Trade secrets in Spain: protection and connection with intellectual property rights

Abstract: Intangibles constitute nowadays the most precious value for companies worldwide, what has enabled them to be settled as intellectual property rights or as trade secrets, on which this article focuses. On the one hand, this article takes a broad legal approach of their presence in the Spanish legal system, which provides two ways of protection: a civil protection, through the Unfair Competition Law, and a criminal protection, through the Criminal Code, which includes criminal responsibility for legal persons. Each of these two ways of protection has particular features, but they are almost identical, as they punish, although with different legal consequences, the same actions against trade secrets. On the other hand, the purpose of this paper is also to explore the connection between trade secrets and intellectual property rights. Both kinds of intangibles share many aspects and the international legal instruments confirm it, but their main difference is the instrument of protection: while intellectual property rights receive protection through their registration, trade secrets have to be safeguarded through specific measures adopted by their holder in order to keep their confidentiality. From this difference derive other differences, but, despite their existence, they work as supplementary systems.

Keywords: Trade secrets, intellectual property rights, unfair competition, misappropriation, disclosure, use, felony, Spanish legal system.

1. Introduction

The information produced from business activities constitutes a sign of free enterprise, which is acknowledged by the Spanish Constitution in its Article 38. In addition, the exercise of free enterprise in the market leads to the economic competition, which constitutes the essential content of that kind of freedom[1]; thereby, the protection of commercial information is proved to be basic for a market economy to work properly, respecting that constitutional freedom, to the extent that the market economy is the most appropriate framework for the development of free enterprise[2].

Companies act in the competitive struggle with the arsenal of tangible and intangible goods that they own. Whilst tangible assets of a company are composed by machines, establishments and materials, among others; intangible assets can be both intellectual property rights, which must be registered as industrial property (patents and utility models for inventions, industrial designs, trademarks, etc.)[3] and not registered intellectual property[4], namely, trade secrets or know-how. One of the aspects analysed in this paper is the relation between these intangibles that constitute nowadays the most precious value for companies worldwide, as they are highly important for competition. Intellectual property rights and trade secrets have common features and their relation is highlighted by the international legal instruments, being the most recent one the proposal for a Directive from the European Commission on the protection of

[1] JI Font Galán, *Constitución Económica y Derecho de la Competencia* (Tecnos, Madrid 1987) 160

[2] AM Prieto Del Pino, *El Derecho Penal ante el uso de información privilegiada en el Mercado de Valores* (Aranzadi, Navarra 2004) 56

[3] In the Spanish legal system intellectual property rights must be generally registered in a Registry, which is in charge of the Spanish Office of Patents and Trademarks (*Oficina Española de Patentes y Marcas – OEPM*) <http://www.oepm.es/es/index.html> accessed 1 July 2015

[4] M Bajo Fernández, *Derecho penal económico aplicado a la actividad empresarial* (Civitas, Madrid 1978) 286

undisclosed know-how and business information, dated November 2013. But even though they are close systems, they differ in the instrument of protection, being trade secrets protected through measures adopted by their holder to keep their confidentiality, while intellectual property rights have to be registered.

The immaterial nature of this kind of assets provides them, among others, the quality of their ubiquity, so they can be simultaneously possessed by several people[5] and they can be easily transferable, in a few seconds and with no borders. Globalization and international trade have promoted this possibility of information, which has generated also new risks that did not exist before for information in a physical format[6], since nowadays misappropriation and disclosure means are very varied[7] and involve more important effects. As it has sometimes been expressed in literature[8], from the end of the World War II, trade secrets have gradually been introduced until they became one of the most attractive values of the companies.

[5] E Galán Corona, 'Artículo 13. Violación de secretos' in A Bercovitz Rodríguez-Cano (ed), *Comentarios a la Ley de Competencia Desleal* (Thomson Reuters Aranzadi, Navarra 2011) 360

[6] JM Paredes Castañón, 'Los delitos de usurpación de marcas y otros signos distintivos: ¿Protección del Derecho, protección del patrimonio o protección del consumidor?' in M Bajo Fernández, A Jorge Barreiro and CJ Suárez González (eds), *Homenaje al Profesor Dr. Gonzalo Rodríguez Mourullo* (Thomson Civitas, Navarra 2005) 1659

[7] RM Milgrim, *Milgrim On Licensing, volume 1* (Matthew Bender, Times Mirror Book, Los Angeles 1993) at paras §3.08, 3-9 – 3-10

[8] JA Gómez Segade, *El secreto industrial (Know-how). Concepción y protección* (Tecnos, Madrid 1974) 171-72

The 'Information Society' ('*Informationsgesellschaft*')[9] in which we live was called by economy and sociology experts in the 1980s as the 'Second Industrial Revolution'[10]. Nowadays, more than thirty years later, the reality has changed swiftly and experts assure that we are living a 'Fourth Industrial Revolution' or Industry 4.0, defined as a computerized version of factories, processes of which are connected and interact among them[11].

In this context, in which information is the most valued element of the companies, the volume of information that they own is increasing and it is also increasing the risk of their violation.

Against this background, companies have to adopt measures to protect their commercial information, if they want it to keep having enough value to compete against other companies and so safeguard their position in the market[12]. These measures can be of different kinds, depending on the type of information. Thus information may accomplish the requirements to be protected as an intellectual property right. However there is certain information that does not accomplish these requirements, but that is

[9] U Sieber, *Informationstechnologie und Strafrechtsreform: zur Reichweite des künftigen Zweiten Gesetzes zur Bekämpfung der Wirtschaftskriminalität* (Carl Heymanns Verlag KG, München 1985) 12

[10] Ibid. Thus the author considers that whilst in the 'first' industrial revolution of XIX and XX centuries, human muscle power was substituted by machines power, in the 'second industrial revolution' what was substituted by machines was the human intellect.

[11] So defined by Spanish experts in economic development and competitiveness: Gobierno Vasco-SPRI<, 'Industria 4.0, la fábrica inteligente' *Tecnalia* (Bilbao, 15 October 2014) <http://www.tecnalia.com/es/industria-transporte/eventos/industria-40-la-fabrica-inteligente.htm> accessed 1 July 2015

[12] D López Garrido and M García Arán, *El Código penal de 1995 y la voluntad del legislador. Comentario al texto y al debate parlamentario* (Eurojuris, Madrid 1996) 142

keynote for the business and it can only receive legal protection if its owner manages to keep it secret. The infringement of these measures would make the Law act, and the Spanish legal system provides two ways of protection, as it is explained below, with different legal consequences: a civil protection, through the Unfair Competition Law, and a criminal protection, through the Criminal Code, which includes criminal responsibility for legal persons. Each of these two ways of protection has particular features, but they are almost identical, as they punish, although with different legal consequences, the same actions against trade secrets.

Measures taken by a company to keep the confidentiality of some information or the action of the Law, through civil or criminal protection after a violation of those measures, should, as far as possible, give an answer to the question posed by Ulrich Beck about the so-called 'risk society': 'How can the risks and hazards systematically produced as part of modernization be prevented, minimized, dramatized, or channeled?'[13].

2. What are trade secrets?

There is no legal definition in the Spanish legal system of what a secret is[14]. Neither exists a legal concept of trade secret[15]. As a notion previous to the law, the term 'secret'

[13] M Ritter (tr) U Beck, *Risk Society: Towards a New Modernity* (SAGE Publications, London 1992) 19

[14] JA Gómez Segade (n 8) 64

[15] E Galán Corona (n 5) 354

is defined in the Dictionary of Spanish Language of the Royal Academy as a '*cosa que cuidadosamente se tiene reservada y oculta*'[16].

Related to the subject of this work, namely, trade secrets, by the term '*cosa*' ('thing') we have to interpret an information, understood as an idea, result of the human mind, which is captured in tangible goods (formulas, schemes, designs, notes, etc.)[17]. All commercial information can constitute a trade secret, being possible to find it in one of the three categories that Gómez Segade, an acknowledged Spanish expert in commercial law, established[18]:

1. *Industrial secrets*: are those concerning the technical-industrial sector of a company (production process, repairing, assembly, etc.)[19];

2. *Commercial secrets*: are rather a residual all-inclusive concept[20], not so clearly defined as industrial secrets, constituted basically by information with commercial

[16] First entry of the term 'secret' in the Dictionary of the Royal Academy of Spanish Language, which exactly means a '*thing that is carefully kept secret and hidden*'. Diccionario de la Real Academia de la Lengua Española. Word 'secreto'. Real Academia Española (22nd edn, 2012) <http://lema.rae.es/drae/?val=secreto> accessed 1 July 2015

[17] JA Gómez Segade (n 8) 82-83

[18] Ibid 51-52

[19] Ibid 51; in the same direction M Bajo Fernández (n 4) 296; also K Tiedemann, *Manual de Derecho Penal Económico. Parte Especial* (Editora y Librería Jurídica Grijley, E.I. R. L, Perú 2012) 232, who considers that industrial secrets are referred to technical data.

[20] C Martínez-Buján Pérez, *Delitos relativos al secreto de empresa* (Tirant Lo Blanch, Valencia 2010) 28

nature[21]. Among this kind of information are the customer lists, whose frequency of appearance in Spanish cases is much higher than other kind of information;

3. *Secrets concerning other aspects of the internal organization of a company* and related to it.

To define what trade secrets are, it is necessary to allude to the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)[22]. Among the intellectual property spheres that this Agreement provides[23], there is Article 39, section 7 of which talks about the protection of undisclosed information, that includes trade secrets and test data. Thus Article 39.2 of the Agreement establishes that

> Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

[21] MM Carrasco Andrino, *La Protección Penal del Secreto de Empresa* (Cedecs Editorial, Barcelona 1998) 54

[22] The TRIPs Agreement, which entered into effect on 1 January 1995, is Annex 1C of the Marrakesh Agreement establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994 <https://www.wto.org/english/docs_e/legal_e/27-trips.pdf> accessed 1 July 2015

[23] We have to bear in mind that the English term 'intellectual property rights' comprehends what in Spanish Law is divided into two categories: 'intellectual property rights', namely, copyright, and 'industrial property rights' (as patents, industrial designs, utility models, etc.)

(a) *is secret* in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) *has commercial value* because it is secret; [this commercial value has been identified by the doctrine with the competitive value, that is to say, the advantage that the company that owns the information enjoys against those who do not[24]].

(c) *has been subject to reasonable steps* under the circumstances, by the person lawfully in control of the information, *to keep it secret*. [emphasis added]

The existence of reasonable steps determines the will of the holder of a trade secret to keep it secret[25] and these steps give the holder the exclusivity that in the case of intellectual property rights, it is given by their registration, awarding the holder a weaker *de facto* monopoly[26]. Thus it is the holder of the secret information the one who has to safeguard for the protection of his or her trade secrets and, henceforth, he or she

[24] E Morón Lerma, *El Secreto de Empresa: Protección Penal y Retos que Plantea ante las Nuevas Tecnologías* (Aranzadi, Navarra 2002) 55

[25] RM Milgrim and EE Bensen, *Milgrim On Trade Secrets, volume 1* (LexisNexis, Danvers 2013) at paras § 1.03, 1-267 - 1-271. These authors reveal that the existence of adequate steps to protect the information guarantee a summary trial against the plaintiff as a rights issue.

[26] P Portellano Díez, 'Artículo 13. Violación de secretos' in F Martínez Sanz (ed), *Comentario práctico a la Ley de Competencia Desleal* (Tecnos, Madrid 2009) 220

is also the one who has to put the appropriate barriers to maintain the confidentiality of that information that may affect his or her interests and Law would only play a role when revealing the secret is considered to be unbearable[27]. Some authors that have performed an economic analysis about trade secrets assure that 'there is plenty a firm can do to reduce the probability of such thefts' and 'it will do less if the threat of legal sanctions deters'[28].

The requirements that TRIPS Agreement provides are, thus, decisive to define what trade secrets are. Hence the European Commission has taken those requirements to create on 28 November 2013 the *Proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure*[29], where the Commission establishes a definition of trade secrets according to those requirements. This fact emphasizes the relevance of European law, as a horizon to which our legal system has to look at[30], to face a harmonization of the concept at an international level, so the adoption of a more

[27] M Bajo Fernández (n 4) 277

[28] DD Friedman, WM Landes and RA Posner, 'SOME ECONOMICS OF TRADE SECRET LAW' (1991) Vol. 5 no. 1 Journal of Economic Perspectives –JEP- 61, 68

[29] European Commission (EC) **'**Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure**'**
COM/2013/0813 final - 2013/0402 (COD), 28 November 2013
<http://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/index_en.htm> Last update: May 22, 2015. Accessed 1 July 2015

[30] E Torres-Dulce Lifante, 'La tipificación objetiva en los delitos contra la propiedad industrial' in J Massaguer Fuentes (ed), *Protección penal, competencia desleal y tribunales de marcas comunitarios (VI Jornadas sobre marcas)* (Consejo General del Poder Judicial, Madrid 1999) 62

restrictive or a wider term in some countries will not damage them against others in light of possible information exchanges between companies of different countries[31].

3. Why are trade secrets legally protected?

Trade secrets have been protected in Spain since the year 1822. At that time the Spanish Criminal Code punished the violation of secrets entrusted as a result of employment, position or public profession, protecting this way the personality, fame or reputation of products of the entrepreneur or the right to his or her secret sphere not to be broken by anyone[32], as an expression of his or her privacy[33].

This was the point of view that existed about the object of protection of trade secrets until 1978, when Bajo Fernández, an authorized expert in economic criminal law

[31] Hence, European Commission assures that with this Proposal of a Directive (n 29) what will change is that *companies, inventors, researchers and creators will be put on equal footing throughout the Internal Market, and the EU will have a common, clear and balanced legal framework which will discourage unfair competition, and facilitate collaborative innovation and the sharing of valuable know-how to make the EU a stronger and more competitive economic region* <http://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/index_en.htm> Last update: May 22, 2015. Accessed 1 July 2015.

[32] E Morón Lerma (n 24) 109

[33] E De Urbano Castrillo, 'Arts. 278, 279 y 280' in C Conde-Pumpido Turón and J López Barja De Quiroga (eds), *Comentarios al Código Penal, vol. 3: art 205-318* (Bosch, Barcelona 2007) 2177

in Spain, conveniently interpreted that it was the competitive capacity of a company that was trying to be protected with the safeguard of trade secrets[34].

This understanding was reinforced by the coming into force in 1991 of the Unfair Competition Law that considered the violation of trade secrets as an unfair act. That was what made the legislator to place felonies against trade secrets in the Criminal Code of 1995 among economic felonies.

The protection of the secret promotes creativity inside a company[35] and, in relation to the system of patents, both are considered as pieces of the policy to promote technological and scientific development, accomplishing the same function, the legal protection of both, secrets and patents[36]. The *Proposal for a Directive on the protection of undisclosed know-how and business information* of the European Commission takes position hereupon, defending that the function of trade secrets is the same as the one of industrial property rights and that it increases the research and development encouragement, which means more jobs and new and best products.

All this affects the patrimonial interest of the holder of trade secrets[37], since he or she holds a power of disposition exclusively over them, which results from two consecutive facts: on the one hand, the creation, invention, elaboration or development

[34] M Bajo Fernández (n 4) 287

[35] JR Serrano-Piedecasas and E Demetrio Crespo, *Cuestiones actuales de derecho penal empresarial* (Colex, Madrid 2010) 307

[36] J Massaguer Fuentes, *El contrato de licencia de know-how* (Bosch, Barcelona 1989) 43-44

[37] That interest, the one resulting from the property of certain tangible assets and the one that results from the absolute right of exclusivity from the industrial property rights are keynote for the company and constitute its competitive arsenal that composes its competitive capacity.

of the own information of the company and, on the other hand, keeping it secret, adopting for this reason effective security measures.

4. Civil protection in the Spanish Unfair Competition Law

4.1. Trade secrets violation

The civil protection of trade secrets in the Spanish legal system goes hand in hand with the *Law No. 3/1991 of 10 January 1991 on Unfair Competition*[38] (hereinafter referred as 'the Law'), in Articles 13 and 14 section 2. Article 13 section 1 of the Law establishes that the disclosure or exploitation of industrial secrets or any other kind of trade secrets will be considered unfair when, without an authorization from its owner:

- It was obtained legitimately, but with a duty of confidentiality; or
- It was obtained illegitimately, as a result of some of the demeanours provided in section 2 of Article 13 (acquirement of secrets by means of espionage or similar procedure) or in Article 14 (inducing to a breach of contract).

Disclosure and exploitation are, therefore, demeanours that the legislator has considered to constitute violations of trade secrets, when they occur in the ways of

[38] *Ley 3/1991, de 10 de enero, de Competencia Desleal* <http://noticias.juridicas.com/base_datos/Privado/l3-1991.html> accessed 1 July 2015. Last amended of the Spanish Unfair Competition Law by the Law No. 29/2009 of December 30, 2009.

access that the Law mentions. It is remarkable, however, an aspect of this article to which literature normally does not pay attention.

Apart from what it has already been said, Article 13 provides something else in its section 3 that also defines the violation of trade secrets. The Unfair Competition Law, which collects unfair acts against economic competition, determines in Articles 2 and 3 general elements that define the wrongful competitive act. Thus in its Article 2, the Law establishes the objective scope of the application of the Law that sets two requirements that an act has to accomplish to be considered unfair: the act has to occur in the market and with competition purposes.

Nonetheless it is striking that the only wrongful to which these requirements are not applied to be considered unfair, is the one that provides the violation of trade secrets, that is Article 13, section 3 of which establishes that trade secrets violations do not demand the presence of the requirements of Article 2 and that however, it will be required to commit the violation with the purpose to obtain personal gain, for the benefit of a third party or in order to harm the trade secret holder.

Even though the doctrine has considered that Article 2 of the Law has a crucial role to definitively determine when unfair competition acts exist[39], this article is excluded in the case of trade secrets violations to be considered unfair, that widens their protection in comparison with other objects protected in the Law, and requires, in

[39] F Martínez Sanz, 'Ámbito objetivo y subjetivo de aplicación y cláusula general de competencia desleal' in JI Sánchez Galán (ed), *Cuadernos de Derecho para Ingenieros. Derecho de la competencia y de la propiedad industrial, intelectual y comercial* (La Ley, Madrid 2010) 112

addition, disclosure or exploitation to take place with certain purpose, which is not required, nonetheless, to other competitive wrongful acts.

4.2. Legal actions

Under Article 33 section 1 of the Law, any natural or legal person involved in the market and who sees his or her economic interests directly affected or threatened by an unfair behaviour, is entitled to exercise the following actions, provided in Article 32 section 1 of the Law:

1. Action to have the disloyalty of the behaviour declared.
2. Action to get the cessation and prohibition order of subsequent repetition of the unfair behaviour. The action to get the prohibition can be also exercised if the behaviour has not been started yet.
3. Elimination of the effects produced by the unfair behaviour.
4. Compensation of damages caused by the unfair behaviour, if there is negligence or malice.
5. Action of unjust enrichment that supposes a compensation on the enrichment obtained by the person who violated trade secrets. This action will only be applied when the unfair behaviour has violated a legal position based on an exclusive right or a legally similar position of economic content.

In addition, if the exercise of the three first actions generates favourable decisions, the Court will be able to, if it is considered appropriate and in charge of the

defendant, settle the total or partial publication of the Court decision or a rectifier declaration, when there are long-term effects of the infringement (Article 32 section 2 of the Law).

5. Criminal protection in the Spanish Criminal Code

Together with the civil protection of trade secrets, the Spanish legal system establishes also their safeguard in the criminal law. In such a way, it was the Criminal Code of 1822, as already mentioned, the first legal text that stated the punishment to the violation of trade secrets entrusted as a result of employment, position or public profession. Nonetheless, the Criminal Code of 1995, that arrived with the *Organic Law No. 10/1995, on 23 November 1995, on the Criminal Code*, was the one that finally acknowledged trade secrets the economic nature that they have. The Spanish Criminal Code has been reformed in 2015[40] and it still places trade secrets violation among felonies against property and social-economic order.

The Spanish Criminal Code is structured in different sections headed by titles that normally refer to the object of protection in most of the cases. The foresight of the punishment of certain behaviours against trade secrets is found in Articles 278 to 280, which are placed in Title XIII concerning felonies against property and against social-economic order, among felonies related to the market and consumers.

[40] *Ley Orgánica 1/2015, de 30 de marzo, por la que se modifica la Ley Orgánica 10/1995, de 23 de noviembre, del Código Penal* <http://www.boe.es/diario_boe/txt.php?id=BOE-A-2015-3439> accessed 1 July 2015

The Criminal Code of 1995, furthermore, changed the term ‘industrial secrets’, provided in the Criminal Code of 1973, to ‘trade secrets’, basing this change on the regulation established by the Unfair Competition Law, four years earlier, that had adopted this wider expression.

Spanish legislator has opted for a legislative technique according to which, each one of the three Articles punishes behaviours against trade secrets depending on the way that an offender has had access to the commercial secret information, that is, how the information was acquired. Because of this reason, the exposure of the topic hereafter will follow the logic of the legislator, distinguishing different ways to obtain the information.

5.1. **Article 278 of the Spanish Criminal Code: unlawful access to the secret (industrial espionage)**

Article 278, which supposes that an offender does not know the commercial secret information and discovers it unlawfully, punishes two behaviours against trade secrets:

1. *Misappropriation*: section 1 of Article 278 penalizes whoever misappropriates by any means, data, written or electronic documents, computer media or other objects related thereto, or whoever uses any of the means or instruments described in section 1 of Article 197, which refers specifically to the interception of his or her telecommunications or use of technical devices for listening, transmitting, recording or playing sound or image or any other

communication signal. These behaviours must be committed with the intention to discover a trade secret in order to be punished by criminal law, as the Article requires, so this provision excludes the penalization of behaviours that happen recklessly.

The Spanish Criminal Code of 1995 was the first Criminal Code in Spain that punished this conduct, which had no criminal consequences in the past, providing thus a penalty for industrial or economic espionage.

The penalty for this behaviour is a sentence of imprisonment from two to four years and a fine from twelve to twenty-four months.

2. *Disclosure*: section 2 of Article 278 foresees a worse behaviour than the first one, as it penalizes the conduct of disclosing previously discovered trade secrets. This Article uses three different verbs to refer to this behaviour, namely, *difusión*, *revelación* and *cesión*[41] of trade secrets already discovered to third parties. These three conducts are equally punished by this Article and any of them can be fulfilled to consider the crime committed. The use of three verbs has been criticized by some Spanish authors, eg, Morón Lerma[42]. In my opinion, all of them refer to the same idea, associated to the communication of commercial secret information to a third party, with no distinction, being possible to reduce them to just one term[43].

The penalty for this behaviour is sentence of imprisonment from three to five years and a fine from twelve to twenty-four months.

[41] Dissemination, disclosure and assignation.

[42] E Morón Lerma (n 24) 356

[43] In the same direction, Ibid 357

Section 3 of Article 278 sets a provision, which assures that the terms established in this Article shall be applied without prejudice to penalties that might be relevant for appropriating or destroying computer media. This reference is considered to be unnecessary, as Spanish legal system already provides a general solution for these cases.

5.2. Article 279 of the Spanish Criminal Code: lawful access to the secret and duty of confidentiality

Article 279 supposes a lawful access to commercial confidential information, so these are cases where an offender that fulfils the unlawful conduct had knowledge of the information in his or her profession, from which derives a legal or contractual duty of keeping it secret, the infraction of which the Criminal Code requires for the felony to occur. Article 279 then, penalizes specifically two demeanours:

1. *Disclosure*: as it happened in the disclosure that can be committed by whoever, the first paragraph of Article 279 punishes offenders who have the duty of confidentiality of trade secrets for their dissemination, disclosure or assignment.

   The penalty for this behaviour is a sentence of imprisonment from two to four years and a fine from twelve to twenty-four months. As it can be observed, disclosure committed by someone who has a duty of confidentiality is punished equally to the misappropriation committed by someone who accessed to the commercial confidential information unlawfully.

2. *Use to obtain personal benefit*: the second paragraph of Article 279 reduces the penalty provided in the previous paragraph if the conduct consists in the use of trade secrets for a personal benefit. It is not well understood why the only way in which the use of trade secrets is penalized is when it is effectuated to obtain a personal benefit since, as it has been already said, the Unfair Competition Law establishes that the use can also be committed for the benefit of a third party or in order to harm the trade secret holder. Moreover, when the use of a trade secret occurs in any of these two situations, it results to be worse than when it occurs for personal benefit, since this last case can befall more frequently if we consider that it can happen when a former employee applies the knowledge acquired in the former company to a future professional activity, being difficult and delicate the punishment in these cases, especially, the criminal punishment.

The penalty for this demeanour is the lower half of the range of penalties imposed in the previous paragraph, namely, to the demeanour of disclosure. This calculation of the penalty in our criminal legal system gives rise to a sentence of imprisonment from two to three years and a fine from twelve to eighteen months.

5.3. Article 280 of the Spanish Criminal Code: not having taken part in the discovery but knowing its unlawful origin

Finally, Article 280 of the Spanish Criminal Code makes a reference to the demeanours of the previous Articles when these are committed by someone who did not participate in discovering trade secrets but knew their unlawful origin. This is a case where person A receives commercial confidential information from person B, so consequently this last person would be punished by Article 278 (if he or she had an unlawful access to the

information) or by Article 279 (if he or she had a legal or contractual duty of keeping secret that information), while person A, who knows the unlawful origin of the information and did not participate in its discovery, would be punished if he or she was engaged in any of the conducts described in preceding two Articles, that is:

1. *Misappropriation is not included*: although misappropriation is one of the conducts described in Article 278, it is not included in Article 280, as it establishes explicitly that the offender of the crime did not participate in the discovery of the information.
2. *Disclosure*: a trade secret disclosure would be one of the actions included in this Article.
3. *Use to obtain a personal benefit*: also using a trade secret to obtain a personal benefit is understood to be included.

The penalty that would be imposed in these cases would be a sentence of imprisonment from one to three years and a fine from twelve to twenty-four months.

Prosecution of these offences must necessarily be reported by the victim or by his or her legal representatives, as established in Article 287 section 1 of the Spanish Criminal Code, except when the commission of the offence affects general interests or multiple persons (Article 287 section 2).

In addition, Article 288 foresees for these cases the publication of the court decision in official journals and, at the request of the party, in other media.

5.4. Consequences under Spanish Criminal Law for legal persons

From the year 2010 in the Spanish legal system it is possible to penalize through criminal law legal persons, being the reference point of the debate that emerged to discuss their punishment in socio-economic and financial criminality[44]. Article 288 of the Spanish Criminal Code, which is applicable to most of the socio-economic felonies, foresees the following penalties when a company is responsible of them:

a) A fine from two to five years, or from the threefold to the fivefold of the benefit obtained or that could have been obtained if the resulting quantity were higher, if the offence committed by a natural person has a punishment foreseen of more than two years of custodial sentence;

b) A fine from six months to two years, or up the double of the benefit obtained or that could have been obtained if the resulting quantity were higher, in the rest of the cases[45].

Furthermore, section 2 of Article 288 of the Spanish Criminal Code foresees that according to the necessity to prevent the continuity of criminal activity, and economic and social consequences of the crime, among other rules established in Article 66*bis*,

[44] JL Díez Ripollés, *Derecho Penal Español. Parte General. En esquemas* (3th rev edn Tirant lo Blanch, Valencia 2011) 129

[45] These penalties came into force on 1 July 2015 with the reform of the Spanish Criminal Code that has implemented the Organic Law No. 1/2015, of March 30, 2015 which modifies the Organic Law No. 10/1995, of November 23, 1995 of the Criminal Code that changes a substantial part of its content <http://www.boe.es/diario_boe/txt.php?id=BOE-A-2015-3439>. This reform imposes a heavier penalty for legal persons that before the reform were the following: a) Fine from one to three years, if the offence committed by a natural person has a punishment foreseen of more than two years custodial sentence; b) Fine of six months to two years, in the rest of the cases.

judges and Courts of Law may also impose to legal persons the penalties established in sub-sections b) to g) of section 7 of Article 33, as its dissolution, the suspension of its activities, the closure of its premises and establishments, the prohibition to perform activities through which the offence was committed, aided or concealed, the disqualification for public subsidies and aid or judicial intervention to safeguard the workers or the rights of the creditors.

6. Trade secrets and intellectual property rights

Trade secrets have generally been placed inside the discipline of unfair competition, which differs from the protection conferred by intellectual property rights[46].

Despite that, trade secrets and intellectual property rights have several aspects in common, which approach them more than move them away, and the relationship between them has been acknowledged, not only by the most authorized Spanish doctrine[47], but also by numerous international texts. Moreover in most of the countries the unfair competition discipline has historically been developed from the primitive

[46] It is needed to clarify that in this project we are going to focus exclusively on inventions and distinctive sings, for being closer to trade secrets in their content, so when referring to intellectual property rights we mean inventions and distinctive signs.

[47] M Bajo Fernández (n 4) 277; J Massaguer Fuentes (n 36) 43-44; P Portellano Díez, 'Los nuevos delitos contra la propiedad industrial. Reflexiones de un mercantilista' (1996) 60 Cuadernos de Política Criminal –CPC- 633, 637-38

protection of rights over intangibles or monopoly rights, and particularly from the protection of trademarks[48].

Closeness between trade secrets and intellectual property rights breaks in the moment of their protection, being the main distinguishing element the instrument of protection in one and other cases. Thus, in the case of intellectual property rights, Spanish legal system foresees the registration of certain inventions or distinctive signs that make them public to confer them protection, whilst in the case of trade secrets there are the measures or steps that their holder adopt to keep them reserved, the ones that are going to safeguard that information. From this, varied consequences are derived, as we will see.

6.1. International legal instruments that link trade secrets to intellectual property rights

6.1.1. Paris Convention for the Protection of Intellectual Property

In the first place, we have to mention the *Paris Convention for the Protection of Intellectual Property, of 20 March 1883* of the World Intellectual Property

[48] A Menéndez Menéndez, *La competencia desleal* (Civitas, Madrid 1988) 33; A Bercovitz Rodríguez-Cano, *Apuntes de Derecho Mercantil. Derecho Mercantil, Derecho de la Competencia y Propiedad Industrial* (11th edn Aranzadi Thomson Reuters, Madrid 2010) 371

Organization[49], Article 1 of which foresees the 'Scope of Industrial Property' and on its second section provides that 'The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the *repression of unfair competition*'. [emphasis added]

Henceforth this first instrument starts with the acknowledgment that unfair competition repression, area where trade secrets protection is, is included among the aspects that constitute object of protection of intellectual property. Later the Convention establishes in its Article 10*bis* the protection that is conferred to unfair competition[50].

In Spain, Portellano Díez, a recognized expert in commercial law, has defended that the reference to unfair competition should be excluded of the Convention, since it

[49] World Intellectual Property Organization (WIPO) '*Paris Convention for the Protection of Intellectual Property, of 20 March 1883*' which came into force in Spain, as revised at Stockholm on 14 July 1967 < http://www.wipo.int/treaties/en/text.jsp?file_id=288514> accessed 1 July 2015

[50] Article 10*bis* of the Paris Convention, establishes: 1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

3) The following in particular shall be prohibited:

(i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

(ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

(iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

does not confer any '*ius prohibendi erga omnes*'[51]. Nonetheless, in my opinion, the spirit of the Convention is addressed to grant a protection to intellectual property, not only to their absolute exclusive rights, but rather in a broader sense. Thus is deduced from third section of the same Article 1, which establishes that 'Industrial property shall be understood in the broadest sense…'. Accordingly, the mention to unfair competition in the Convention, included in an all-inclusive concept of intellectual property, is considered to be consistent and appropriate.

6.1.2. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)

The World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS)[52], refers to undisclosed information in section 7, Article 39, first paragraph of which foresees that this kind of information is included in the Agreement 'in the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967)…'.

Features that undisclosed information must have to be protected through this Agreement has already been commented when defining what trade secrets are, so we will not stop at this point. It has only to be remarkable that this is another international

[51] P Portellano Díez (n 45) 723

[52] This Agreement, which entered into effect on 1 January 1995, is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994 <https://www.wto.org/english/docs_e/legal_e/27-trips.pdf> accessed 1 July 2015

agreement about aspects related to intellectual property that includes trade secrets protection.

6.1.3. Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure

In the third place, we have to mention the *Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* (hereinafter 'the Proposal for a Directive'). European Commission claims, with the regulation of confidential business information uniformly in the European Union, to favour trade across the internal market, so that there can be confidence among companies at the time to make business and, in so doing, the EU economy grows.

The origin of this Proposal arises from the *Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights*[53] (hereinafter 'Directive 2004'), which was born with the objective to approximate EU Member States laws 'so as to ensure a high, equivalent and homogeneous level of protection in the internal market'[54]. Given the existence of

[53] Parliament Directive (EC) 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L195/16 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:195:0016:0025:en:PDF> accessed 1 July 2015

[54] Thus is established by 'Whereas' number (10) of the Directive 2004.

different interpretations of the Directive 2004 among Member States that generated ambiguity about which intellectual property rights were protected through it, Member States asked the European Commission to publish 'a minimum list of the intellectual property rights which it considers are covered by the Directive'[55]. However, as it was said in the report from the Commission on the Application of Directive 2004, even after this clarification was published, uncertainties still remain as to whether some rights protected under national law are covered, being specifically mentioned trade secrets (including know-how), as a forms of 'competing on the edge of the law', which seem to be on the rise and which often 'have damaging effects on the right holders, undermine innovation and bring only short-term benefits to consumers'[56].

Against this background, European Commission decided to request several experts reports to determine the need of protection of trade secrets at European level. Among others, these reports were performed by the *TSIC (The Trade Secrets & Innovation Coalition)*, dated 30 March 2011, which submitted that the Directive 2004 should contain a minimum list of intellectual property rights covered by the Directive

[55] This aspect is pointed in the 'Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, on the Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights' COM/2010/0779 final, of December 22, 2010 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52010DC0779&from=ES>. The list, meanwhile, is provided by the 'Statement by the Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights' (2005/295/EC), OJ L94, 13 April 2005, p. 37 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32005C0295&from=EN>

[56] Thus is remarked in the Report from the Commission on the Application of Directive 2004 (n 54), with which it is claimed to evaluate the impact of the Directive 2004 since it came into force <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52010DC0779&from=ES>

and that trade secrets and know-how should be included in this list, as they are considered to be undeniably part of intellectual property rights[57]; the *International Fragrance Association*[58], which underlines the increasing relevance of trade secrets to the success of industries worldwide and considers the need to establish harmonized laws among Member States to provide an environment in which EU industries can compete fairly and effectively in the EU and world markets; and *Hogan Lovells International LLP*, dated 13 January 2012, which performed an overview of protection of trade secrets across the European Union, concerning what kind of protection do Member States give them, concluding that there are fundamental differences in the protection of trade secrets across the EU[59].

Apart from these reports, the European Commission published in May 2011 a Communication to create a single market for intellectual property rights, and in it the Commission talks about the significant differences in national laws on the nature and scope of trade secrets protection, which inevitably result in different levels of protection, 'with the consequence that, depending on their location, some companies are better equipped than others to face the challenge of an information based economy'.

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[57] TSIC (The Trade Secrets & Innovation Coalition) 'Comments for the Consultation on the Commission Report on the Enforcement of Intellectual Property Rights', 30 March 2011 <https://circabc.europa.eu/sd/a/90ee7074-fa8a-4c32-a5f6-9e343d5774ef/tsic_en.pdf> accessed 1 July 2015

[58] International Fragrance Association 'Trade secrets: European Union Challenge in a global economy' (Policy paper), 9 February 2012 <http://www.ifraorg.org/view_document.aspx?docId=22900> accessed 1 July 2015

[59] Hogan Lovells International LLP 'Report on Trade Secrets of the European Commission' in the framework of the 'Study on Trade Secrets and Parasitic Copying (Look-alikes) MARKT/2010/20/D' <http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/120113_study_en.pdf> accessed 1 July 2015

Hence, the Commission has considered the need to reflect about the economic and societal impact of the current fragmentation of the legal framework, in order to protect trade secrets and economic benefits that would derive from an EU approach in these areas[60]. Together with this Communication, the Commission also analysed the current situation in the EU through a public consultation on the protection of business and research know-how[61], which was addressed to general public, citizens, SMEs, business associations and trade unions and the research community, but it was also targeted at any party (legal or natural person) involved with the protection of confidential business information, with the scope of collecting views with regard to the protection of business and research know-how in the Union, against their misappropriation.

At last in April 2013 there was a final *Study on Trade Secrets and Confidential Business Information in the Internal Market*, prepared by the legal firm Baker & McKenzie for the European Commission[62], which confirmed the growing relevance of trade secrets in the new global economy to encourage competitiveness in all business sectors, for both innovative and non-innovative firms, regardless of their size.

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[60] Commission (EC) 'A Single Market for Intellectual Property Rights - Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe' (Communication) COM(2011) 287 final, p. 15 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0287&from=EN> accessed 1 July 2015

[61] Commission (EC) 'Public consultation on the protection of business and research know-how', from 11 December 2012 to 8 March 2013 <http://ec.europa.eu/internal_market/consultations/docs/2012/trade-secrets/121211_trade-secrets-consultation_en.pdf> accessed 1 July 2015. It concluded with the participation of 537 companies, 323 of which were SME's with less than 250 employees.

[62] Baker & McKenzie for the European Commission '*Study on Trade Secrets and Confidential Business Information in the Internal Market*', MARKT/2011/128/D, April 2013 <http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf> accessed 1 July 2015

Consequently, this final study concludes that there is a clear economic evidence for the harmonization of national laws that protect trade secrets, filling this protection the gap between traditional pillars of intellectual property, such as copyright and patent protection, and providing a useful tool for the companies to protect the results of their investments.

Finally, after all this process, in November 2013 the Commission presented the *Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure*, with the commitment of creating a single market for intellectual property, as the Proposal mentions[63]. The structure of the Proposal for a Directive is divided in four chapters. Thus, in chapter I, Article 1 establishes that the subject matter of the Proposal is 'the protection against the unlawful acquisition, disclosure and use of trade secrets', while Article 2 provide definitions of key concepts, as the one of 'trade secret', which is based on the definition of TRIPS Agreement. In chapter II circumstances under which the acquisition, use and disclosure of a trade secret is unlawful, are set. Chapter III establishes the measures, procedures and remedies that should be made available to the holder of a trade secret in case of unlawful acquisition, use or disclosure of that trade secret by a third party. Finally, the Proposal closes with chapter IV, foreseeing the sanctions to apply in case of non-

[63] European Commission (EC) **'**Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure**'**
COM/2013/0813 final - 2013/0402 (COD) 28 November 2013, pp. 3-4 < http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013PC0813&from=EN > Last update: May 22, 2015. Accessed 1 July 2015

compliance with the measures provided in previous chapter and also establishing the provisions on monitoring and reporting.

This Proposal for a Directive was presented by the European Commission on 28 November 2013. After that date European Economic and Social Committee supported the Proposal in March 2014[64] and Council of the European Union signed also its approval in May 2014[65]. It is foreseen that European Parliament will decide on its approval at the end of year 2015.

The most interesting thing about this evolution that started with the Directive 2004 until present is to analyse and underline the leading role of trade secrets together with intellectual property rights, to which they are similar but from which they also differ in many aspects, as we will see below.

The Proposal itself establishes that every intellectual property rights starts with a secret and it constitute a capital supplementary instrument of those rights since, as it occurs with intellectual property rights, trade secrets are significant for innovation and competitiveness. With this it is being tried to emphasize the undisputed value of trade secrets for companies, at the same level of intellectual property rights, even though they receive a different protection.

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[64] European Economic and Social Committee (EC) 'OPINION of the European Economic and Social Committee on the Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure COM(2013) 813 final – 2013/0402 (COD)' [2014] OJ C 226/48 <http://www.eesc.europa.eu/?i=portal.en.int-opinions.30312> accessed 1 July 2015

[65] Council (EC) 'General approach of the Council of the European Union about the Proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure' 9870/14, 26 May 2014 <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%209870%202014%20INIT> accessed 1 July 2015

6.2. Connection between trade secrets and intellectual property rights

Once that we have seen what trade secrets are, why and how they are protected in Spain and their relevance in international texts, it emerges to be interesting to delve into their relation with intellectual property rights. Thus, firstly we are going to check which are the aspects that both systems share, for then try to find their most outstanding differences.

6.2.1. Common features

In the first place, both trade secrets that belong to the sphere of the unfair competition and intellectual property rights are systematically framed in the field of **competition law,** broadly speaking[66].

In the second place, assets to which both intellectual property rights and trade secrets are assigned, are characterized by their immaterial nature, belonging to the wide category of **rights over intangibles**[67] that, as Gómez Segade said, are '*creaciones de la mente humana que, mediante los medios adecuados, se hacen perceptibles y utilizables en las relaciones sociales y por su especial importancia económica son objeto de una*

[66] C Fernández-Novoa, JM Otero Lastres and M Botana Agra, *Manual de la Propiedad Industrial* (Marcial Pons, Madrid 2013) 60.

[67] Ibid 58; E Morón Lerma, 'Sección 2ª. De los delitos relativos a la propiedad industrial' in G Quintero Olivares and F Morales Prats (eds), *Comentarios al Código Penal Español, vol. 2: art 234-DF7* (6th edn Aranzadi Thomson Reuters, Navarra 2011) 228-29; MJ Segura García, *Derecho penal y Propiedad industrial* (Civitas, Madrid, 1995) 147

tutela jurídica especial'[68]. As 'creations of the human mind', both systems constitute, thus, an inventive, intellectual or productive activity of a company.

In the third place and, as a result of what was said in point two, both kinds of intangibles are functionally linked to the productive system, characterized by the **private appropriation of the human work product**[69]. As a consequence of their intellectual nature, derived from a productive activity in a company, creations originated by this activity are going to end in intellectual property rights, in some cases, or in trade secrets, in others.

In the fourth place, given the features that define intellectual property rights and trade secrets, both categories have a **special economic relevance** forming a company heritage[70]. On the one hand, intellectual property of a company constitutes a crucial instrument in the competitive struggle, being occasionally the main support of their economy[71]. Thus the doctrine affirms that intellectual property, such as inventions and distinctive signs, was born closely linked to commercial productive activities, from

[68] JA Gómez Segade (n 8) 73. Creations of the human mind that, through appropriate means, are noticeable and useable in social relationships and, because of their special economic importance, are objective of a special legal protection.

[69] JM Paredes Castañón, *La protección penal de las patentes e innovaciones tecnológicas* (Monografía Ciencias Jurídicas, Madrid 2001) 29

[70] S Orlando, 'La regulación de los delitos contra la propiedad industrial en el nuevo Código penal. Novedades introducidas y consecuencias de su aplicación (I)" in J Massaguer Fuentes (ed), *Protección penal, competencia desleal y tribunales de marcas comunitarios (VI Jornadas sobre marcas)* (Consejo General del Poder Judicial, Madrid 1999) 18

[71] C Rodríguez Padrón, 'Los delitos contra la propiedad industrial, trascendencia de la ubicación en el código penal de 1995' in J Massaguer Fuentes (ed), *Protección penal, competencia desleal y tribunales de marcas comunitarios (VI Jornadas sobre marcas)* (Consejo General del Poder Judicial, Madrid 1999) 46

which inventions and distinctive signs have developed their potentialities against tangible assets property and intellectual property based on copyright and their higher level of relevance was reached from the development of the economic capitalist system[72]. On the other hand, it is the inherited nature of trade secrets, which its holder tries to protect, being alike an important instrument to compete in the market.

In the fifth place, as the Spanish doctrine has assured referring to industrial secrets, trade secrets are like patents, a mean for an entrepreneur to obtain the exclusivity in the use of an object with commercial interest[73].

This **exclusive use** over an intangible asset[74], derived from the Registry of Intellectual Property or the measures adopted by the holder for its protection, as we will see below, leads to the acceptance of an appropriate idea that Troller stated[75], which is that as long as a secret subsists, it will not be a less economic good than the patented invention. And the fact that a secret can be more vulnerable, as we will see, and even if it disappears, it will not affect its momentary quality of value, but only its duration, since while the secret is at the disposal of the holder, the law allows him or her to enjoy

[72] JM Paredes Castañón (n 65) 44

[73] M Bajo Fernández (n 4) 277. This author keeps saying that through the patent, an entrepreneur searches the protection of the legal system for the exclusive use of the object, whilst through the secret it is searched a situation that makes possible, in fact, that exclusive use. The maintenance of that factual situation is protected by law against certain behaviours (Ibid 299).

[74] Exclusivity can be understood, in this context, as it is defined by Spanish doctrine, namely, having the holder a reserved space only for him or her and generating in thirds the duty to refrain themselves from conducts that infringe that reserved space, being for this reason the holder's consent in both cases essential. Thus is defined in C Fernández-Novoa, JM Otero Lastres and M Botana Agra, *Manual de la Propiedad Industrial* (Marcial Pons, Madrid 2009) 49-54

[75] A Troller, 'Il segreto industriale nel sistema dei diritti sui beni immateriali' [1957 parte prima] Rivista del Diritto Commerciale –RDC- 169, 175.

it through its use, to disclose it, to protect it keeping its confidentiality, to deal with it[76] through licensing or assignment and to claim it if it was unlawfully misappropriated, disclosed or used, being recognized to its holder a subjective right over the secret[77], as far as he or she is authorized to act against certain attacks against it. For this reason it is understood that exclusivity is, undoubtedly, obvious[78].

All these features are shared by trade secrets and intellectual property rights, being both of them important economic values for a company that owns them. Nonetheless both require for their safeguard different forms of protection that constitute the turning point from which derive different effects.

6.2.2. Instrument of protection as capital difference and resulting differences

The holder of information with economic value has some options to protect it, depending on the features of the information. Thus we can distinguish two types of information:

On the one hand, information that accomplishes the legally provided requirements to be considered as an intellectual property right[79], either as patent, utility

[76] Ibid

[77] Of this opinion is J Massaguer Fuentes (n 36) 43

[78] MA Lemley, 'The Surprising Virtues of Treating Trade Secrets as IP Rights' (2008) 61 Stan. L. Rev. 311, 317-18. The author affirms that trade secret laws confer an exclusive right on the possessor of valuable information not generally known to or readily ascertainable by competitors.

[79] In the Spanish legislation patentability requirements for patents and utility models are provided in Article 4.1 of Law No. 11/1986 of March 20, 1986 on Patents (*Ley 11/1986, de 20 de marzo, de Patentes*)

model, trademarks, etc. In these cases the holder will be able to resort to the Industrial Property Registry, at present constituted in Spain by the Spanish Patents and Trademarks Office[80], where he or she may register his or her invention or distinctive sign, making it public or keeping the information secret, adopting a series of measures or steps for its protection.

On the other hand, information that might not accomplish the legally provided requirements to be settled as an intellectual property right, case in which its holder would have only the possibility to protect it through different measures to keep its confidentiality.

Therefore we are going to focus on the information that accomplishes the legal requirements, and due to its exceptional nature[81], acknowledged by the law, it enables the holder to benefit from any of both systems, making noticeable the differences that derive from one or another kind of protection. These differences are exposed below:

In the first place, the main difference that results from the registration is the **publicity** that is conferred to intellectual property rights, faced with the **hidden nature** that, from

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< http://noticias.juridicas.com/base_datos/Admin/l11-1986.html>. In the case of trademarks and trade names, the concept of trademarks is foreseen in Article 4 of Law No. 17/2001 of December 7, 2001 on Trademarks (*Ley 17/2001, de 7 de diciembre, de Marcas*) < http://noticias.juridicas.com/base_datos/Privado/l17-2001.html> accessed 1 July 2015

[80] In the Spanish legal system intellectual property rights must be generally registered in a Registry, which is in charge of the Spanish Office of Patents and Trademarks (*Oficina Española de Patentes y Marcas – OEPM*) <http://www.oepm.es/es/index.html> accessed 1 July 2015

[81] A Alonso Ureba, 'Introducción al régimen jurídico de la competencia en el derecho español' in JI Sánchez Galán, MA Agúndez and others (eds), *Cuadernos de Derecho para Ingenieros. Derecho de la competencia y de la propiedad industrial, intelectual y comercial* (La Ley, Madrid 2010) 13

the nature of the secret, is deduced. For this reason, the doctrine has assured that patents and trade secrets must work as not confusingly neighbouring areas, since both of them repel themselves mutually[82]. Being the information public, after its registration, it is granted to the holder an exclusivity of an absolute nature that differs from the absence of publicity that trade secret involves, which, nonetheless, also grants the holder the right to use powers in exclusive, even though of a relative nature.

In the second place, a substantial difference that arises from the registration faced with the adoption of measures to preserve confidentiality of information, and related to the difference just mentioned, is that the registration constitutes, as the Spanish doctrine assures, the subjective right par excellence[83], as it confers upon its holder a situation of **absolute control** over it[84], while the confidentiality of the information as a trade secret awards to its holder a relative control, faced with certain unlawful behaviours, as the secret can be obtained lawfully by random, reverse engineering or independent research[85].

Therefore the Registry confers a legal monopoly to the holder of intellectual property rights that leads to a privileged economic position, faced with the adoption of measures addressed to the goal of maintaining the confidentiality of trade secrets, which

[82] M Bajo Fernández (n 4) 299-300; JA Gómez Segade (n 8) 166

[83] C Fernández-Novoa, JM Otero Lastres and M Botana Agra (n 62) 56

[84] Morón Lerma affirms that 'in industrial property, the inventor discloses his or her creation and, as a compensation for his or her efforts and the disclosure of the idea, the State grants to the holder an <<ius prohibendi erga omnes>>, a legal monopoly in its exploitation'. It is defended in E Morón Lerma (n 63) 232

[85] A Suñol Lucea, 'Actos de competencia desleal' in JI Sánchez Galán, MA Agúndez and others (eds), *Cuadernos de Derecho para Ingenieros. Derecho de la competencia y de la propiedad industrial, intelectual y comercial* (La Ley, Madrid 2010) 143

confers a factual monopoly, without any other formalism of administrative nature, to the extent that the secret seeks for the person who owns it a possibility of an exclusive use, which is factual, not legal[86].

In the third place, another difference that results from the previous one, is that legal monopoly that intellectual property rights grant to their holder depends on the object of those rights, which must be constituted by knowledge entailing a technical progress and because of that, involves a creative activity from greater or lesser degree[87], what means that **novelty** is valued in them[88]. On the contrary, in the case of trade secret, even though these features can also be given in the information, the factual monopoly will also exist when the secret is an already known technique, but competitors ignore that it is used in a certain company. Hence, in the case of trade secrets, the relevant aspect that the factual monopoly confers is not novelty, but **utility** that the secret generates for a company, independently from its newness, being only necessary that it is unknown by competitors.

In the fourth place, it is remarkable that intellectual property rights have a limited **temporary and territorial nature**, unlike trade secrets. Thus, on the one hand, while intellectual property rights are temporary limited, as a consequence of their registration, the duration of trade secrets is potentially unlimited[89]. This aspect has not

[86] A Troller (n 71) 174

[87] JA Gómez Segade (n 8) 165-66

[88] Thus, Article 4.1 of Law No. 11/1986 of March 20, 1986 on Patents establishes that 'inventions which are susceptible of industrial application, which are new and which involve an inventive step shall be patentable'.

[89] JA Gómez Segade (n 8) 169

to be seen as a difference[90], because trade secrets can also be temporary limited if their holder decides so, in case they are disclosed or misappropriated by improper means. Nevertheless, they can also maintain their value for a period of time longer than the one provided for intellectual property rights[91], if their confidentiality is kept. Thus expiration of intellectual property rights foreseen in the Spanish legal system can be for temporary reasons[92] or for other kind of reasons[93], while trade secrets expiration is not subjected to legal criteria. On the other hand, concerning territorial limits, the absolute control over intellectual property rights that is conferred to their holder only produces effects in the territory where the right was granted[94], unlike the relative control over trade secrets, which are not territorially limited.

In the fifth place, the existence of registration for intellectual property rights grants them a **more secure** protection against measures adopted by the holder of a trade secret, which makes it more **vulnerable**[95], since its confidentiality can be terminated in many ways or be discovered by competitors[96].

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[90] Ibid 81, who assures that a common feature of intangibles that makes the difference with tangible assets, is their temporary nature, which can be given in some cases by law (patents) and in other cases by a factual situation (industrial secret).

[91] A Troller (n 71) 175

[92] Thereby, patents and trademarks have limited lives, being the first of them in the Spanish system of twenty years unextendible (Article 49 of Law No. 11/1986 of March 20, 1986 on Patents) and the second of them of ten years extendible for subsequent periods of ten years (Article 31 of Law No. 17/2001 of December 7, 2001 on Trademarks).

[93] Provided in Articles 55 to 58 of Law No. 17/2001 of December 7, 2001 on Trademarks.

[94] This is established in Articles 52 and 75 of Law No. 11/1986 of March 20, 1986 on Patents and Articles 1.3 and 48 of Law No. 17/2001 of December 7, 2001 on Trademarks.

[95] DD Friedman, WM Landes and RA Posner (n 28) 63; JA Gómez Segade (n 8) 183

[96] A Troller (n 71) 174

From these two last features, it is deduced that the holder of the information has to weigh between a higher level of security provided by the protection from the registration and a potential higher durability of the trade secret. Furthermore, the application of an intellectual property right that is refused might have negative consequences, to the extent that the holder risks to disclose a secret and lose its value[97].

In the sixth place, the registration involves the assumption of fixed costs or expenses[98], against the secret that does not require them. Nonetheless, even though trade secrets avoid those fixed costs, certain expenses are necessary in order to prevent or exclude their misappropriation, disclosure or use by thirds, which will be proportional to the value of the secret for its holder, and not for the potential person who misappropriates it, as Friedman, Landes and Posner assure[99].

Thus, what distinguishes in my opinion trade secrets and intellectual property rights in this aspect, is not the necessity to pay some costs in these last rights, of which trade secrets are exempt, but their fixed nature, since in both cases their holder will assume these costs or expenses in order to protect them, whether these costs come from measures adopted to keep their confidentiality or from their registration. The main difference is only found in the fact that, in the case of intellectual property rights, these costs are legally provided, while in the case of the measures to protect the secret, they

[97] Thus K Tiedemann (n 19) 231, who considers that 'several companies fear to apply intellectual property rights for their secrets, to prevent that they are known (with the consequence of their exploitation by thirds)'.

[98] The compulsory nature of the payment of legally provided rates for intellectual property rights is established in Article 21.3 of Law No. 11/1986 of March 20, 1986 on Patents, in the case of patents, while for trademarks, it is provided in Article 12.2 of Law No. 17/2001 of December 7, 2001 on Trademarks.

[99] DD Friedman, WM Landes and RA Posner (n 28) 63

are relative, depending on the value that the information presents for its holder, so they might be trivial or even higher than the costs provided for intellectual property rights in some cases.

6.2.3. Supplementary role of trade secrets and intellectual property rights

It is moreover clear from what was seen until now that between trade secrets and intellectual property rights there is a connection characterized by some common and some different aspects. From this connection, the doctrine has considered that the function that connects trade secrets and intellectual property rights is a function that links them as supplementary protection systems[100].

This supplementary function has a special relevance in the information that, as it was mentioned, accomplishes the legally provided requirements to become an intellectual property right, enabling in these cases the holder to choose between one of both kinds of protection. Thereupon the adoption of measures to protect confidentiality of information or the option of the registration leads to different consequences but, in both cases, grants the holder of the information an exclusivity sphere over it.

Being the common structural element competition, the idea of exclusivity constitutes the lowest common denominator of trade secrets and intellectual property rights protection systems[101], regardless of the monopoly that comes from the

[100] MM Carrasco Andrino (n 21) 36; DD Friedman, WM Landes and RA Posner (n 28) 64; E Morón Lerma (n 24) 189

[101] J Terradillos Basoco, *Derecho penal de la empresa* (Editorial Trotta, Madrid 1995) 153-54

registration or from other sources, since the determining aspect here is based on the exclusive right to individual ownership[102].

That complementarity, moreover, comes from the function to which both systems, trade secrets and intellectual property rights[103], obey, which the preface of the *Law No. 11/1986 of 20 March 1986 on Patents*, foresees as the protection of the results of research, and its promotion, as the encouragement of innovation and technological development, to raise competitiveness level of Spanish industry.

For this reason, the opinions that defend the opposite nature of trade secrets and intellectual property rights are not accepted[104], since, even though the instrument of protection of each of them leads to different features, distancing them, in my opinion, there is a prioritized valuation that considers them as similar elements of intangible nature, supplementary systems that a company owns, value of which their holder wants to protect and over which he or she holds exclusive use powers.

7. Conclusions

[102] G Guinarte Cabada, 'Las infracciones de los derechos de la propiedad industrial del artículo 534 del Código penal' in M Cobo Del Rosal (ed), *Comentarios a la legislación penal* XIII. *Propiedad intelectual e industrial, libertad sexual, incendios forestales* (Edersa, Madrid 1991) 15-16

[103] MM Carrasco Andrino (n 21) 73.

[104] Thus T Ascarelli, *Teoria della concorrenza e dei beni inmateriali* (3th edn Giuffrè Editore, Milano 1960) 292, who assured that between trade secrets and intellectual property rights there is a 'deep heterogeneity'; in the same sense, also Morón Lerma has pointed the disparate dynamics that trade secrets' regime has regarding registered rights, considering that much closer to the unfair competition law. Thus E Morón Lerma (n 24) 87-88

Trade secrets are a competitive instrument of a great relevance and, as it happens with intellectual property rights, even though it can be in a different way, they promote progress and innovation. Their legal protection, henceforth, is necessary, so long as trade secrets holder adopts appropriate steps or measures for their protection, the infringement of which would make Law act.

Unlike trade secrets, intellectual property rights have to be registered for their protection, which confers them certain characteristics, something that does not happen in the case of trade secrets. But, even though trade secrets protection occurs through measures to keep their confidentiality and not through their registration, there are many features they share. Because of this reason they are considered to be supplementary systems for the protection of intangible assets of a company, not being trade secrets of less value than intellectual property rights while they are confidential.

The Spanish legal system foresees a complete protection of trade secrets, which is divided into two possible paths: the civil way, through the Unfair Competition Law, and the criminal way, through the Criminal Code. Both paths are complementary and whoever is damaged by any of the behaviours described in both texts, can turn to any of them, as he or she considers appropriate.

On the one hand, civil regulation seems to be appropriate, as they are actions that the Unfair Competition Law foresees for the person who was damaged by the violation of his or her trade secrets, since they are varied and seem to give a solution to possible damages suffered by the holder of the commercial confidential information.

On the other hand, criminal regulation, inspired by the Unfair Competition Law, does not require, nonetheless, additional elements to the ones required in the unfair act,

something that may be criticized. Moreover a different forecast of the conduct of use is needed, the presence of which in the Criminal Code is scarce and limited. These changes, together with others of a deeper research that would exceed the claim of this article, are necessary for an entire protection of trade secrets in the Spanish legal system.