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# Spanish Act 1/2019, of February 20, on business secrets

Legal flash: Industrial and Intellectual Property

March 4, 2019



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**Spanish Act 1/2019, of February 20, on business secrets, transposing Directive (EU) 2016/943, on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure enters into force on March 13.**

The new Act offers solid protection to the knowledge that the company decides to keep secret and that has real or potential value precisely because of its secret nature. To date, the protection was fragmented and essentially implemented through article 13 of the Spanish Unfair Competition Act, which is also amended to refer to the new regulation.

The knowledge subject to protection is defined in broad terms and procedural tools are provided for its adequate protection. We highlight some of the main aspects of the new Act and our **recommendations** to protect business secrets:



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## What is a business secret?

Any information or knowledge, including technological, scientific, industrial, commercial, organizational or financial knowledge that meets the following requirements:

- It is not generally known in the circles in which that information or knowledge is normally used or easily accessible to those who belong to those circles.
- It has real or potential business value because of its secret nature.
- It has been subject to reasonable measures to keep it secret.

It does not protect information of little importance. Protecting business secrets cannot be invoked as an argument to limit the use by employees of the experience and competences honestly acquired during their professional career.

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## Can the acquisition, use and disclosure of secrets be lawful?

- The Act envisages different cases in which the acquisition of the information constituting a business secret is considered lawful, e.g., when it is acquired by independent discovery or creation, or by reverse engineering based on a legally held product or object, except when legitimately prohibited.
- Actions envisaged in the Act cannot be brought in cases in which the acquisition, use or disclosure is done (i) exercising the right to freedom of expression and information; (ii) defending the general interest to discover wrongdoing; (iii) performing the functions of the employee representatives, when necessary; or (iv) to protect a legally recognized legitimate interest.

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## Unlawful acquisition, use or disclosure

- The Act allows the owner of the secret to bring claims against the unlawful acquisition of the business secret, e.g., when accessing the media containing or making it possible to deduce the information without authorization, or when operating contrary to fair commercial practices.
- The use or disclosure of the secret is considered unlawful if the information was unlawfully obtained or in case of breach of a confidentiality agreement or other obligations limiting the disclosure or use of the secret.



- Anyone who knows or should have known that they were acquiring the information directly or indirectly from someone using or disclosing it unlawfully also acts unlawfully.

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### Infringing goods

- The Act also protects against the production, offer or sale (or the import, export and storage for those purposes) of infringing goods, i.e., products or services that have significantly benefited from business secrets acquired, used or disclosed unlawfully.
- Those activities are unlawful when the person carrying them out knows or should have known that the secret that the goods incorporate has been used unlawfully.

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### Co-ownership, transfer and licenses

- The Act regulates the system of co-ownership, transfer and licenses on business secrets.
- The licenses can be exclusive or non-exclusive and are presumed to be non-exclusive. The parties can agree on the objective, material, territorial and time scope that they consider appropriate. The licensee, and as applicable the sub-licensee, must adopt the necessary measures to avoid the breach of secrecy.
- Unless otherwise agreed, anyone who transfers a business secret or grants a license on it for consideration is liable for damages caused to the acquirer if it is subsequently declared that they were not authorized for the transfer or license.

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### Claims for defense

- The Act envisages claims that can be brought against those who unlawfully acquire, use or disclose trade secrets.
- If the infringing party has acted intentionally or with fault, the claimant can claim damages, which must be aligned with the harm actually suffered because of the breach of secrecy.
- It is also possible to request measures such as declaration of breach of secrecy; cessation measures; prohibition to trade with infringing goods; their seizure and seizure of the means solely used for their production; delivery to the claimant of the media containing the secret; and publication of the judgment, which must preserve the confidentiality of the secret.
- Claims can also be brought against third parties acquiring in good faith, in which case, at the respondent's request, the measures requested by the claimant can be replaced by



monetary compensation, if the application of the measures would cause it a disproportionate loss.

- Claims to defend business secrets must be filed within three years, which will run from the time when the claimant becomes aware of who the person was who breached the secrecy.
- The Act establishes a series of specific procedural rules for bringing defense claims. These include a confidentiality protection system in relation to the secret information provided in the proceedings.

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## Our recommendations to protect business secrets

- **Identify, categorize and justify the business value of the secret**

It is essential to outline its content and justify its competitive advantage over third parties to legitimize the confidentiality of the secret.
- **Indicate the economic value of the business secret**

Commercially exploit the secret, license its use or, as applicable, include it in the accounting.
- **Adopt protection, access and custody measures**
  - Implement electronic access controls with password and access log.
  - Record the processing of the secret.
  - Restrict access and knowledge of the secret to the essential circle.
- **Contractual measures before employees and third parties**
  - Confidentiality clauses.
  - Penalty clauses.
  - Clauses limiting the use of the secret for the contractual purpose.



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