

Spain

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1. General Background of the Spanish Legal Framework

1.1 The protection of Trade Secrets in Spain. Overview

Since 1991, Spanish Legislation has provided specific rules bestowing protection upon the trade secrets owners (proprietors) against misappropriation as well as for the protection of the know-how as confidential business information, but in the Unfair Competition Act and not from a specific Trade Secret Act. Trade secret protection in Spain has its real inception with the enactment of the Spanish Unfair Competition Act (hereinafter, SUCA), when the Spanish Legislator went a step further endowing and enhancing protection with Articles designed for this kind of particular intellectual property (Articles 13 and 14 of the SUCA). According to Article 13 of the SUCA there is no protection of an exclusive right of the trade secret however this kind of right has an analogous position with other intellectual property rights such as the case of a patent proprietor. Hence, with the implementation of this Act in Spain the violation of commercial or trade secret as a legally determined unfair commercial behaviour was established.¹ Nevertheless, Spanish legislation went through several stages prior to the fulfilment of these specific articles to protect the trade secret owners/proprietors the most important feature of which was the dispersion of the protection of trade secrets in many legal sources and fields of law. For this reason, the proprietor of trade secrets or know-how has always had to some extent, protection and remedies provided by special laws and in manifold procedures. As such a trade secret proprietor could obtain protection under the provisions of Spanish Patent Act,² Workers' Statute,³ on the Public Limited Company Act⁴ and also in the

¹ Act 3/1991, on Unfair Competition (Ley de Competencia desleal), of 10 January 1991, Official State Gazette 1991 [10]; amended in 2009 by Act 29/2009, of 30 December 2009, Official State Gazette 2009 [315] with the implementation of the Directive 2005/29 of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in internal market, OJ 2005, L 149, p. 22; See, *inter alia*, S. Barona Vilar, Competencia desleal. Tutela Jurisdiccional (especialmente proceso civil) y extra jurisdiccional. Doctrina, legislación y jurisprudencial, t. 1, Tirant Lo Blanch tratados, 2008, p. 560.

² Law 11/1986 on Patents, of 20 March 1986, Official State Gazette 1986 [73], available in English here: http://www.wipo.int/wipolex/es/text.jsp?file_id=126698

³ Spanish Workers' Statute (promulgated by Royal Legislative Decree 1/1995, of 24 March), available in English here: http://www.vss.justice.bg/spain/5/Estatuto_Trabajadores_ENGLISH_pdf.pdf ; prohibition on employees to make use of trade secrets since 1931.

former Spanish Trademarks Act, namely through its former general clause.⁵ Likewise, within the framework of criminal law, since 1973, the Spanish Legislator had already included trade secret protection in the former Criminal Code. Nonetheless, after the Spanish Unfair Competition Act (hereinafter, SUCA) came into force, the provisions related with the prosecution of the misappropriation of trade secrets in the Criminal Code were not improved until 1995.⁶ One of the reasons of this legal dispersion in Spain is due to the trade secret and know-how protection not always having been linked with the discipline of unfair competition, despite its characterisation as unfair competition behaviour.

From the international standpoint we should point out the importance and impact of the international standards for trade secret protection in Spain. As is well known, Spain is both a member of the Paris Convention, since the origins of the Convention, and a member of the World Trade Organization (hereinafter, WTO). Needless to say that, as a consequence Spain is also part of the TRIPS Agreement. But in fact, trade secret protection in Spain does not start with the adhesion to the Paris Convention or with the participation as Member of the WTO. When Spain still did not enact a special law on Unfair Competition with certain articles to protect the trade secrets, Spanish scholars argued that the owner or proprietor of the trade secret could get legal coverage under the general clause (article 10*bis* (2)) of the Paris Convention.⁷

All in all, opinions in Spanish Academia challenge the effectiveness of the enforcement in some aspects, namely related to the great dispersion of proceedings to protect trade secrets.

⁴ Spanish Consolidated Act on Joint-Stock Companies, Official State Gazette 1989 [310] and Royal Legislative Decree 1/2010, of 2 July 2010, approving the Consolidated text of the Corporate Enterprises Act, Official State Gazette [2010], of 30 August [210], available in English here:

http://law.au.dk/fileadmin/www.asb.dk/omasb/institutter/erhvervsjuridiskinstitut/EMCA/Spanish_Act.pdf

⁵ Article 87 of the former Act 32/1998 on Trademarks (no longer in force); see Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/committees/215/GR215spain_en.pdf

⁶ Spanish Criminal Code, of 24 November 1995, Official State Gazette 1995 [281], articles 278 to 280, "On felonies related to the Market and Consumers"; available in English here: http://www.sanchezcervera-abogados.com/en/files/2012/06/Criminal_Code_C%C3%B3digo_Penal.pdf

⁷ Bearing in mind that, being a Member of the Paris Convention, Spain should guarantee the enforcement of the protection against any act of competition contrary to the honest practices under the prescribed article. See, A. Font Segura, La protección internacional del secreto empresarial, Eurolex 1999, pp. 95-97; J. A. Gómez Segade, El secreto industrial (Know-how). Concepto y protección, Tecnos 1974.

These opinions are relevant in order to grasp certain weaknesses in the Spanish procedure against the violation of undisclosed information.⁸

On the other hand, in any case whereby under the specific articles of the SUCA (Article 13 *in toto* and Article 14.2) the trade secret proprietor could not find legal coverage against misappropriation and misuse of its trade secret, it would be possible that this proprietor could obtain protection invoking the general prohibitive clause established by the SUCA.⁹ As is generally recognised the prohibitive general clause of the SUCA acts as a safety net in the Marketplace (in terms of criteria that determine the outlook of what is fair and unfair in the Marketplace). However, this possibility only applies when the specific provisions do not cover the expected protection for trade secret proprietors. This is because, there are Spanish case law precedents related to the use of the general clause in conjunction with the specific rules under the provisions of the SUCA, in which plaintiffs have tried to increase the unfairness of the act by invoking both of these (general clause and the specific rule which cover the certain unfair act). Spanish judges are prone to dismiss these kinds of claims based on the specific rule together with the prohibitive general clause. They only accept the use of the general clause when the affected party did not find enough legal coverage under the other specific provisions of the SUCA.

1.2 Definition of Trade Secrets under Spanish Unfair Competition Act, Criminal Code and other Special Laws

It should be stressed in first place that the scope of the protection of Trade Secrets is wider than the concept set out in Article 13 of the SUCA. Because there is no tailor-made concept in Spain regarding what constitutes or what is the Trade Secret. The Article 13 (infringement and violation of trade secrets) and the Article 14.2 (unfair inducement to breach the contract of the parties have entered into with competitor) only set out the elements and scope to implement the protection of the Trade Secret under two different obligations (contractual and tort liability).

As a matter of fact, the definition and concept of Trade Secrets has been is a result of the mixture between the opinion of relevant scholars of Academia and Spanish case law.¹⁰ Trade

⁸ M. L. Llobregat Hurtado, *Aproximación al concepto de secreto empresarial en Derecho Español y Derecho Norteamericano*, Cedecs Derecho Privado 1999.

⁹ See Article 4, amended Act 29/2009 on Unfair Competition.

¹⁰ For instance, J. A. Gómez Segade, *El secreto industrial (Know-how). Concepto y protección*, Tecnos 1974; J. Massaguer Fuentes, *Comentarios a la ley de competencia desleal*, Civitas 1999; A. Suñol Lucea, *El secreto empresarial: un estudio del artículo 13 de la Ley de competencia desleal*, Thomson Reuters 2013; S. Barona Vilar, *Competencia desleal. Tutela Jurisdiccional (especialmente proceso civil) y extra jurisdiccional. Doctrina, legislación y jurisprudencial*, t. 1, Tirant Lo Blanch tratados 2008, p. 562; A. García Vidal, *La propuesta de la directiva sobre la protección del Know-how*, Gómez Acebo & Pombo 2013. See *inter alia*,

Secret have been defined by these relevant scholars as “knowledge or overall technical knowledge that are not in the public domain and are necessary for the manufacturing or marketing of a product, for providing a service or for organizing a business unit or branch, such as to procure to its holder an advantage over competitors which he aims to preserve by preventing its disclosure”. This situation, at least, existed in the first stage of its protection when the enforcement of the Article 10*bis* PC could be used to guarantee the protection of the trade secret protection against the misappropriation and misuse of Trade secret.¹¹ And as we have mentioned above, after the enactment of the SUCA, the Spanish Legislator solved this situation only up to a certain point, because so far there is no single and accurate concept in Spanish provisions. Regarding the concept of know-how (which in Spanish provisions is a different concept than trade secret) instead of making its own concept, the Spanish Legislator adopted the American term know-how without modification. This was an unfamiliar term in Spain and unlike other countries that translated the term into their own language such as France (*savoir-faire*), Spain did not translate the term into Spanish.¹² Another option that was used and still persists for filling this loophole regarding only the trade secret concept was taking into consideration the definition provided by the Article 39.2 of TRIPS Agreement.¹³

In the same way, under the provisions (Articles 278 to 280) of Spanish Criminal Code there is no accurate definition about what is a trade secret. However, under these articles one could find better description insofar as Trade secret information; notwithstanding, this is not enough to improve this issue. The concept of trade secret set out under Spanish provisions is widespread and it should be differentiated from other analogous concepts such as know-how, commercial and industrial secrets.¹⁴ As the Spanish Group of the AIPPI argued we can conclude by saying that the combination of all the definitions and Academic contributions which are dispersed under Spanish legislation makes a single *sui generis* concept that could be as follows: the trade

Judgment of Spanish Supreme Court 754/2005, of 21 October, Civil Division, Rec. 2005/8274; Judgment Provincial Court of Barcelona, of 1 December 2001 [2001/2005]: *id.*, of 21 December 2001 [2003/1868]; of 13 June 2001 [2004/14067], etc.

¹¹ J. A. Gómez Segade, *El secreto industrial (Know-how). Concepto y protección*, Tecnos 1974; See Judgment Provincial Court of Cordoba, Sec. 3^a, of 12 December 2014, hereby the Court established a clear concept of trade secret in a criminal prosecution.

¹² E. Morón Lerma, F. Morales Prat, *La tutela penal del secreto de empresa desde una teoría general del bien público*, UAB 2002; J. A. Gómez Segade, *En torno al concepto de Know-how*. In: *Estudios jurídicos en homenaje a Joaquín Garrigues*, t.II, Tecnos, 1971, pp. 411-431.

¹³ See Judgment of the Provincial Court of Zaragoza, Division 5, *Neck vs. Neck*, 316/2010, of 17 May 2010, [Rec. 2010/3888990] whereby this Provincial Court upheld that the use of the definition given by Article 39 TRIPS Agreement could be used for filling the gap in Spanish provisions. Taking into account under Spanish Constitutional System treaties are self-executing once have been published in the Official State Gazette. Article 39 TRIPS Agreement has been subject to have direct effect in Spain before Spanish Courts, A. Font Segura, *La protección internacional del secreto empresarial*, Eurolex 1999, pp. 125-134.

¹⁴ E. Morón Lerma, F. Morales Prat, *La tutela penal del secreto de empresa desde una teoría general del bien público*, UAB 2002.

secret has a secret nature of the information (that would not be easy to have access to as a third party); has a competitive and economic value and the owner has the will to keep the information confidential.¹⁵

1.3. Nature and Scope of the Trade Secrets under Spanish Provisions

1.3.1 Legal Nature of the Trade Secret in Spain

At first glance, the nature of the protection against the violation or infractions of Trade secrets under Spanish provisions has an economic interest, as is the case of the other types of intellectual property rights. The economic interest relies and is enshrined in Spanish Constitution through the freedom to exercise an economic or commercial activity,¹⁶ as well as with freedom to conduct a business without interferences.¹⁷ Basically, as is the case in other countries, which also bestow protection of the Trade Secrets in a special Law of Unfair competition, this economical interest constitutes the most important patrimonial asset of the entrepreneurs. It is based as a value for the development of technology intertwined with another element: confidentiality. Actually, in order to grant the right of protection toward the unfair disclosure of third parties, those proprietors who are looking for legal protection must prove the economic value of its trade secret and its relevance as a competitive advantage, because otherwise if the proprietors cannot establish the exclusivity and economic value of its trade secret, they do not trigger off any protection according to Spanish legislation.¹⁸

The nature of this unfair behaviour act can be contractual and/or tort liability; it will depend on the relationship of the parties. Spanish provisions have remedies for both.¹⁹ Nonetheless, it is easier that the misappropriation of trade secrets stems from a contractual relationship. Likewise, it is likely that during the performance of the contract or pre-contractual phase (*culpa in contrahendo*) a violation of the trade secret could happen. Bearing in mind that the existence of the *culpa in contrahendo* has room under the provisions of the Spanish Civil code

¹⁵ Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/committees/215/GR215spain_en.pdf, p. 3.

¹⁶ Articles 33 and 38 of Spanish Constitution 1978, available in English here: http://www.congreso.es/portal/page/portal/Congreso/Congreso/Hist_Normas/Norm/const_espa_texto_ingles_0.pdf

¹⁷ M.L. Llobregat Hurtado, Aproximación al concepto de secreto empresarial en Derecho Español y Derecho Norteamericano, Cedecs Derecho Privado, 1999; A. Font Segura, La protección internacional del secreto empresarial, Eurolex 1999; E. Morón Lerma, F. Morales Prat, La tutela penal del secreto de empresa, desde una teoría general del bien público, UAB 2002.

¹⁸ See, Spanish Supreme Court 952/2011, Civil Division, of 4 January 2012.

¹⁹ Under Spanish provisions we have protection against the misappropriation in labour relations within several fields of law: Workers' Statute, SUCA, and art. 2 of the Royal Decree 2485/1998, of 13 November (amended by Royal Decree 419/2006 of 7 April on Franchise contracts).

as a tort liability, the trade secret proprietor could find protection in this body of law as well as under the SUCA. According with the Article 2 paragraph 3 of the SUCA: “The Act shall apply to any act of unfair competition committed before, during or after a commercial transaction or contract, regardless of whether the latter is finally entered into or not.”²⁰

1.3.2 Scope of the Protection of the Trade Secret

When a trade secret proprietor files a claim based on unlawful disclosure and exploitation on behalf of third parties without express consent/authorisation, he/she must take into consideration that Articles 13 and 14 relate this unfair behaviour with certain elements which must be fulfilled in order to resort to this legal coverage. Likewise, it must be taken into account that the mere use of the business information that derives from the knowledge of the trade secret is not unfair *per se*. Under these provisions it should be noted that not every use, knowledge and disclosure of the secret information would be considered unfair.²¹

On the contrary, the Article 13 subordinates the protection to the elements against the unfair disclosure, exploitation and acquisition in two circumstances: Firstly, if the infringer has obtained the information legitimately with duty of reserve (by means of contract or under the forms described in Article 14.2) and when the infringer has obtained the information illegitimately (by means of industrial espionage or analogous methods). The access to the information therefore is twofold, either legitimately (fair) or illegitimately (unfair). However and as we detail below, the legal aftermath will vary depending on the means used to get access to the trade secrets.

In any event, the infringer puts in jeopardy the position of the trade secret proprietor in the Marketplace. Furthermore, what is truly unfair it is not the acquisition of the trade secret and Know-how and the mere disclosure of this, but the methods and procedures used by the offender to get this knowledge in order to disclose it without authorisation for harming the

²⁰Last amended of the Act 29/2009 on Unfair Competition into English available here: <https://webgate.ec.europa.eu/ucp/public/index.cfm?event=public.country.viewFile&lawID=29&languageID=EN> . In such cases of *culpa in contrahendo*, the party who is looking for legal coverage against anyone who undisclosed its information before or during the performance of the contract, it could request the civil remedies under Spanish Civil Code, namely Article 1902, which is the general clause for every single civil tort as well as activate the remedies provided by the Article 32 of the SUCA. See, *inter alia*, R. Bercovitz-Cano, Manual de Derecho civil (Contratos), Bercal 2011, pp. 39 *et seq.*; Judgment of the Spanish Supreme Court 1762/2014, El Derecho Editores S.A., vs Wolters Kluwer España S.A., of 8 April 2014.

²¹ See, *e.g.*: Judgment of the Spanish Supreme Court 952/2012, 4 of January 2012; National Court Order, Criminal Section nº 4, of 19 June 2001, rec. 248770/2001: S. Barona Vilar, Competencia desleal. Tutela Jurisdiccional (especialmente proceso civil) y extrajurisdiccional. Doctrina, legislación y jurisprudencial, t. 1, Tirant Lo Blanch tratados, 2008, pp. 560-561; H. Baylós Corroza, Tratado de Derecho Industrial, Civitas, 2009, p. 337.

trade secret proprietor. Otherwise, unlike the protection endowed to a patent proprietor who can stand out against any use and legal exploitation of its patent to third parties, the trade secret proprietor only can stand out against the exploitation of the secret and confidential knowledge made it by third parties who are not authorised and under the scope and elements of the Articles 13 and 14.2 of the SUCA.²²

From a criminal law perspective, Articles 278 and 279 of the Criminal Code state that misappropriation of the trade secret will be considered a criminal offence when the offenders obtain data, written or electronic documents, computer media or other objects related thereto in order to discover a company secret as well as if the offenders use any of the means or instruments described in Article 197 paragraph 1.²³ Article 279 decrees that diffusion, disclosure or communication of a company secret perpetrated by whoever has the legal or contractual obligation of confidentiality, will be considered a criminal offence. If the secret is used only to the offenders in own advantage the penalties shall be imposed in their lower half, we will refer again about fines and penalties of the Criminal Code in Section 3.

1.4. Elements

The trade secret proprietor will be entitled to file claims before Spanish Courts against violations of its trade secret, when the following elements are present:

1.4.1 Objective and Economic Element

Article 13 establishes the objective element and scope of the protection. Trade secret should be a technical knowledge, which is exclusive and novel (innovative). This technical knowledge must be entirely secret and specific.²⁴ The most relevant elements therefore are novelty, secrecy and exclusivity.²⁵ The economic value of the trade secret constitutes a relevant competitive advantage against the other competitors and participants in the Marketplace.

²² C. Fernández-Nóvoa, *El enriquecimiento injustificado en el Derecho industrial*, Marcial Pons 1997, p. 102.

²³ Article 197.1 of the Criminal Code refers to discovery and revelation of secrets in general.

²⁴ P.A. De Miguel Asensio, *Capítulo II.-Bienes inmateriales, Derecho de la Competencia y Responsabilidad extracontractual*. In J. C. Fernández Rozas, R. Arenas García and P. A. De Miguel Asensio, *Derecho de los negocios internacionales*, 4thed, Iustel 2013, p.85; M.L. Llobregat Hurtado, *Aproximación al concepto de secreto empresarial en Derecho Español y Derecho Norteamericano*, Cedecs Derecho Privado, 1999 , pp. 57-59.

²⁵ P. A. De Miguel Asensio, *Capítulo II.-Bienes inmateriales, Derecho de la Competencia y Responsabilidad extracontractual*. In J. C. Fernández Rozas, R. Arenas García and P. A. De Miguel Asensio, *Derecho de los negocios internacionales*, 4th ed, Iustel 2013; Judgment of the Spanish Supreme Court 952/2011, of 4 January 2012, whereby the Spanish Supreme Court dismissed the claim of the trade secret proprietor because there was no special duty of confidentiality.

1.4.2 Subjective Element

Trade secret can be under the duty of reserve by the third parties or not; nevertheless, the subjective element constitutes the will by the proprietor to keep confidential information in secret. The will of the trade secret proprietor to maintain in secret the confidential and technical information until further notice shall be clear, to protect the most relevant knowledge as competitive advantage away from the other competitors. This requirement should be related to the due diligence that the proprietor against the unfair disclosure, taking every measure thereupon, must show it. Likewise, the subjective element is also related to the *animus* and the injury caused by the alleged infringer.²⁶ Unlike the other unfair commercial behaviours the violation of undisclosed information does not need the mandatory existence of a specific Marketplace as the approach of this Article is giving assurance to the Secrets in the complete Spanish legal system according to Article 13.3.²⁷ Hence, Article 13.3 releases the need of the act to have been committed at the Marketplace with competition purposes. However, it does not release from the necessity that the violation or the act be committed with negligence and bad faith with the purpose of harming the trade secret proprietor.

2. Protection and Control of the Trade Secrets toward Third Parties under Unfair Competition Act and other Special Laws in Spain

2. 1. Legal Mechanisms to Protect Trade Secret against Third Parties in Bad Faith

As we detailed above, there are several mechanisms to protect the Trade Secret against third parties in bad faith. When a trade secret proprietor has been subjected to an unfair exploitation, divulgation and therefore misappropriation of its trade secret (circumstances categorised under the SUCA); he/she will seek legal coverage from a civil law protection in the Articles 13 and 14.2 of the SUCA. When trade secret holder does not find legal coverage under prescribed provisions because the misappropriation could not considered as unfair violation of its trade secret, the proprietor could still find protection under the general clause (if unfair competition can be demonstrated). Moreover, we should bear in mind that the access to the trade secret can arise legitimately (with duty of reserve, Article 13.1) or illegitimately by means of espionage or similar procedure (Article 13.2 and Article 14.2). It is important to say again that not every use and misappropriation is unfair under these provisions.

²⁶ In relation to the importance of the *animus* of the tortfeasor (negligence or bad faith) see e.g.: Judgment of Provincial Court of Granada, of 25 March 2003 [2003/166396]

²⁷ S. Barona Vilar, Competencia desleal. Tutela Jurisdiccional (especialmente proceso civil) y extra jurisdiccional. Doctrina, legislación y jurisprudencial, t. 1, Tirant Lo Blanch tratados, 2008, p. 563.

In contractual infringements we have to read Article 13 in conjunction with Article 14 paragraph 2. According to the Article 14 of the SUCA, trade secret proprietor may find protection against third parties when these parties would have led to the workers (either new employees or ex-employees), suppliers, clients and other legally binding parties, to breach basic contractual obligations they have entered into with trade secret proprietor. The same applies when the third party leads any obligated party with the trade secret proprietor to breach the normal termination of the contract with the purpose of taking advantage for himself or for another person (divulging and exploitation the trade secret). As we are going to explain below one of the measures that trade secret proprietor has at hand to prevent the unfair disclosure and later divulgation in labour or contractual relations is the insertion into the contract of non-competitive covenants, either the insertion of exclusive agreements (such as the case of License agreements on Trade Secrets).²⁸ Once again, it is relevant to point out that what is unfair is the means by which the trade secret is obtained.

As regards to the Patent Act, Articles 15 *et seq.*, labour inventions will be owned by the employer, when made by an employee during the period of his/her contract or employment or provision of services, if the invention results from research work included expressly or implicitly within the subject matter of his/her contract; otherwise the invention belongs to the employee.²⁹ Furthermore Spanish Intellectual Property Act³⁰ grants the exploitation rights of the employee but also makes the presumption that these rights are granted to the employer exclusively for exercising a normal activity of the company during the time the employee is working for the company. For collective works under coordination the trade secret protection will fall upon the person in charge of the collective work.³¹

At the other end of the spectrum, the holder of a trade secret as employer has legal coverage against the possible unfair competition of its employees under the provisions on the Workers' Statute, namely Articles 5 a and b (labour duties); and Article 65 (duty of secret for Trade unions and for the members of the Works Council).³² As well, the Article 21 (paragraphs 1 and

²⁸ See Section 4.2

²⁹ Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/comitees/215/GR215spain_en.pdf, p. 4

³⁰ Royal Legislative Decree 1/1996, of 12 April.

³¹ In case of software programs created by employees this Act grant the right of disclosure to the employees unless otherwise agreed that they belong to the employer.

³² See also Article 37 of the Act 31/1995, of 8 November on Prevention of Occupational Risks, Official State Gazette 1995 [269], available in English at, <http://www.insht.es/InshtWeb/Contenidos/Documentacion/FichasPublicaciones/LegisNormaliz>

2) which establishes an explicit prohibition whereby the employees should refrain to make whichever act of unfair competition against the employer,³³ in addition to Articles 278 and 279 of Spanish Criminal Code. This protection must be born of a labour relation. Nonetheless, there is a conflict of interest as regards to the protection of the Trade secret and the protection of the interests of the employees.

Likewise, the duty of secrecy between the Administrators of Public Limited Companies as is established in the Article 232 of the Royal Decree Legislative on Capital Companies (Stock Corporations) when they finish their relationship as Administrator of the Company, has to take into account, otherwise if the former Administrator does not carry out his/her duty of confidentiality they could receive a complaint on behalf of the trade secret proprietor.

2.2. Measures to secure the Evidence of the Trade Secret Misappropriation

Under SUCA as well as under certain provisions of the Spanish Civil Procedure Act (hereinafter, SCPA) trade secret proprietor may secure the evidence of the trade secret misappropriation. Nonetheless, before the proprietor triggers off the remedies contained in this body of laws, the judge will examine if the proprietor acted with the due diligence and duty of care to protect the trade secret against third parties, and foreseen possible collateral effect.³⁴ This is one the requisites before starting the civil and criminal action.

2.3. Illegal Misuse of Trade Secrets in Spain

As regards to the term misuse and its legal treatment under Spanish provisions, it could be considered similar to the legal figure of abuse of right. We could argue that misuse under Spanish provisions against violation of trade secrets is also misappropriation.³⁵ Unfair Competition in Spain, is considered as an abuse of right on behalf of parties who compete in the Marketplace contrary to the honest practices of commerce, by taking unfair advantage (art.

[acion/TextosLegales/Ficheros/lprw-lprl-en-consolidado%20-CON%20CARATULA%20SIN%20NIPO.pdf](#)

³³ M.L.Llobregat Hurtado, Aproximación al concepto de secreto empresarial en Derecho Español y Derecho Norteamericano, Cedecs Derecho Privado, 1999, p. 131. This could be the cause of a right and proper dismissal or discharge, e.g. Judgment of the Superior Court of Madrid, Labour Division, of 13 May 1994, Rec. 1989.

³⁴ See, Guía para la protección de la propiedad industrial en Europea (only available in Spanish):

<http://www.ivace.es/impiva/images/noticias/patentesymarcas/el%20secreto%20industrial.pdf> , p. 10

³⁵ See, Article 7 Spanish Civil Code.

10bis PC); or under the general clause of the Directive 2005/29, in any act contrary to the due diligence (art. 5).

Therefore, trade secret proprietor will have protection if the misuse were made under these circumstances and by means of: industrial and commercial espionage; breach of contract (or other similar situations); breach of confidence; and breach of the duty of confidence (*e.g.*: infringement of the covenant of non competition or violation of the trade secret with breach of a License Agreement). Likewise, it will be considered unfair when the unlawful exploitation and divulgation has been made without permission of the trade secret proprietor.³⁶

On the other hand, there is no specific remedy if the proprietor of the trade secret misuses its trade secret; however, if the trade secret owner does not comply with its duty of taking measures against the violation of the trade secret it will be possible that this proprietor will not find legal coverage inasmuch that the proprietor must act with the due diligence taking measures as needed to protect its own secret. Likewise, it could happen that a party obtains access to the secret in good faith, for instance when this party had access to the trade secret by mistake and subsequently he/she sold this trade secret without negligence. Hence, it is possible that this party can use its innocence and ignorance regarding the knowledge of the confidentiality as a defence in the trial.

3. Procedural Aspects and Remedies under Spanish Legislation

3.1. Remedies and Sanctions Available in Civil and Criminal Law for Trade Secrets Proprietor in the Event of Misappropriation and Misuse

According to the Article 32 of the SUCA, trade secret proprietor has at its disposal the following remedies:³⁷

-Damages (economic and moral prejudice suffered).³⁸ This remedy usually can be requested in claims based on the tort liability (connected with Article 1902 Spanish Civil

³⁶ This requirement will be decisive in the course of the proceeding for violation of trade secret.

³⁷ S. Bacharach de Valera, Acciones derivadas de la competencia desleal (En torno al artículo 18 de la Ley 3/1991, de 10 de enero, de Competencia Desleal), *Revista General de Derecho* (562-563), 1991, pp. 6177-6215; M.A. Zurrilla Cariñaña, Acciones civiles en materia de competencia desleal, SPCS Documento de trabajo 2009 (1), available here: <http://www.uclm.es/CU/csociales/pdf/documentosTrabajo/2009/01.pdf>

Code) and contractual breach (Article 1101 Spanish Civil Code) if there was bad faith or negligence of the alleged tortfeasor. Nevertheless, it is quite possible to bring damages in Penal proceedings. According to Article 34.2 of the SUCA damages and unjust enrichment shall be abided as to be established in the Spanish Civil Code. Damages for the expectation or consequential loss and consequential damage (Article 1106) could be requested by the proprietor in the suit for misappropriation or misuse of the trade secret under contractual breach and tort liability.

Spanish Doctrine has highlighted that this remedy has a shortcoming related to the estimation of the damages. Estimation of the damages must be sought under the Articles of the Spanish Civil Code, namely Articles 1101, 1106, 1107 and 1108.³⁹

-Declarative action whereby the unfairness of the act is stated;⁴⁰

-Rectification injunction of the unfairness;

-Cease and desist injunctions. Besides this the claimant could also request prohibitive injunctions;

-Removal of the effects produced by the unfair behaviour;⁴¹

-Unjust enrichment (restitution).⁴² Unlike the damages when this remedy is requested, the claimant does not need to prove the evidence of either bad faith or negligence on the part of the alleged offender.

³⁸ Under Spanish Civil Law, damages remedy covers moral prejudice suffered when the unfair behaviour damaged the corporate image, the goodwill and honour, and so forth. See, Spanish Supreme Court, of 22 February 2001.

³⁹ See Section 3.4.4.; C. Lema Devesa, Posibilidades y remedios para reprimir la competencia desleal, *Derecho de los negocios* (1/2), 1990-1991, pp. 205-210.

⁴⁰ Declarative action can be positive and negative. However, Spanish legal system unlike other countries such as Germany does not specifically recognise negative declarative remedy. Further details, S. Bacharach de Valera, Acciones derivadas de la competencia desleal (En torno al artículo 18 de la Ley 3/1991, de 10 de enero, de Competencia Desleal), *Revista General de Derecho* (562-563), 1991, pp. 6177-6215; S. Barona Vilar, Competencia desleal. Tutela Jurisdiccional (especialmente proceso civil) y extra jurisdiccional. *Doctrina, legislación y jurisprudencial*, t. 1, Tirant Lo Blanch tratados, 2008, p. 700; once again opinions diverge widely in Academia with the possibility to request a negative declarative statement order, in favour of a negative declarative statement, R. Bellido Penarés, *La tutela frente a la competencia desleal en el proceso civil*, Comares 1998.

⁴¹ In cases of disclosure of secrets the exercise of this remedy could be difficult, more than anything because it is difficult to restore the situation before the unfair disclosure was made, and the effects of the act are often irreversible; Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/comitees/215/GR215spain_en.pdf, p. 9.

⁴² See also Article 33.1 *in fine* (active legal standing) and Article 34.1 *in fine* and also paragraph 2 of the same Article (passive legal standing) of the SUCA. This remedy will be also possible inasmuch trade secret has a legally similar position than the other types of intellectual property, namely with the patent property as we have already detailed above; C. Fernández-Nóvoa, *El enriquecimiento injustificado en el Derecho industrial*, Marcial Pons 1997, pp. 99-110.

It should be noted as far as these remedies are concerned there are some critiques of the Spanish Doctrine. The critiques launched by the scholars are related to the lack of coordination with the other remedies provided in the special laws that have been established before the enactment of the SUCA. One example is the case of the Articles 35 and 37 of the Spanish Law on Trademarks, bearing in mind that the Article 36 of this law is a facsimile of the Article 65 of the Patent Law. Likewise, Spanish opinions in Academia argue that this situation gives an excessive and unnecessary protection because it would have been more appropriate to gather some of the remedies and not give a different treatment among the remedies, for instance, rectification injunction and removal of the effects of the unfair behavior, because such injunctions have the same purpose. Rectification injunction and removal of the effects aim at the protection against the misleading and deceptive information.⁴³ As regards to the Unjust enrichment, one of the most relevant Spanish scholars, Otero Lastres expounded that the establishment of this remedy on the SUCA made no sense because it is related to the protection of an exclusive right at the same time to cover an act of unfair competition (violation of the exclusive right) and the other Special Laws above-mentioned do not contain this remedy.⁴⁴ One could argue in opposition of this point of view that when the claimant cannot use the damages remedy (namely, when the evidence of negligence *or* bad faith were difficult to prove and the claimant was also the proprietor of any exclusive right) it would be possible as the last resort to use this unjust enrichment remedy.

-Finally, the total or partial publication of the court decision would be determined. It will depend on the confidential character of the Trade secret in these cases and of the will of the holder to make it public.

Remedies in Spanish Criminal Law for the violation of the trade secret are mainly fines and imprisonment for the criminal offenders. In that sense, we will differentiate these penalties depending on the circumstances and the means used by the offender.

-Thus, Article 278 set forth imprisonment of three to five years and penalty of twelve to twenty-four months; Article 279 imprisonment of two to four years and a fine of twelve to twenty-four months (paragraph 1) and if the secret was used to the own advantage of the offender, penalties of paragraph one shall be imposed in their lower half. To conclude, Article 280 shall be applied in the event that the offender without taking part in the discovery of the secret but perpetrates any of the actions described in the two precedents

⁴³ M.L. Llobregat Hurtado, Aproximación al concepto de secreto empresarial en Derecho Español y Derecho Norteamericano, Cedecs Derecho Privado, 1999, p. 148-149, see references at the footnotes nº 314 and 315.

⁴⁴ Nonetheless, opinions diverge widely in academia about this remedy and its implementation in unfair competition claims.

Articles. The penalties are imprisonment from one to three years and a fine of twelve to twenty-four months.

-In addition to these remedies, companies and legal entities of the Criminal Code have the possibility to adopt measures to restrict the corporate activities as provided by Article 129 such as the temporary closure of the company and the winding-up of the company if it were necessary (paragraph 3 of the Article 129).

-Furthermore, Article 288 also provides the publication of the sentence in Official Journals and in other medium at the expense of the offender when the offended party requested it.

3.3 Accumulation of Civil and Penal Remedies

We have to consider that sanctions against trade secret misappropriation or misuse as an act of unfair competition can be administered through civil and penal action jointly under Spanish Legal System. Plaintiff before the Criminal Court has the option to sue the defendant for damages as well as bring a complaint invoking the criminal offense. It is possible to request the damages remedy in a criminal hearing. The plaintiff *ex parte* in accordance with dispositive principle of these claims should request this option of the sentence publication.

3.4 Abuse of Litigation and Fines against the Bad Faith Litigator

According to the Article 247 (on procedural bad faith) of the Spanish Civil Procedure Act (hereinafter, SCPA),⁴⁵ parties involved in any kind of proceedings have to act in compliance with the rules of good faith. Spanish judicial system has guaranteed against the abuse of litigation and abuse of law in all types of proceedings, either civil or criminal claims, which are dealt with in the Courts. Moreover, the judicial authorities can determine if a claim concerning a violation or infringement of the trade secret (disclosure, acquisition and misuse without the consent of the holder) was initiated or filed in bad faith deliberately or initiated in abuse of law and procedural laws impeding justice for the defendant/s. Furthermore, paragraph 3 of the Article 247, sets out the enforcement of fines for abuse of litigation and procedural bad faith. The fines shall be submitted to the parties, which breach the good faith, and fluctuate between

⁴⁵ See Spanish Civil Procedure Act, Law 1/2001, of 7 January, on Civil Procedure, Official State Gazette [7] correction of errors in Official States Gazettes [90], of 14 April 2000, and [180], of 28 July 28 2001, available here in English: http://www.mjusticia.gob.es/cs/Satellite/Portal/1292426983864?blobheader=application%2Fpdf&blobheadername1=Content-Disposition&blobheadervalue1=attachment%3B+filename%3DCivil_Procedure_Act_%28Ley_de_Enjuiciamiento_Civil%29.PDF

EUR 180,000 and 6,000.⁴⁶ Otherwise, paragraph 5 states that sanctions imposed under this article are subject to the system of appeals set forth in Title V, Book VII of the Organic Act on the Judicial Branch.

3.5 Specific Measures and Procedural Aspects related to the Protection of Trade Secrets and Know-how before and during Litigation

The greater part of the measures that the trade secrets proprietors have at their disposal are included and set out on the SCPA. The trade secret proprietor has a wide array of procedural measures. One important aspect of these procedural measures was changed when TRIPS Agreement came into force in Spain according with European Union rules as the transposition and implementation of the Directive 2004/48/EC of the European Parliament and Council of 29 April 2004 which complied with the procedural aspects provided by the Articles 41 to 50 of the TRIPS Agreement. In that way, the law relates to the trade secret protection with proceedings concerning the protection of exclusive rights.⁴⁷ We would like to explain before the differences based on the moment of the litigation of these measures available.

In first place, the claimant will have at hand the request of inquiries to substantiate facts (*diligencias de comprobación*); and, in second place the preliminary hearings (*diligencias preliminares*) both are similar in order to investigate and for gathering all the information for the hearing. However, in patent litigation inquiries to substantiate facts are established before the preliminary hearings. These inquiries must request by the proprietor of the trade secret (following the proceeding under the Act 11/1986 on Patent). The aim of the inquiries is safeguard and preserves the confidential information. Regarding with the preliminary hearings or measures and following the SCPA are less strict than in the Act 11/1986 and it must be always requested *ex parte*.

3.5.1 Procedural Measures Available to Secure the Evidence: kinds of Interim injunctions

Regarding the securing of the evidence of confidential information, the claimant has at hand interim injunctions under SCPA and through the Intellectual property laws considering trade

⁴⁶ Paragraph 3 of the Article 247 reads as follows: “Should the courts deem that any of the parties has acted by breaching the rules of procedural good faith, they shall impose on such party through a separate file and respecting the principle of proportionality a fine that may reach one hundred and eighty-six thousand Euros. However, such fine may under no circumstances exceed a third of the amount at issue.”

⁴⁷ Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/committees/215/GR215spain_en.pdf

secret as a kind of intellectual property reinforcing the protection of the trade secret holders. Before the start of the proceeding the claimant can request an *ex parte* injunction (*inaudita parte contraria* injunction) above all when there is evidence of reasons of urgency, in due process of law in order to safeguard the prospective judgment on the merits.⁴⁸ Likewise, the plaintiff can request other kinds of measures as such seizures of documents in order to protect the confidential information before and during the hearing.⁴⁹

This procedural aspect must be related with the Article 36 of the SUCA (which provides the request of pre-trial or preliminary hearings) in coordination with the proceeding established under the Articles 256 to 263 of the SCPA.⁵⁰

3.5.2 Preliminary Hearings to Preserve the Confidentiality of the Trade Secret before Litigation

There are several kinds of preliminary proceedings or hearings as well as the gathering of information during the prior hearing. Nevertheless, there are no specific proceedings under the SUCA. It should be considered that all of these measures seek to preserve, as it were, the confidentiality of the trade secret before, during and after the hearing.

Between the most relevant we point out the following:

- Ascertainment bias
- Exhibition of products and documents
- Survey of machinery, devices and installations

⁴⁸ See Articles 730, 733.2 and 739 to 742 of the SCPA and Article 133 of the Act 11/1986 on Patent.

⁴⁹ See Article 134. 2 of the Act 11/1986 on Patent

⁵⁰ Article 36 SUCA refers to Article 129 to 132 of the Spanish Patent Law 11/1968 and should be read in conjunction with the observance of the substantiation of the request of preliminary proceedings, in claims based on unfair competition and not only for the infringement of an exclusive right. See also Article 256.8 and paragraph 9 of the SCPA, paragraph 8 reads as follows: “8º. An application by the party intending to bring legal action for infringement of a right of industrial or intellectual property committed through acts carried out at a commercial level, for the exhibition of the bank, financial, commercial or customs documents issued within a specific period of time and assumed to be in possession of whom may be sued as liable. The application shall be accompanied by prima facie evidence of the existence of the infringement, which may consist of the presentation of a sample of the specimens, goods or products in which the said infringement has occurred. The applicant may request that the Clerk issue a testimony of the exhibited documents if the served party is unwilling to hand over the document for its incorporation to the proceedings conducted. The same application may be formulated in relation to that established in the final subparagraph of the preceding number. For the purposes of numbers 7 and 8 of this paragraph, acts carried out on a commercial level shall mean acts carried out in order to obtain direct or indirect financial or commercial benefits”

-Interim injunctions include the possibility to restrict access to documents, to the hearings, seal the summary and every confidential document (an so forth).

3.5.3 Spanish System of Discovery during Litigation and Estimation of the Damages

During the course of the proceeding both parties (claimant and defendant) have to decide between them, how they are going to deal with the confidential information that they kept in secret. Spanish civil procedure rules the general principle of publicity, namely in oral proceedings (Article 138 of the SCPA). Hearings are public unless the Court *ex officio* takes into consideration the confidentiality of the judicial proceedings. Otherwise, if the Court does not decree this confidential measure on the judicial proceeding, it will be subject to the exam of interested third parties at the request of these interested parties with legitimate interest. This principle of publicity implies the general obligation to collaborate with the judicial bodies (Article 593 of the SCPA on the duty to cooperate) and as particular obligation on the parties to exhibit to each other documents (Article 328 of the SCPA). According to paragraph 2 of the Article 338 in order to protect confidential information, the parties can request *ex parte* non-disclosure of the documents, which would reveal the confidential content of the documents. Otherwise, there exists another exception to this principle of publicity regarding witnesses under duty of reserve. This duty to exhibit documents is applicable also for third parties (Article 330) and even for Public bodies (Article 332).

System of Discovery is in a certain way linked to the calculation of the damages. Thus, the claimant must establish the estimation of the damages. Trade secret proprietor must prove the damages (patrimonial and moral prejudices), in accordance with the Article 217.2 of the SCPA (burden of proof). Nevertheless, we must bear in mind that there is a special rule for proceeding of unfair competition and illicit publicity whereby the burden of proof shall be up to the defendant. (Article 217.4 of the SCPA).⁵¹

Likewise, Patent Act set forth in the Articles 129 *et seq.*, inquiries to substantiate facts to safeguarding the confidentiality of the secret information (these inquiries are very similar to the inquiries established in Article 256 SCPA). Nevertheless, preliminary measures under the SCPA are not applicable *ex officio*.

⁵¹ It should be borne in mind regarding this paragraph, Judgement of the Provincial Court of Madrid, of 22 February 2007 [AC 2007/1813], the Provincial Court herein declared that this rule is not for every single proceeding of unfair competition.

4. Protection of Know-how or Confidential Information in Confidentiality or Non-Disclosure Agreements

4.1 Confidential and License Trade Secret Agreements as a Means of Protection the Confidentiality

The performance of Confidentiality Agreements is possible in Spain as a means of protection of the Know-how and the Confidentiality of the Trade Secret (but not as an exclusivity right). There are two sorts of Confidentiality Agreements, which are allowed in Spain. Trade secret proprietor could incorporate certain covenants to protect the confidentiality of the know-how toward the use of its employees, partners or associates. This duty of secret or reserve is protected by the agreement in order to respect such confidentiality even when they have finished the contract. It is true that the Spanish Legislator gave little attention to trade secrets in specific contracts.⁵² Nonetheless, far from being a loophole in Spanish legal system, remedies are available in the Spanish Civil Code under the rules of Obligations and Contracts as well as in Competition law (Unfair competition rules and antitrust rules).

4.2 Remedies under Contract Terms to protect Know-How without Statutory Trade Secrets Standards

On the other hand, trade secret holder as well can sign contract with third parties unconnected with the company binding them with these covenants and protecting its know-how confidentiality in this manner. In such cases the terms and covenants of exclusivity have to show a will to keep the confidentiality by the proprietor, and a commitment by the third parties. One of the remedies available to protect the trade secret of the disclosure in the event that the liable parties breach the contract is the inclusion of financial penalty clause and compensatory damages.⁵³ The breach of this obligation has a contractual nature in Spain; hence, the remedies that the holder has at its disposal are related and contained by the fields of law we are

⁵² With the exception of Franchise contracts (see Article 2 of Royal Decree 419/2006 of 7 April on Franchise regime) and Patent licenses (Article 76 of the Act 11/1986 on Patent) there are no specific provisions and regulation in Spanish Law; See, Spanish Group of the AIPPI, Protecting Trade secrets by means of intellectual property rights and unfair competition statutes, Q215, AIPPI 2010, available here: https://www.aippi.org/download/comitees/215/GR215spain_en.pdf, p. 12; M. Vidal Cuadras y R. Ramón, *el Know how y su protección en España*, http://www.ub.edu/centrepatents/pdf/doc_dilluns_CP/VidalQuadras_Ramon_%20Know-how_en_ES.pdf; P. A. De Miguel Asensio, *Contratos internacionales sobre propiedad industrial*, Civitas 1995.

⁵³ This option avoids the subsequent and complicated estimation and quantification of the damages by the judges during the hearing.

commentating on: Civil Law related to Contractual rules, or if were applicable the enforcement of the provisions of Penal Law; and Competition law.

5. Conclusions

We can conclude as follows: So far, Spanish legislation related to the protection of trade secrets as well as know-how provides enough legal coverage to the proprietors of trade secrets. All in all, we should highlight our disconformities regarding the scattering of concepts of trade secret in Spanish Legislation. A uniform concept of trade secret and distinguishing it from the others as know-how or even industrial secret related to the patents is needed. On the other hand, the regulation under Spanish Unfair Competition Act and Criminal Code (and further in Special laws) is adequate and from this standpoint we solely consider that a new reform of the European Union should change some of the weaknesses of Spanish legislation in the protection. For instance, as far as the effectiveness of the enforcement as concerned, we consider that a review is required. Perhaps, if we would join all these procedures and remedies available in all these bodies of law, in a Special Law on the protection of trade secrets would be easier and proper for the holders of these trade secrets to request and resort to the appropriate protection. Despite our consideration it is reasonable to conclude that the protection for trade secrets is adequate in Spain (though, it can be improved).