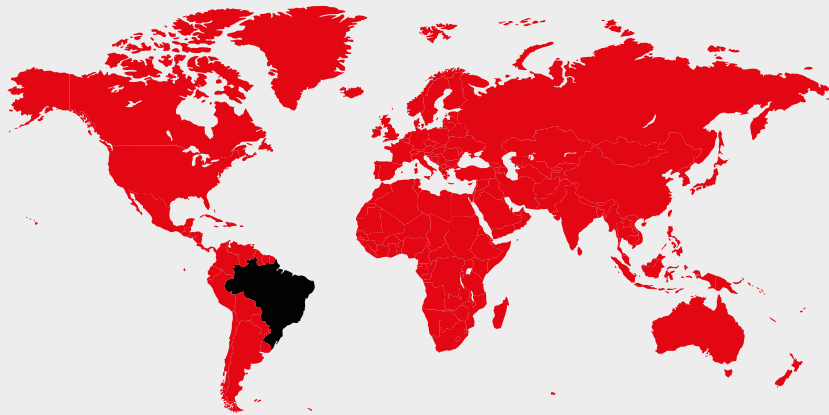




GLOBAL TRACKER: TRADE SECRET LAWS

AM's Global Trade Secrets Tracker is your quick guide to the distinctive trade secret landscapes in 10 key jurisdictions. The tracker draws on the expertise of leading lawyers working at the coalface of trade secret law in each country.



Trade secrets in Brazil

There is no specific legislative provision in Brazil for trade secrets. Protection against their appropriation and misuse is provided in the context of repression of unfair competition.

While Article 170 of the 1988 Federal Constitution establishes free competition as a fundamental principle of the Brazilian economic system, Article 2(5) of the Industrial Property Law establishes that given their importance to society and the country's technological and economic development, industrial property rights should be protected by the repression of unfair competition, among other things.

Article 195(11) goes on to provide that anyone who makes unauthorised disclosure, use or exploitation of confidential information, knowledge or data used in trade, industry or provision of services, is guilty of a crime of unfair competition when they obtain access to said information by means of a contractual or employment relationship, even after the relationship's termination. Exceptions are made for information/data/knowledge already in the public domain or that would be obvious to a person with technical understanding of the relevant field. Article 195(12) criminalises the unauthorised disclosure, exploitation or other use of the knowledge, information or data when the perpetrator obtained access to this by unlawful means, including fraud. Civil law protection is afforded against any act harmful to a competitor, or to their business establishment or products. The appropriation and undue use of trade secrets may thus constitute both a crime and a tort, depending on the specific circumstances.

An injured party is entitled to pursue both criminal and civil remedies, including damages for loss incurred. The Industrial Property Law establishes three criteria for calculating damages: the benefits that the party that suffered the loss would have obtained had the unlawful act not occurred; the benefits obtained by the perpetrator of the unlawful act; or the remuneration that the perpetrator would have been legally required to pay the rights holder for a grant of a licence/authorisation for lawful use of the information or data.

Therefore, although Brazil has no specific law dealing with the issue, the country's legal system contains provisions on unfair competition that can be used to tackle the undue appropriation and use of trade secrets.

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Trade secrets in South Africa

South Africa has no specific legislation governing trade secrets, but these can be effectively protected under South African common law.

As an important form of IP rights, trade secrets are defined by being commercially valuable because they are secret, being known only to a limited group of persons and being subject to reasonable steps taken by the information owner to keep said information secret.

Trade secrets can be protected if it can be established that the information has the necessary quality of confidence and that anyone with access to it owes its owner a duty of confidence. Recipients are not required to sign a non-disclosure agreement (NDA), although doing so would be indicative of a relationship of confidence. If a recipient then discloses that information in breach of that confidence, the owner can take legal action. The unauthorised acquisition, use or disclosure of a trade secret is regarded as unlawful practice and violates the rights of the trade secret owner. In the event that a trade secret has been unlawfully disclosed, the owner would be able to take action against the wrongdoer and claim damages – either on the basis of breach of contract or unlawful competition.

Unlike patents, designs and trademarks, trade secrets do not have to be registered, nor are there any formal compliance requirements that must be met. The duration of the available protection period is unlimited, as long as the three factors stated above that distinguish information as a trade secret are maintained.

The enforceability of trade secrets in South Africa generally requires a court injunction. The South African courts have been willing to grant injunctions in recognition of the importance of trade secrets, but the process of obtaining the required court order may be costly.

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Trade secrets in the European Union

Protection of trade secrets in the European Union is regulated by the EU Trade Secrets Directive (2016/943), which came into force in 2016 and which has now been implemented by most EU member states.

Companies can only claim infringement of trade secrets where they have protected them using objective measures. As a result, organisations must first identify their own trade secrets so that they can then take appropriate and verifiable measures to safeguard them. These measures are not prescribed by the directive, although a comprehensive internal system is recommended, including contractual obligations on employees and business partners to maintain confidentiality. Special focus should be placed on employees. Not only can trade secrets be taken out of the company by outgoing employees, companies may also face third-party claims if new employees introduce trade secrets from elsewhere.

The definition of trade secrets and their unlawful, as well as lawful, acquisition (eg, through reverse engineering) are specified by the directive and are thus identical in each EU member state. Accordingly, a 'trade secret' is any information that is not generally known or accessible, has commercial value and has been subject to reasonable steps to keep it secret. However, in the field of remedies, EU member states retain some discretion so the enforcement of claims may differ from one member state to another. Further, the directive only regulates civil law matters; criminal punishments for breaches of trade secret protection remain a regulatory matter for individual EU member states.

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Trade secrets in Mexico

Trade secrets are defined in the IP Law as any information to be used for industrial or commercial purposes and which allows the owner to obtain or maintain a competitive or economic advantage over third parties. In addition, the owner must be able to prove that they have gone to sufficient lengths to keep the information confidential and demonstrate that they have restricted access to the information for it to qualify as a trade secret.

This information can be contained in any document, electronic file, CD or in any other medium known or to be known.

Information will not be considered a trade secret if it is in the public domain or has been disclosed to an authority for the purposes of obtaining a licence, by someone who has legal control of the secret. If the information is required in a legal procedure, the authority concerned must keep it confidential.

All information considered a trade secret can be communicated to third parties by means of a licence agreement or if employees need to know the information to do their job. In any transfer of information, it is mandatory to make the receiving party aware that the information at issue is considered a trade secret.

The law also outlines the concept of misappropriation: any use or divulgence of a trade secret contrary to the law or information obtained contrary to good practices. Independent discovery is not covered in the concept of misappropriation, nor is unintentional discovery without knowledge of the information's confidentiality.

There are two definitions of infringement with respect to trade secrets: divulging a trade secret, or selling, producing, importing or exporting products protected by a trade secret.

Finally, the law details four crimes for trade secrets violations, one of which would be disclosing or using a trade secret to gain a competitive advantage.

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Trade secrets in Canada

In Canada, trade secret law and remedies are primarily found in common law rather than statute. Decisions made in the Supreme Court of Canada and provincial courts have set general principles of trade secret law. Unlike most US states, no Canadian province has a uniform trade secrets statute. The specific criteria for what qualifies information as a trade secret, as well as the scope of protection, can vary between each province.

A breach of confidence lawsuit may succeed when a trade secret owner can demonstrate that the disclosed information was confidential, communicated in confidence and misused by the party to whom it was given.

The onus is on the owner to prove the existence and scope of the trade secret. The remedies for a breach of confidence can include an election of compensation by way of damages or an accounting of profits. The amount of damages awarded will depend on the type of secret disclosed, losses taken and circumstances surrounding the disclosure. Punitive damages tend to be rarer and smaller than in US trade secret litigation. The trade secret owner may also request an injunction to prevent initial disclosure or further misuse of the information. To do this, one must prove that, without the injunction, irreparable harm will occur for which money is not sufficient compensation. This requirement makes it challenging to get an injunction.

The Criminal Code was recently amended to create a criminal charge for trade secret theft. Prior to this law, a Supreme Court of Canada decision had held that there was severely limited scope to lay a criminal charge for theft of only information.

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Trade secrets in China

China does not have a standalone trade secret law but protects trade secrets within articles of its Anti-Unfair Competition Law. As with other types of intellectual property in China, trade secrets can, in theory, be enforced through three routes: administrative, criminal and civil. In practice, protection by any route has traditionally been weak. Administrative authorities' limited capabilities are not suited for the complexity of trade secret cases and criminal prosecutions are relatively rare (less than 1% of all IP prosecutions) because of the difficulty of proving the economic value of the infringement that triggers liability. Civil courts have thus been the most common route, but even so, significant challenges ensue: statistics gathered from 2015 to July 2022 show that of 671 civil decisions issued, the plaintiff won in only 39% of cases. An amendment to the law in 2019 and a subsequent Supreme People's Court regulation in 2020 aimed to improve plaintiffs' prospects by broadening the scope of infringing acts, lowering the threshold for what is deemed adequate protective measures, allowing courts to reverse the burden of proof where a brand-new case is shown, and providing for punitive damages. However, the small sample of cases issued after this new legislation have yet to show any significant improvement in outcomes for plaintiffs, at least in the top line statistics of win rates or damages. Trade secret owners in China can, however, enforce non-compete agreements on key personnel as a means of preventing leakage of information via departing employees. As in other jurisdictions, owners of intellectual property in China should use meticulous and targeted internal controls (legal, physical and digital) to ensure that they an enforceable case right should the need arise. Fostering a culture of compliance through regular awareness training and cross-functional involvement with C-suite accountability is even more important.

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Trade secrets in the United States

Trade secrets can be protected at both the federal and state level in the United States, including both civil and criminal liability for misappropriation of trade secret information. Federal protections are codified in the Defend Trade Secrets Act, which is substantively similar to the Uniform Trade Secrets Act adopted by most state legislatures.

A broad range of information is available for protection under both federal and state laws; almost any valuable business information that the trade secret owner takes reasonable steps to protect from disclosure. Trade secrets provide a valuable level of protection for IP owners, particularly in subject matter that is not readily reverse engineered and for which patent protection is not readily available or is difficult to enforce. For example, software algorithms can be difficult to protect under US patent law, but trade secret protections can fill this gap. Likewise, biomedical research organisations may find that research techniques for identifying potential therapeutic targets may be more valuable if kept as a trade secret, even if those techniques are not patentable, given the difficulties associated with proving patent infringement related to research methodologies.

Organisations doing business in or with the United States should be mindful of the fact that the touchstone of trade secret protection is secrecy. This means paying careful attention to any disclosure of critical aspects of trade secret information, even limited disclosures under confidentiality agreements. Among other things, organisations should ensure that they exercise care to maintain rigorous physical and cyber security protections and include protection protocols in all employee onboarding and offboarding activities.

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Trade secrets in the United Kingdom

The United Kingdom has two separate but parallel regimes for protecting trade secrets: the Trade Secrets (Enforcement, etc) Regulations, which incorporated the EU Trade Secrets Directive into UK law, and the common law equitable doctrine of confidence. The essential principles of this doctrine have been long settled, with *Coco v AN Clark (Engineers) Limited* defining confidential information (and breach thereof) as information that has a necessary quality of confidence, was provided in circumstances giving rise to an obligation of confidence and was used without the authorisation of the holder.

Claims enforcing trade secrets may be brought under either the regulations for unlawful acquisition, use or disclosure of trade secrets, or common law for breach of confidence. Both routes are civil rather than criminal law regimes.

Remedies available to the court under either regime comprise injunctions and damages/an account of profits. Injunctive relief may be awarded as an interim or final remedy, and the court has broad discretion regarding the types of injunctions it orders. Examples include injunctions to prevent the use of confidential information, injunctions to halt the importation of competing products (which may have been created using a competitor's trade secrets) and search and seizure orders. A successful claimant may seek damages or an account of profits for misuse of trade secrets or confidential information. Methods for assessing quantum include profits made by the defendant as a result of its misuse of trade secrets, profits the claimant would have made but for the misuse, and the licence or sale fee the claimant would have received for the trade secrets with a willing licensor or buyer.

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Trade secrets in Australia

Unlike the United Kingdom and the United States, there is no trade secret specific statutory or regulatory regime in Australia. However, Australia has acceded to the World Trade Organisation's agreement on Trade-Related Aspects of Intellectual Property Rights 1995 (TRIPs), Article 39(2) of which requires member states to accord protection against the unauthorised use of "undisclosed information" in a way that is "contrary to honest commercial practices". 'Undisclosed information' is defined as a secret that is not generally known or readily available, has commercial value in being kept a secret and anyone in control of it takes reasonable steps to keep it a secret.

Trade secrets are instead protected in Australia through contractual and equitable obligations of confidence and other statutory regimes that protect the unauthorised disclosure of confidential information. Parties in a commercial relationship can protect confidential information through express contractual terms whereby they must treat exchanged information as a secret. In some situations, such as employment, terms of confidentiality can also be implied and would impose an obligation of confidence on the parties. Infringement on either express or implied terms would give rise to an action for breach of contractual obligation. An equitable action for breach of confidence is also available to parties in situations where there is either no contractual protection of confidential information or where such protection is unclear.

Some statutes in Australia provide protection against the disclosure of confidential information by imposing an obligation of confidence. Section 183 of the Corporations Act 2001 imposes a continuing duty on a director, officer, or employee of a company to not make improper use of information obtained during their association with the company. The Privacy Act 1988 applies to private sector organisations and Commonwealth agencies and regulates the storing, securing, using and disclosing of personal information. A complaint as to the breach of the provisions of this act can be lodged with the privacy commissioner.

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Trade secrets in India

Currently, India does not have a distinctive trade secrets law. However, being a signatory of the Paris Convention, India must protect undisclosed information – a secret of commercial value. In the absence of a specific trade secrets law, Indian courts have upheld the protection of trade secrets under various statutes, including contract law, copyright law, the principles of equity, and – at times – the common law action of breach of confidence (which, in effect, amounts to a breach of contractual obligation). Section 72 of the Information Technology Act 2000 also provides certain protection, though it is limited to electronic records.

The three remedies available to trade secret owners are: injunctions preventing a licensee, employee, vendor or other parties from disclosing a trade secret, the return of all confidential and proprietary information, and compensation for any losses suffered due to disclosure of trade secrets. In the case of a breach of trade secrets, the courts will investigate two main concerns: proving confidentiality of information and breach of confidence.

Indian trade secrets law is judiciary-made and is based on the principle of equity and common law actions against breach of confidence, with the jurisprudence revolving around an employee's obligations to their employer in terms of confidential information gained during employment. Indian jurisprudence regarding trade secrets is unclear on several critical aspects, such as the scope of damages in the case of a breach of confidential information, trade secret theft by business competitors, and procedural safeguards during court litigation.

Practical tips to protect trade secrets include sensitising employers, trade secret policies, signing NDAs, employer/employee confidentiality agreements and conducting audits to identify and address possible leakages.

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