concurrence (unfair competition).

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?  
  
There is no legal standard that, in the absence of explicit confidentiality clauses, limits in time the obligation of confidentiality of the exemployees on trade secrets.  
  
Unlike the non-competition agreements, which are limited from six months to two years depending on the employee’s category, the standard does not provide for any temporal restriction. So it should be understood that the absence of an express agreement the obligation of confidentiality shall remain while the information remains secret.  
  
In any case, the exercise of legal actions arising from its breach are themselves subject to the due dates for their exercise in both common/ commercial law (especially in the field of unfair

competition), as in the labour law, and, if any, in criminal law.

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 use of the knowledge acquired in the course of earlier employment will be conditioned by the nature of that knowledge. The employee may not make use of the knowledge acquired during their employment if: (a) have the character of a trade secret (it being understood in the terms established by Article 39.2 of the TRIPS Agreement), (b) not be considered general knowledge acquired by the employee for employment and (c) the employee does not hold rights to such secrets.

Likewise, the Spanish Patent Act (SPA) provides a specific treatment for employees' inventions (understanding also fall within that definition those known as "inventions from experience"), enabling the assumption of ownership by the employer, while recognizing the employee a right to compensation, which will vary according to different concepts (such as the object of the employment contract, use of means which belongs to the company, use of knowledge acquired in the company, or the specific treatment to research personnel from Universities/ Public Research bodies).

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?:

In addition to the aforementioned general juridical regime, there are specialties, legally recognized with respect to different categories of positions and professions. Between them,

- Labour law establishes the obligation of professional secrecy to the employees' representatives (both staff representatives as members of the Council, and additionally, those experts who assist them) for information that, in legitimate and objective interest of the company or the workplace, has expressly been provided to them on a confidential basis (*Real Decreto Legislativo 1/1995, consolidated text of the Estatuto de los Trabajadores*);
- Within the framework of the civil service, it is set, as a ethical principle (and mandatory compliance), the duty of confidentiality of any materials classified and others whose dissemination is prohibited by law, and, likewise, the obligation to maintain due discretion on those matters before them by virtue of their office, without being able to use the information obtained for himself or for a third party (*Ley 7/2007 Estatuto Básico del Empleado Público*);
- Managers of companies, as an inherent duty to their position, should, on the one hand, maintain the secrecy of confidential information, and secondly, keep confidential all the information, data, reports or background to know as a consequence of this position in order to protect the public interest (*Real Decreto Ley 1/2010, consolidated text of the Ley de Sociedades de Capital*).

Aspect (ii) - Ensuring confidentiality during Court proceedings

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

In Spain, as in many other countries, there are a variety of procedures as well as a variety of

jurisdictions where different procedural acts and rules apply.

In this section we will focus on the rules contained in the Civil Procedure Act. We will do so not only because the civil procedure –governed by this act– is the most habitual in the enforcement of the intellectual property rights, but also because of the supplementary nature of this act with regard to the rest of procedures of the different jurisdictional orders (for the purposes addressed here, labour jurisdiction, administrative jurisdiction, and criminal jurisdiction).

Notwithstanding the above, and as a matter of principle, it should be noted that the Spanish Constitution heads the entire legal system. Articles 20 and 120 of the Spanish Constitution provide that proceedings are public, and this is precisely done not only because of the general interest, but also because of the interests of the parties of the proceeding.

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;

In general terms, article 138 of the Civil Procedure Act provides that the evidence procedures, the hearings and appearances intended to hear the parties before dictating a decision shall be conducted at a public hearing.

However, this article also provides that some of the procedures referred to in the preceding paragraph may be heard behind closed doors:

1. When this is necessary for the protection of public order or national security in a democratic society, or
2. When the interests of minors or the protection the private lives of the parties and other rights and liberties require this, or
3. So far as the court deems this to be strictly necessary when, due to the occurrence of special circumstances, the publicity might damage the interests of justice. As it is possible to foresee, within intellectual property proceedings the necessity to hear the referred procedures in closed session will usually be reasoned through the third way. In fact, it is usually argued that it is necessary to guarantee the effective judicial protection of the interests of either party. In the same line, article 140 of the Spanish Civil Procedural Act (SCPA) only allows access to information on the state of judicial procedures to any person who accredits a legitimate interest. At the same time, the courts may attribute the character of reserved to the totality or part of the proceedings when this measure is justified due to the circumstances stated in Article 138 of the SCPA. Article 259 of the SCPA regards to preliminary proceedings, which are proceedings to obtain evidences to prepare a trial. This article also states that the court may order that the questioning shall take place behind closed doors in order to safeguard the confidentiality of the information requested in certain cases of intellectual property infringements. Furthermore, article 259 of the SCPA establishes, in general, that the parties have a confidentiality obligation with regard to the information obtained by means of certain preliminary proceedings relating to intellectual property rights. In fact this article does not only provides that, but also that the information obtained by such means shall be used exclusively for the jurisdictional protection of the rights of industrial or intellectual property of the party applying for the measures. Finally, it is noteworthy

that Article 328 LEC, relating to the parties' discovery duty, states that in proceedings dealing with an infringement of intellectual property rights committed on a commercial scale, the court may decide to keep the proceedings secret at the request of any party in order to ensure the protection of confidential data and information. As it may be noted, those provisions provide measures to deny access by third parties to information relating to the procedure, but in general they do not prevent the parties from having access to said information (although sometimes those provisions limit the use that can be done of such information). As already said, the supplementary nature of the Civil Procedure Act leads those rules to also apply, under certain circumstances, to other legal proceedings, including criminal, administrative and labour. Moreover, it is also remarkable that within civil proceedings, the SPA allows the practice of inquiries to substantiate facts. These inquiries are measures the patentees may request the court to take prior to the start of the main proceedings in order to obtain sufficient information about the alleged infringement of their rights. To this effect, the SPA provides that where the judge deems that the means inspected cannot be presumed to have been used to carry out the infringement of the patent, he shall terminate the inquiry and shall order a separate record to be made showing the action taken, which shall be kept secret, and shall notify the applicant that he will not be informed of the result of the inquiries carried out. On the other hand, when it is provided to the applicant information to enable him to bring the corresponding legal action, the SPA states that the applicant may only use such documentation to bring the said action and he may not disclose or communicate it to third parties.

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

This measure is not contained in the SCPA. In fact, its article 140 establishes that the proceedings of a reserved nature (see section a) may be known by the parties, their representatives and attorneys.

However, the Spanish Criminal Procedural Act (SCrPA) does provide that, under certain circumstances, the reserved nature of the proceedings may also affect one of the parties. This is a very exceptional measure, since it directly affects the right of defence of one the parties. For that reason it is only granted when it is necessary to guarantee some other interests of necessary protection (as the interests of the children, etc.).

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

This measure is not contained in the Spanish legal system.

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

As a general rule, court decisions are made public.

However, article 212 of the SCPA provides that access may be restricted if it is liable to affect the right to privacy, the rights of the individuals requiring a special obligation of custody, the guarantee of the damaged parties to anonymity, if applicable, and, as a general rule, in order to prevent the judgements from being used for purposes contrary to the law.

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?

Any party interested in obtaining protection of certain confidential information must request this protection and justify that the requirements have been met for such purpose.

Generally speaking, the need for the measure must be justified by means of an explanation with due grounds bearing in mind the kind of information that must be examined, in such case it may be necessary to provide the relevant evidence or refer to that already submitted in the proceedings.

However, some measures aimed at protecting the confidentiality of information are applied with no need to submit any evidence when this is expressly allowed by the law. This is the case, for example, when submitting the entrepreneur's books and documents, since submitting them is solely limited to the points related to the question object of the legal proceedings in which it is petitioned to submit the information or for the verification of the procedures in the Spanish Patent Act (SPA) of 1986 in which it is expressly stated that the court must ensure that this is not used as way of infringing industrial secrets or to carry out any conduct that would imply unfair competition and, if the court considers that the alleged infringement used to petition the procedures is not admissible, it will keep the actions secret, notifying the petitioner that it can not inform it of the results of the proceedings.

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?

Notwithstanding the fact that the law generally does not provide any measures of this kind, the Spanish courts have sometimes limited the use of certain information to those that are not the right holders thereof, apart from the legal proceedings in which it has been submitted (see, *inter alia*, the Orders of 15 April 2005 of the Commercial Court of Barcelona Number 2 (ordinary proceedings 1/04) and 28 April 2006 of the Commercial Court of Madrid Number 1 (ordinary proceedings 529/05) or the Order on a Procedural Matter of 13 October 2010 of the Commercial Court of Barcelona Number 1 (ordinary proceedings 597/2010)). However, they are measures that must be petitioned and justified with due grounds, according to that explained in the reply to the previous question.

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?

In general terms, for any infringement of the rules regulating entrepreneurs' conduct in the market, the Spanish UCA not only provides an action to claim compensation for the damages caused by unfair conduct, even though this is subject to the condition that the conduct of the infringing party

must have implied misconduct or negligence by the agent, but also the possibility to claim unjust enrichment, which is solely admissible when the unfair conduct harms a legal position protected by an exclusive right or other similar economic content (Articles 32.1, 5 and 6 of the Spanish UCA).

As we have analysed above, trade secrets are expressly regulated in the Spanish UCA, along with the possible disclosure to third parties that implies a breach of contractual commitments, therefore the actions for compensation included in these regulations are applicable to protect trade secrets. We consider that the method for unjust enrichment applicable to exclusive rights or with other similar economic content is also applicable to the rights protecting trade secrets that meet the conditions specified in Article 39 of the TRIPS, because in a similar way to exclusive rights, they guarantee the right holder an exclusive position regarding the value contained in the secret since the third party can not access it or obtain it without making an economic and time investment.

**1. how (if at all) is that value diluted by publication?**

The publication of the trade secret would eliminate its value as an economic advantage regarding the competition. It is obvious that this decrease in value (or entire elimination, if all the information is published) implies damages that can be compensated within the compensation payable for the damages that had been caused, if any, by the violation of the right covering a certain trade secret.

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 damages are quantified depending on the economic harm that the trade secret holder can prove had been caused due to the violation of its trade secret by the infringing party. Allowance made for loss of profits is also included in this item.

Similarly, as mentioned above, unjust enrichment is expressly included in the unfair competition regulations as an action related to the violation of fair competition practices both when a legal position protected by an exclusive right is violated and any other with similar economic content. In this respect, and even though there is no case law of the Spanish courts, we consider that violation of trade secrets can imply harm being caused to a similar legal position to that of a holder's exclusive right.

Regarding the possible reasonable amount that the trade secret holder would or might have charged as a reasonable fee for royalties or for granting a licence, on the contrary to what happens with patents, trademarks, industrial designs or intellectual property rights, it is not an element for assessment specifically included in the unfair competition regulations. However, regarding the quantification of damages in those cases when the holder of the trade secrets licences them to third parties or had previously licensed them to the party infringing its rights, it could be convenient for the holder of the secret to analyse these possible damages by taking such criteria as the basis thereof. The law does not expressly mention it, but it does not exclude that they could possibly be useful in cases when there is an assessment made based on pre-existing licences.



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:

Unlike cases when intellectual property and copyright rights have been violated, Spanish legislation does not specify compensation for the harm caused to the holder of trade secrets due to moral damages. This compensation is not included in the case law of the Spanish courts regarding compensation for unfair competition acts, in which the violation of trade secrets is structured. However it is neither excluded from compensation for damages, but it is subject to two premises: the nexus causal relation must be proven between the damages and the infringement committed and the party violating the trade secret must have acted with misconduct or negligence.

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?

In order to answer this question, it is necessary to identify and distinguish among the different actions available in Spain against the violation of trade secrets in respect of civil and criminal law.

##### 1. Civil Law

From a civil law perspective, the Spanish UCA classes the violation of secrets as an act of unfair competition (art. 13). The elements that must be proved in order to demonstrate that a violation has occurred under this discipline are as follows:

- First, the plaintiff must hold a trade secret that meets the requirements laid down in art. 39 of TRIPS. It is therefore necessary to demonstrate that the information is secret (not generally known among, or readily accessible to, persons within the circles that normally deal with the kind of information in question); that it has commercial value because it is secret; and that reasonable steps have been taken to keep it secret.
- Second, the defendant must have had access:
  - to the content of the trade secret by unlawful means: (i) through espionage or a similar procedure; or (ii) by inducing employees, suppliers, customers and all other obliged persons to breach the basic contractual duties they have contracted with competitors; or
  - to the secret in a lawful manner, but breaking a duty to keep it confidential.

- Third, the defendant must have disclosed or exploited the trade secret without the plaintiff's consent.
- Fourth, the defendant must have acted with the intention: (i) of obtaining an advantage, for him- or herself or for a third party; or (ii) of damaging the holder of the secret.

#### 1. Criminal Law

The Spanish Criminal Code (CrC) criminalises four different types of conduct relating to trade secrets, namely:

- The procurement of data and information, by any means (including intercepting communications), in order to discover a company secret (art. 278.1 CrC).
- The disclosure, revelation or communication of company secrets that have been accessed illegally (art. 278.2 CrC).
- The diffusion, disclosure or communication of a company secret perpetrated by whoever has the legal or contractual obligation of keeping company secrets confidential (art. 279 CrC).
- The perpetration of any of the actions described above with knowledge of their unlawful origin but without having taken part in their discovery (art. 280 CrC).

In each of the cases described above, it will be necessary to prove the elements pertaining to the category of offence concerned.

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

In action (presumably contractual) for breach of confidence, it will suffice to prove that there was a legal or contractual obligation to keep certain information/documentation confidential, and that the defendant has breached that obligation. A priori, the content and scope of the proof of the defendant's breach of confidence will be determined by the specific terms of the clause or legal provision in which the aforementioned confidentiality duty is laid down.

In civil action for the violation of trade secrets, proving the infringement is more demanding, as described in point 10 above, and the same is true of the categories of offence described in that point.

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?

no

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?:

#### 1. Civil Law

The UCA provides for the possibility of petitioning for a preliminary injunction prior to the filing of the complaint and against third parties, aimed at verifying the infringement ('facts verification proceedings') under the provisions of arts 129 to 132 of the SPA.

The SCPA provides for measures for examining evidence in advance and seizing it prior to the commencement of the proceedings (art. 293 and subsequent articles of the SCPA) where there is a well-founded fear that such actions cannot be taken at the stipulated point in the proceedings or that the evidence could be destroyed or impaired. The preliminary examination of evidence shall always be carried out after the person to be affected is heard. Measures for the seizure of evidence can only be adopted *ex parte* where it can be demonstrated that a delay arising from the preliminary hearing may cause irreparable harm to the rights of the party that is seeking them.

The UCA does not include the specific protection mechanisms provided under Directive 2004/48/EC; nor does it refer explicitly to them; thus, the procedural means of defence against acts of unfair competition are more limited than those provided for the defence of intellectual property rights. Although the Spanish courts advocate a broad interpretation of the scope of the preliminary procedures provided under the UCA in order to render their content similar to the aforementioned EU Directive, the position is not clear-cut.

#### 1. Criminal Law

During the inquiry stage of the proceedings, the necessary verification measures relating to the perpetration of the offence can be implemented to the extent required.

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?:
	<p>The burden of proof lies fully with the plaintiff (although art. 217.7 SCPA provides that the court shall take into account the availability of evidence and the ease of proving it corresponding to each of the parties to the litigation).</p> <p>This reflection is accentuated in the field of criminal law in view of the constitutional right to a presumption of innocence.</p>

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?:
	<p>1. Civil Procedure</p> <p>Seizure orders are not very suitable means of obtaining evidence in Spanish legislation.</p> <p>However, once a legal proceeding has started, either party together with <i>prima facie</i> evidence, may request the presentation of documents from the other, which are relevant to the proceedings (art. 328 SCPA). Upon request by either party, the Court may declare the proceedings as confidential in order to protect the privacy of confidential information.</p> <p>In these cases, if either party fails to comply with their duty to present documents, the court may give evidential value to the copy presented by the applicant, or the applicant's version of the facts contained on the documentation may be considered as evidence (art. 329 SCPA).</p> <p>1. Criminal Procedure</p> <p>The Judicial Police will gather the necessary evidence to prove the crime and identify the criminals (art. 282 SCrPA) and will collect and retain items, devices or evidence which could be at risk of disappearing (art. 770.3 SCrPA.) all of which will remain in judicial custody</p>

16)	Where seizure is available, for what purposes can it be used? To secure evidence, to prevent items entering into circulation or for other reasons?
<p>Civil Procedure</p> <p>In Spanish civil procedure, freezing injunctions are regarded as a measure taken to ensure the enforcement of sentences regarding the payment of money, submitting benefits or revenue or other objects of monetary worth.</p> <p>In theory, it would also be possible to enforce a seizure order to avoid certain articles entering into circulation in trafficking. However, in general terms, freezing injunctions are not appropriate means of obtaining evidence. In fact, freezing will only be admissible when it is an appropriate means of reaching an objective which cannot be obtained by another similarly effective means which would be less costly for the defendant.</p> <p>Criminal Procedure</p> <p>In the criminal procedure, products will be seized in order to preserve evidence of the crime, although subsequently their value may be applied to cover civil responsibilities derived from the crime (art. 127 of the CrC).</p>	

## 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?
<p>no</p> <p>If not, why?:</p> <p>Given that the protection of trade secrets is applied in a highly restrictive way by the Spanish Courts, we believe that no limits should be established in addition to those that currently exist.</p> <p>In addition, European regulations and certain specific pieces of legislation, such as, for example, the rules governing the defence of free competition, already include their own limits, so it is not necessary to establish others.</p>	

18)	Should different obligations of confidence / non-use apply to different employees? Why/why not?
<p>They must be basic provisions that expressly protect the duty of confidentiality for any worker / employee, which should be complemented, if appropriate, through the signature of employment contracts, or specific confidentiality agreements, which take into account both the specific nature of the confidential data that can exist into the company, and access rules to such data depending on the function or position of the worker/ employee.</p>	

In particular, a special consideration with regard to Managers of the companies (configured in spanish labour law as an employment relationship of a special nature) should be desirable.

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, whenever the access to the information has taken place as a consequence of the court proceedings. Litigation where the sanction of an infringement of a trade secret is sought should not be used as means to obtain it in the case that the infringement is deemed not to have occurred.

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 confidentiality obligation should not affect the following:

- Information previously developed by the defendant if, according to the previous question, in the legal proceedings it is concluded that the defendant had not infringed any trade secret;
- Information that the defendant independently develops after the legal proceedings, providing such development had not implied the use of the knowledge of the trade secret.

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?

no  
If not please comment.:

We consider that the fact injunctive relief is granted does not automatically imply that compensation would not be payable for damages. It could be that the party infringing the rights of the one holding the trade secret is prevented from continuing to use the undisclosed data but the use made prior to stopping such use had already caused harm, both regarding offers or sales already made and the fact that the customer or supplier had lost its trust, for example. The compensation for damages must thus be applicable in this way by default. It would be quite another situation if, having prevented effective use or disclosure of the trade secrets in the market by the unauthorised third party, the quantification of the amount is reduced or even reduced to zero due to the lack of effective consequences in the market. However the right would continue to exist and would even be applicable if the party infringing the right could later infringe the ruling.

Therefore, the right to compensation cannot be automatically refused if injunctive relief has been awarded, because in such case situations would remain unprotected that had effectively harmed the right of the holder of the trade secret or even if the ruling is later infringed and the secret information is used later even though a judgement had prohibited it.

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? :

Constructive knowledge of a trade secret by an ex-employee being imputed to their new employer would seem to us an extreme measure, which does not adapt well to the legal bases upon which civil procedure is structured in Spain.

Instead, we think that the possibility of introducing some type of presumption could be considered, or even reversing the burden of proof to relax the accreditation of the elements of unlawfulness contemplated in art. 13 of the UCA. These reflections are especially relevant with regards to proving illegitimate access to the trade secret by the defendant. Obtaining evidence to this extreme in the majority of cases is extremely complex.

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, in fact, Spanish legislation already established preliminary evidence preserving orders and seizure orders prior to the procedure (see answers to questions 13 and 15 above).

The oral hearing resolving these measures should, where necessary, be held ex parte (*inaudita parte*) to avoid changes in, or destruction of evidence.

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?:

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

This is very unlikely to occur because the seizure order is restricted exclusively to document examination of the defendant, relating to a possible violation of the trade secret of the applicant and cannot go further.

In any case, in general terms, the applicant will be obliged to respect any trade secret belonging to the defendant, which he may have accessed during the course of any legal procedure against the defendant, under the terms set out in Spanish law.

### III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

Yes, harmonisation is desirable, with the aim of ensuring that the mechanisms used to protect trade secrets work effectively beyond the borders of the country in which the infringement of the trade secret may have taken place. It would therefore be useful for there to be homogeneity in the levels of protection established by the different countries.

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.

We believe that there should not be any exceptions other than those that are provided for in general terms in court proceedings, such as the preservation of rights and individual freedoms.

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?

This would not apply in Spain, since there is no bar due to restraint of trade. If a violation has occurred, the right holder of the violated trade secret must be compensated for the relevant damages, which will be individually calculated in each case.

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

We understand that if they want to protect trade secrets, no exceptions for any category of employees and even less for employees subject to a stricter obligation of confidentiality, because it is understood that the obligation of confidentiality will establish in relation with larger trade secrets.

However, there may be a need to liberate employees from the obligation of confidentiality when the confidentiality obligation itself can become an instrument of violation of law.



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?
	<p>In general terms, Spanish law provides sufficient measures to prevent dissemination/disclosure of confidential information or access thereto by third parties.</p> <p>Nevertheless, in our opinion, different levels of confidentiality should be applied for the party in the legal proceedings that, in order to protect its rights, must know the contents of certain confidential information belonging to the other party in the proceedings or of a third party. The confidentiality levels should be as follows: (i) a first level, consisting of the knowledge of the information with no limitation whatsoever by the party in the legal proceedings, but it must be limited regarding its use outside such proceedings; (ii) a second level, consisting of the knowledge of the information by some of the party's employees, its legal counsel and the experts appointed for such proceedings; (iii) a third level, consisting of limiting access to the information to only the legal counsel in the proceedings, with a duty to keep it confidential, and the experts appointed to act in such proceedings, with a duty to keep it confidential, so that that they only include the parts of the information they had obtained in their expert reports or statements that were indispensable in order to clarify the facts.</p> <p>In order to decide on such confidentiality levels, the following circumstances must be considered: the economic and commercial importance of the confidential information, along with the need to protect the parties' right to defence and that of public proceedings with sufficient guarantees. Therefore, in all cases, the levels we have specified as 2 and 3 must only be granted in an exceptionally.</p>

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?
	<p>All the required measures must remain applicable to ensure that none of the parties or a third party can use the information that implies a trade secret if they do not own it and knowledge thereof had been obtained due to the legal proceedings. These measures must no longer be applicable if the party affected thereby independently obtains such information or accesses it through other legitimate means</p>

Aspect (iii) - Valuation of loss

31)	Please propose the principles for quantifying damages for trade secret violations.
	<p>The principles applicable to quantifying the compensation for damages resulting from violation of trade secrets must be in proportion to the damages actually caused to the holder of the secret and depending on the circumstances of the violation. Similarly, depending on the correlative decrease in the equity of the holder of the trade secret, the growth obtained due to the violation of the trade secret by the party that had caused the damage should be taken into account.</p> <p>The possible quantification of a licence is always relative. In this case, determining the value of a licence could be a factor that could help determine the damages if licences had previously been granted but it would be difficult to use this as an element for quantification in cases when no licences had been</p>

granted.

Regarding quantification of the value of the secret when such secret is destroyed, economic parameters can be used such as the book value for a term of five years, taking the last year as a reference, however in each case this must be subject to the circumstances arising and the economic importance of this information, the expectation for performance and the possibility for the secret to have been kept for the time object of compensation.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

Moral damages must be awarded with limits only when it can be proven there is a direct nexus causal relation between a competitor's action and the loss of prestige caused to such company directly due to the activity and the harmful intention of the party that had caused the harm. Otherwise there would be a risk of confusing the compensation for damages objectively caused due to violation of trade secrets with moral damages.

Aspect (iv) - Proving infringement

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

See in this regard the answer given at question 23.

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

See in this regard the answer given at question 29.

Summary

The protection of trade secrets is established at the Spanish Unfair Competition Act by means of a prohibition on the use of illegal methods to obtain it, combined with an obligation to respect the duty of reserve. In labour law, the transgression of the *bona fide* as a guiding principle of employment relationship is considered as a dismissal cause of an employee, among other cases, by unloyal concurrence.

Procedural law provides several measures to deny access to information relating a specific procedure, but in general they do not prevent the parties from having access to said information. In any case, any party interested in obtaining protection to certain confidential information must request this protection and justify that the requirements have been met for such purpose.

The law provides an action to claim compensation for the damages caused by unfair conduct and the possibility to claim unjust enrichment. Damages are quantified depending on the economic harm that the trade secret holder can prove had been caused due to the infringement.

The elements to be proved to demonstrate that a violation has occurred are: (a) the plaintiff must hold a

trade secret; (b) the access has taken place unlawfully or lawfully but breaking a duty to keep it confidential; (c) the trade secret is disclosed or exploited without the holder's consent; and (d) with the intention by the defendant to obtain an advantage or to damage the holder of the trade secret.

La protección de los secretos empresariales se recoge en la Ley de Competencia Desleal mediante la prohibición de utilizar medios ilícitos para obtenerla y la obligación de respetar el deber de reserva. En derecho laboral, la transgresión de la buena fe contractual se considera causa de despido, entre otros supuestos, por concurrencia desleal.

El derecho procesal dispone diversas medidas para denegar el acceso a la información relativa al procedimiento, pero con carácter general no lo impide a quienes sean parte en el procedimiento. En cualquier caso, quien esté interesado en obtener la protección de una determinada información de carácter confidencial deberá solicitarlo y acreditar que se cumplen los requisitos para ello.

La ley prevé una acción de resarcimiento de los daños ocasionados por la conducta desleal así como la posibilidad de reclamar el enriquecimiento injusto. Los daños y perjuicios se calculan de acuerdo con los perjuicios económicos que el titular del secreto empresarial pueda demostrar que se le han causado con la infracción.

Los elementos que será preciso acreditar para demostrar que se ha producido una violación en esta sede son los siguientes: (a) el actor es titular de un secreto empresarial; (b) el demandado ha accedido de forma ilegítima al contenido del secreto o de forma legítima pero vulnerando un deber de reserva; (c) el secreto empresarial se ha divulgado o explotado sin la autorización del actor y ; (d) el demandado ha actuado con ánimo de obtener provecho o de perjudicar al titular del secreto.

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