

Law 1/2019 of February 20, on Trade Secrets was published in the Official State Gazette of February 21.

According to its recitals, innovative businesses are increasingly exposed to dishonest practices aimed at misappropriating trade secrets (theft, unauthorised copying, economic espionage or the breach of confidentiality requirements). Therefore, the unlawful acquisition, use or disclosure of a trade secret compromises legitimate trade secret holders' ability to obtain first-mover returns from their innovation-related efforts.

This Law aims to ensure that competition based on undisclosed know-how and business information is adequately protected, ensuring that innovation and creativity are not discouraged.

The TRIPS Agreement was the first attempt to address this need at the international level, binding all EU member states, among other countries, since 1994. More recently, the EU itself adopted Directive (EU) 2016/943 of the European Parliament and of the Council of June 8, 2016 on the protection of undisclosed know-how and business information (trade secrets), the aim being to harmonise Member States' legislation in this regard.

This new Law, whose most important aspects we now list, aims to fulfill the obligation to transpose that European Directive.

ARTICLE 1

Defines a trade secret as any technological, scientific, industrial, commercial, organisational, financial or other information or knowledge meeting the following conditions:

- a) **it is secret**, in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information or knowledge in question;
- b) **it has actual or potential commercial value**, precisely because it is secret; and
- c) **it has been subject to reasonable measures on the part of the holder to keep it secret.**

Note that it is part of a broad concept including any information or knowledge of any kind (technological, scientific, industrial, commercial, organisational or financial). That is to say, it is not limited to scientific or technical knowledge (which may somehow be protected by Industrial Property rights, although not always). Rather, it extends to knowledge which may be relevant in purely commercial or organisational aspects.

However, to qualify for protection under this Law, it must simultaneously meet three indispensable conditions: it must be secret (not generally known within the circles that deal with this kind of information); it must have commercial value (because it is secret), i.e. it must provide an advantage; and it must have been subject to measures to keep it secret.



Therefore, in the routine operation of their businesses and activities, business owners need to be aware of any information that may be secret and may have commercial value. Hence, they need to adopt the reasonable necessary steps to ensure that such information is protected.

Firstly, any information which may be deemed a trade secret must be defined. Secondly, immediately afterwards, appropriate steps must be established and implemented to keep that information secret in order to take advantage of the new legislation. In short, any information or

method of any kind that may be secret must be identified and the necessary warnings made (both to workers and to customers and suppliers).

Article 1.2 extends protection to any natural or legal person lawfully controlling a trade secret, and any form of acquisition, use or disclosure of the secret information.

Article 1.3 establishes that such protection cannot result in restriction of the mobility of employees or the imposition of restrictions on employment contracts not provided for by law.

ARTICLE 2

The acquisition of secret information shall be considered lawful (**Article 2**) when the trade secret is obtained by any of the following means:

- a) Independent discovery or creation (i.e. a third party may arrive at the same outcome through their own resources);
- b) Observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the person performing those activities, who is free of any obligation legitimately preventing that person from acquiring the information constituting the trade secret. Hence, it is important to register all the necessary information as Industrial Property and essential to sign Non-Disclosure Agreements with anyone involved in any way in the development of new products or new trading methods.
- c) The exercise of the right of employees and their representatives to be informed and consulted. (It is very important to have in mind that companies need to sign Non-Disclosure Agreements with employees and to mark any "special" information given to them confidential or secret).
- d) Any other information which, under the circumstances, is consistent with honest commercial practices, including the transfer or licensing of the trade secret. Therefore, it is important to stress that the secret may be subject to transfer and/or licensing, and consequently specific contracts need to be drawn up to this end.



ARTICLE 3

Article 3 establishes that the acquisition of a trade secret without the consent of the holder shall be considered unlawful, whenever it involves:

- a) Unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances, electronic files or other media containing the trade secret or from which the trade secret can be deduced; and
- b) Any other conduct which, under the circumstances, is considered contrary to honest commercial practices.

The use or disclosure of a trade secret is considered unlawful when, without the consent of the holder, the person responsible has obtained the trade secret unlawfully, has breached a Non-Disclosure Agreement or any other obligation not to disclose the trade secret, or has breached a contractual obligation or obligation of any other kind limiting the use of the trade secret (Article 3.2). Hence, it is absolutely essential to sign Non-Disclosure Agreements and mark any information considered secret accordingly.

Crucially, Article 3.3 covers the use of a trade secret whenever the person using it knew or ought to have known that it had been obtained directly or indirectly from another person using or disclosing the trade secret unlawfully.

Article 3.4 goes further still in establishing that the production, offering or placing on the market of infringing goods, or the import, export or storage of infringing goods for those purposes, also constitutes an unlawful use of a trade secret whenever the person carrying out such activities knew or ought to have known that the trade secret was used unlawfully under Article 3.2. 'Infringing goods' means those products and services, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired or disclosed.

Chapter III of the Law (**Articles 4 to 7**) deals with the trade secret as subject to property rights. This regulation is similar to equivalent legislation on patents and trademarks, providing for the transferability of the secret, establishing the joint ownership system, and regulating the licences that may be granted over the content of the secret.

Article 8 establishes the relevant actions that may be taken against the infringers of a trade secret, and the necessary measures that must be adopted for its protection.





Under **Article 9**, the civil actions that may be taken against the infringement of trade secrets are as follows:

- a) the infringement declaration.
- b) the cessation or, as the case may be, prohibition of the infringing acts.
- c) the prohibition of the production, offering, placing on the market or use of infringing goods, or the import, export or storage of infringing goods for those purposes.
- d) the seizure of the infringing goods, including the recall of those on the market, and the confiscation of the resources designated solely to their production.
- e) the withdrawal, which includes the delivery to the applicant of all or part of those documents, objects, materials, substances or electronic files containing the trade secret, and where appropriate, their total or partial destruction.
- f) the assignment of ownership of the infringing goods to the applicant.
- g) compensation for damages in the event that the infringer has committed fraud or gross negligence.
- h) the publication or dissemination of the judgment, preserving in all cases the confidentiality of the trade secret.

The Law expressly establishes that it is possible to impose punitive compensation in favour of the applicant until the judgment is complied with.

It also establishes a statute of limitations of three years from the moment the legitimate holder becomes aware of the person infringing the trade secret.

Civil lawsuits filed will be processed by means of the ordinary trial procedure under the jurisdiction of the Commercial Court covering the address of the defendant, or at the discretion of the plaintiff, the Commercial Court covering the province where the infringement had been committed or its effects had occurred.

A provision is also made for the possibility of requesting statements of facts (verification of those facts needing to be known in order to prepare the corresponding lawsuit), which shall be governed by the Patent Act.

The adoption of precautionary measures may also be requested, as governed by the Civil Procedure Act.

The Sole Temporary Provision of the Law establishes that its provisions shall apply to any trade secret, regardless of the date on which it has been lawfully acquired, i.e. all its provisions shall apply retroactively to any currently existing trade secret.

The Second Final Provision provides for the amendment of Article 13 of the Unfair Competition Act 3/1991 to bring it in line with this Law, noting that the infringement of trade secrets under the trade secrets legislation shall be considered unfair competition.

The Law entered into force twenty days after its publication in the Official State Gazette, i.e. on March 13, 2019.