

The Trade Secrets Directive—Spain

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1. Trade Secrets Protection: Legal Framework

Under Spanish law, trade secrets are protected under both civil and criminal law. If the legal conditions are met, obtaining, using or disclosing trade secrets without the consent of the rights holder is considered as an act of unfair competition.

The Spanish Unfair Competition Act provides in article 13 that: *“the infringement of trade secrets, which shall be governed by the trade secrets legislation, is considered unfair”*. The trade secrets legislation applicable in Spain is that contained currently in the Spanish Trade Secrets Act (“STSA”). The STSA implements Directive (EU) 2016/943 of 8 June 2016 on the protection of trade secrets (the “Directive”). The STSA provides a complete new legal framework with significant improvements regarding the legal framework applicable to trade secrets protection, the definition of lawful and unlawful acts, legal remedies and enforcement aspects and the contractual aspects of trade secrets as an object of property.

If the requirements contained in articles 278 to 280 of the Spanish Criminal Code are met, the infringement of a trade secret could be considered a crime.

2. Definition

Until recently, Spanish law did not give any definition of what constitutes a trade secret and the Courts made use of article 39 TRIPS Agreement to understand the requirements that a specific information should meet to be considered a trade secret.

In the new STSA, a definition of trade secrets is provided in Article 1.1, which incorporates into the national law Article 2 of the EU Directive on Trade Secrets and expressly underlines that the information protectable as a trade secrets includes technological, scientific, industrial, commercial, organisational or financial information.

The second requirement of the STSA to be considered is that to be a trade secret the information has to have a “trade value” that is “real or potential”. It can be understood as a clarification that will be useful to the tribunals in order to avoid possible undue limitations in the interpretation of the law.

The third requirement of the STSA to be considered a trade secret, does not include the mention that the “reasonable measures” to be taken to keep the information secret are those taken “by the person lawfully in control of the information”.

3. Lawful Acts

Articles 1 (3) and 2 (1) of the STSA provide a list of lawful acts that is consistent with Article 1 (2) and (3) and Article 3 of the EU Directive on Trade Secrets.

It is also foreseen in Article 2 (2) of the STSA as in Article 3 (4) of the EU Directive on Trade Secrets that:

“The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or Spanish law”.

4. Unlawful Acts

Article 3 of the STSA, similar to Article 4 (2) to (5) of the EU Trade Secrets Directive, describes the specific acts of acquisition, use and disclosure of a trade secret which are deemed unlawful.

5. Exceptions

Article 2.3 STSA, substantially coincident with Article 5 of the EU Directive on Trade Secrets, provides that the actions and measures foreseen in the Act will not extend to obtaining, using or disclosing a trade secret if the activities have taken place in the context of exercising the right to freedom of expression and information for revealing a misconduct, wrongdoing or illegal activity or in the context of the exercise by workers of their right of representation or to protect a public interest.

6. Enforcement: Measures Procedures and Remedies

The STSA establishes a clear framework of procedural actions and regulations which, in some cases, are the same as those for other IP Rights and, in others, are specifically designed for trade secrets.

Although the possibility of exercising all types of action is established, given that the Spanish legal system includes the criminal law protection of Trade Secrets in articles 278 to 280 of the Criminal Code, the STSA specifically regulates the civil actions, in a similar way to patents, on several occasions referring to the Patent

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Act, while also referring to the general regulations of the Law on Civil Procedure.

The law establishes an open catalogue of defence actions and protection measures which may be used against the infringers of trade secrets, as identified in Article 3, and against third-party acquirers acting in good faith, those which, at the time of use or disclosure, did not or should not know that they have directly or indirectly obtained the trade secret from an infringer, as defined in Article 8.

With regard to legal standing, it is recognised in favour of the trade secret owner, as well as exclusive and non-exclusive licensees with the owner's authorisation.

Proceedings concerning trade secrets will be heard by the Mercantile Courts. The claimant can choose either the court corresponding to the address of the defendant or that where the infringement takes place or where the effects occur.

Civil actions that can be requested are similar to those established in the Patent Act. The set of remedies available include the following: (a) declaration of trade secret infringement; (b) cessation or prohibition of infringing activities; (c) prohibition to manufacture, offer, trade, use, import, export or store infringing goods for such purposes; (d) apprehension of infringing goods, including those in the marketplace, and the means intended solely for their production; (e) full removal of documents, objects, materials, substances, computer files and any other media containing trade secrets, with the full or partial destruction of these; (f) attribution of ownership of the infringing goods to the claimant; (g) compensation for damages if there is malicious intent or fault of the infringer; and (h) the full or partial publication or dissemination of the judgment, safeguarding the confidentiality of the trade secret.

The criteria to establish the compensation for damages are similar to those established for the infringement of patents. The law offers the claimant the possibility of choosing between the lost profits suffered, the unjust enrichment of the infringer, moral prejudice and the disbursements for the investigation of whoever performs the actions to demonstrate the infringement which is the subject of the legal proceedings or, alternatively, a lump sum as compensation for the damages, taking into account the amount the infringer would have had to pay for a licence to be granted during the period in which the use of the trade secret was prohibited.

Lastly, the STSA refers to Article 73 of the Patent Act and the Law on Civil Procedure for the calculation and assessment of damages.

One of the great developments by the STSA is the confidential treatment it provides for information provided or generated during the process associated with

the action and which may constitute a trade secret, therefore establishing an exception to the principle of disclosure and information on court actions (and to the duty of exhibiting documents amongst the parties).

7. Preliminary Injunctions

The STSA offers the possibility of requesting preliminary injunctions against the alleged infringer as long as the general requirements of the Law on Civil Procedure are complied with and there is proportional weighting taking into consideration the circumstances of the case, specifically the legitimate interests of third parties, the public interest and the need to safeguard the fundamental rights.

Preliminary injunctions explicitly mentioned in the STSA are: (a) cessation or prohibition to use or reveal trade secrets; (b) cessation or prohibition to produce, offer, trade or use infringing goods, or to import or store them for such purposes; (c) seizure and custody of infringing goods; and (d) preventive freezing of assets to ensure an eventual compensation for damages.

A security is required to respond for possible damages that might be caused to the defendant or to third parties.

The STSA also foresees possible proceedings for the preparation of civil actions: (a) proceedings for the verification of facts; (b) access to sources of evidence held by the opposing party; and (c) measures for safeguarding evidence.

8. Alternative Measures

The STSA establishes, in favour of the defendant against whom preliminary injunctions were requested, the avoidance by means of presenting the alternative security, having the same criteria established in the Patent Act and the Law on Civil Procedure, although with the feature that alternative security will never be admitted regarding preliminary injunctions aimed at avoiding the disclosure of trade secrets.

In the case of the third party good faith acquirers, whose liability is reduced, the actions that may be brought can be substituted by the payment of a monetary compensation, as long as this compensation is reasonable, and the measures or action would cause a disproportionate harm to that third party good faith acquirer. The compensation may not exceed the amount that the third party acquirer would have paid for the trade secret licence for the time during which it could have been prohibited.

9. Limitation Period

The Spanish lawmaker has set up a three year statutory limitation period for the enforcement of the rights and bringing of actions set for in the STSA.

For the three year statutory limitation to start running, two requirements must be met: (1) the trade

secrets holder or licensee must have become aware of the occurrence of the unlawful act subject to the court proceedings; and (2) the trade secrets holder or licensee must have become aware of the identity of the infringer.

10. Trade Secrets as an Object of Property

Under the heading “*Trade Secrets as an object of property*” Chapter III (Articles 4 to 7)—introduced in the STSA by the legislature at LES Spain & Portugal’s initiative—the STSA contains a set of rules regulating the assignability, co-ownership, licensing in and out of trade secrets, an aspect which has not been harmonized by the EU Directive on Trade Secrets.

Article 5 sets forth that trade secrets may be jointly owned by several individuals or legal entities and sets forth the legal framework applicable therefore in the absence of an express agreement between them. Unless otherwise agreed upon by such co-owners, licenses have to be granted jointly by all the co-owners. In case of a lack of agreement upon one of the co-owner’s request, a judge may allow the applicant(s) to assign or grant a license to a third party in spite of the rest of co-owners’ opposition thereto.

Article 6 of the STSA contains a set of provisions which will be applicable to license agreements of trade secrets in the absence to an express, written agreement between licensor and licensee with a different content.

The provision emphasizes that trade secrets may be subject to contractual licenses in accordance to the objective, material and territorial scope and duration to be agreed upon by the parties. Unless otherwise agreed upon, the licensee shall be entitled to carry out all the acts that are comprised within the exploitation right of the trade secret.

Unless otherwise agreed upon by the parties, the license shall be presumed to be non-exclusive and the licensor shall be presumed to be allowed to grant further licenses to third parties and directly exploit the trade secret. If the license has been granted on an exclusive basis, the licensor shall be presumed not to be allowed to grant further licenses on the trade secret to third parties and not allowed to directly exploit the trade secret itself.

Unless otherwise agreed upon, the licensee shall not be allowed to assign the license or to grant third parties the right to grant sublicenses.

Licensors and licensees shall be required to take whatever measures are necessary to avoid any infringement of the trade secret.

Finally, Article 7 of the STSA provides that, in the absence of an express agreement to the contrary, the assignor or licensor of a trade secret shall be contractually liable vis-à-vis the assignee or licensee if, by a declaratory judgment, the assignor or licensor are found to lack the authority to grant rights on the

trade secrets. In the event that licensor or assignor are deemed to have acted willfully, they will always be found liable, even in presence of an express, written liability exemption clause.

11. Protection of Trade Secrets in Court Proceedings

Article 15 of the STSA has transposed Article 9 of the Directive, which refers to the preservation of confidentiality of trade secrets in the course of legal proceedings.

This provision imposes on the parties, their lawyers or other representatives, court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or who has access to documents which form part of those legal proceedings, the duty not to use or disclose any trade secret or alleged trade secret which the court has, in response to a reasoned application by an interested party, identified as confidential and of which they have become aware as a result of such participation or access.

Such obligation shall remain in force after the legal proceedings have ended, although will cease to exist: (a) where the alleged trade secret is found, by a final decision, not to meet the requirements of a trade secret; or (b) where over time, the information in question becomes generally known among or readily accessible to persons within the circles that normally deal with that kind of information.

Further, this provision sets forth that the Spanish competent court may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or relating to any other matter whatsoever where consideration to the trade secret is required in order to resolve on the merits of the case.

The measures to be taken may include the possibility:

- (a) of restricting access to any document, device, material, substance, electronic file or storage medium containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;
- (b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons; and
- (c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which

the passages containing trade secrets have been removed or redacted.

The number of persons referred to in points (a) and (b) shall ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.

12. Recommendations for Corporate Trade Secrets Policies

In light of the current legal framework, our recommendation to trade secrets holders and licensees would be to set up a trade secrets protection program whose subject matter would be the identification and protection, from design to commercialization, of the company's trade secrets, and which would include at least three categories of measures:

Category No. 1. Legal Measures. Identification of the company's trade secrets, nature, contents, date of creation, identification of employees, suppliers and customers having access to such trade secrets, review of contractual obligations banning use, assignment and disclosure of such trade secrets by those employees, review of contractual provisions on ownership of inventions and information leading to trade secrets, review of assignment clauses, non-compete covenants, non-solicitation and non-disclosure agreements, document marking.

Category No. 2. Organizational Measures. Implementation of best practices on: (i) the use and disclosure of the company's trade secrets, (ii) appointment of a trade secrets protection officer within the company, (iii) implementation of a system allowing to obtain reliable evidence at any time on the contents of the

company trade secrets, the suppliers, employees and customers having access to them and the measures taken with respect to each one of them in order to preserve non-disclosure, (iv) setting up incident response protocols within the company in order to swiftly and diligently react as soon as the company is aware of the occurrence of a trade secret violation, its scope and the individual responsible thereof, and to minimize the effects, (v) work interviews to recruit new candidate employees having had access to trade secrets of the company's competitors (in order to minimize the risk of being held liable for potential trade secrets violations to be carried out within the company by the new employees); (vi) employee exit interviews with those employees having had access to the company's trade secrets, in order to warn them of his/her duty to preserve confidentiality, and (vii) programs in order to increase employee awareness and training within the company of the need to preserve confidentiality of the company's trade secrets.

Category No. 3. Technical Measures. Adoption of a program of measures to be implemented by the company's IT team seeking to ensure confidential information storage, traceability of trade secrets, to grant access to a limited number of individuals previously identified, to grant different types of accesses (view, editing, printing, etc.) to different employees depending on their needs with respect to digital files containing confidential information, and an effective policy of use of corporate electronic devices, use of passwords, security checks and audits, employee-activity monitoring. ■

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