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Q247

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

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I. Current law and practice

Aspect (i) - Overlap with restraint of trade

1) Is trade secret protection viewed as a form of restraint of trade and, if so, under what circumstances and under which legal regimes (e.g. competition law)?

yes

Please comment.:

The consequence of this concept is not other than that the unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret.

a) If so, under what circumstances and under which legal regimes (e.g. competition law)?

Under Civil and Criminal 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?

1. Introduction

When trying to define what a Trade Secret is, we commonly say that really almost any confidential business information which provides an enterprise or company a competitive edge may be considered a trade secret. This means that manufacturing, industrial or commercial secrets could be considered as

Trade Secret. The consequence of this concept is not other than that the unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. Depending on the legal system, the protection of trade secrets forms part of the general concept of protection against unfair competition or is based on specific provisions or case law on the protection of confidential information.

Of course, the final determination of which specific information constitutes a trade secret will depend on the circumstances of each individual case and each individual enterprise, but practices such as industrial or commercial espionage, breach of contract and breach of confidence are considered clearly unfair.

Because trade secrets are protected without registration, which means that trade secrets are protected without any procedural formalities, these secrets can be protected for an unlimited period of time. However, there are some general standards regarding the protection which are referred to in Art. 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement):

- The information must be secret (i.e. it is not generally known among, or readily accessible to, circles that normally deal with the kind of information in question).
- It must have commercial value because it is a secret.
- It must have been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements).

2. Uruguay: The Right to Trade Secret as a legal principle

As we previously stated, the trade secret is a fundamental principle in the business world. The tradesman has the right to keep this secret about every single operation he is performing operations, but this right is also a duty: any disclosure could compromise with whom he has hired.

The Article 70 of the Uruguayan Commercial Code states:

"No authority, judge or court, under any pretext, can make inquiry of its own motion, to inquire if traders take, or not, arranged books."

The Uruguay author Carlos López Rodríguez states that "This means that the right to the confidentiality of individual records and, in particular commercial records, is a principle of the Uruguayan law that only gives in those cases where it is provided by a law established for reasons of general interest. The legal exceptions to this principle, by virtue of their nature, are to be interpreted strictly, so that there can be no extension by analogy."

In civil matters, the docket of proof by documents is regulated by Articles 165 and following of the General Code of Procedure. In particular, regarding evidence documents held by third parties, the second paragraph of Article 167 states that "the required may oppose this delivery if the document is of its exclusive property and the display of it might cause harm".

The Tax Code is an exception to this: it empowers the administration to require the exhibition of books, documents and business correspondence, and even seize them. The generic powers of investigation and enforcement that some laws confer to the administration bodies cannot be understood as sufficient to allow them to require the forced submission of these books.

The Uruguayan author Bayardo Bengoa argues that trade secrets are protected by criminal law as all other relevant professional secrecy and revelation, therefore, if revealed, there will be a felony and its author could end in jail.

Lopez Rodriguez also states that "state entities, in exploiting their respective drafts, submit to the rules of private law. Consequently, it can also incur responsibility for their actions, according to rules of private law and, in particular, with regard to the violation of his duty to keep trade secrets and banking, where appropriate."

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.

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?

Typically 10 to 20 years.

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?:

Yes, they may only use what is considered "typical knowledge".

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?:

CEO and Managers.

Aspect (ii) - Ensuring confidentiality during Court proceedings

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

Please refer to our answer to our answer to question 2.

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.

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

Yes.

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

Yes.

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

Yes.

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 secret holder should submit evidence.

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

Yes.

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?

Depends of each case.

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?

Yes.

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:

It depends of each case.

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

It depends of each case.

Aspect (iv) - Proving infringement

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

- The information must be secret (i.e. it is not generally known among, or readily accessible to, circles that normally deal with the kind of information in question).
- It must have commercial value because it is a secret.
- It must have been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements).

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?

Please refer to our answer to our answer to question 2.

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?

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 likelihood of the law, the danger in delay and the granting of warrantee.

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?

Please refer to our answer to our answer to question 2.

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

Aspect (i) - Overlaps with restraint of trade

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| 17) | Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade? |
| | no If not, why?: |
| | The right to the confidentiality of individual records and, in particular commercial records, is a principle of the Uruguayan law that only gives in those cases where it is provided by a law established for reasons of general interest. |

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| 18) | Should different obligations of confidence / non-use apply to different employees? Why/why not? |
| | Yes, it depends of the importance of the secrets the employee has access to. The bigger the importance of the secrets are, the bigger the obligations he/she gets. |

Aspect (ii) - Ensuring confidentiality during Court proceedings

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| 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? |
| | No. There was not any real violation. |

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| 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? |
| | No, such information has no relation with the enterprise. |

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? |
| | no If not please comment.: |
| | Please refer to our answer to our answer to question 2. |

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? |
| | yes If yes, in what circumstances? : |
| | It depends of each case. |

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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?

no

If not please comment.:

In order to maintain the secrecy of the procedure.

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

no

If not please comment.:

In order to maintain the secrecy of the procedure.

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

No.

III. Proposals for harmonisation

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

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.

Constructive knowledge and discovery.

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?

Please refer to our answer to our answer to question 2.

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

No.

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?

Please refer to our answer to our answer to question 2.

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?

Please refer to our answer to our answer to question 2.

Aspect (iii) - Valuation of loss

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

Please refer to our answer to our answer to question 2.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

Depending on the extension of the damage caused to the victim of the exposure.

Aspect (iv) - Proving infringement

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

Please refer to our answer to our answer to question 2.

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

Please refer to our answer to our answer to question 2.

Summary

EN - The trade secret is a fundamental principle in the business world. The tradesman has the right to keep this secret about every single operation he is performing operations, but this right is also a duty: any disclosure could compromise with whom he has hired. Because trade secrets are protected without registration, which means that trade secrets are protected without any procedural formalities, these secretes can be protected for an unlimited period of time. However, there are some general standards regarding the protection.

FR - Le secret commercial est un principe fondamental dans le monde des affaires. Le commerçant a le droit de garder le secret à propos de chaque opération qu'il effectue des opérations, mais ce droit est aussi un devoir: toute divulgation pourrait compromettre avec qui il a embauché. Parce que les secrets commerciaux sont protégés sans enregistrement, ce qui signifie que les secrets commerciaux sont protégés sans aucune formalité de procédure, ces secrète peuvent être protégées pour une durée illimitée. Cependant, il ya certaines normes générales relatives à la protection.

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

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