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Trade Secrets and Proprietary Information – Brazil

To explore further the subject of trade secrets and proprietary information, and specifically the issues raised around this subject in Brazil, *Lawyer Monthly* speaks to Elisabeth Kasznar Fekete, attorney at law, Partner at Momsen, Leonardos & Cia and head of the firm´s São Paulo office. The firm assembles a highly specialized and qualified but also diversified team working in all Intellectual Property related matters – prosecution, enforcement and licensing IP rights. Cutting-edge legal knowledge with specialized technical expertise in the areas to which it is applied – civil engineering, mechanics, electronics, metallurgy, chemistry, medicine, biology, etc.

Elisabeth is a Registered IP Agent and holds a Doctorate in Commercial Law from the University of São Paulo – USP. She is also a specialist in trade secrets protection and litigation, and the author of the leading Brazilian book on the subject (treatise "O Regime Jurídico do Segredo de Indústria e Comércio no Direito Brasileiro" – "Trade Secrets under Brazilian Law", publisher: Ed. Forense, 489 pages).

With offices in Rio de Janeiro (head office) and São Paulo, Momsen currently has 25 partners and 280 professionals, as well as a vast network of correspondents throughout Brazil and abroad.

Q Trade secrets and proprietary information are a relatively little-reported aspect of Intellectual Property; why do you think this is?

There are several reasons for the 'low profile' of trade secrets. Firstly, undisclosed information is not registered, like patents or trademarks. It is of its essence not to be publicly available and not publicly reported or commented, to the contrary of the other IP rights. As far as I know, Thailand is the only country that has a registration system for trade secrets. While for other IP rights, protection relies mostly on their registration (that requires full disclosure) and owners seek to obtain registrations of the best possible scope and quality and covering as many territories (regions or countries) as necessary for their business interests, the most confidential a trade secret is, the higher its chances of enforcement.

Secondly, while in some jurisdictions, like in the US, trade secrets are the object of a property right, in others, no property is granted over undisclosed information , being the protection of such information based mostly on the rules preventing unfair competition, and/or on equity principles and/or on the civil, contracts and employment laws. Legal issues are more complex and less reported when no property rights are involved, also because of weaknesses associated with the enforcement of rights not subject to property.

Thirdly, reporting is not always the interest of the owners of trade secrets because many of them do not want to draw the attention to them, both by virtue of business interests (owners want to keep the secrecy of their undisclosed information for as long as possible, since they provide them an advantage over competitors) and to the legal duty to keep them secret, because if they do not fulfill the requirement of confidentiality, they lose the most important condition required by law to qualify them as protected assets;

For these reasons, amongst others, only part of trade secret cases becomes known to the public.

Q The recent case of Dupont and Kolon resulted in possibly the largest payout ever - $919million – what is your opinion of the case? Do you think it sets a positive precedent for other cases?

This case is still rather unknown in Brazil, but it certainly has a global impact and sets a positive precedent for other cases, because:

- it signals the increasing relevance of trade secrets and of the recognition of the necessity of their effective enforcement, considering that in many countries, the remedies in this connection present a series of difficulties, such as:

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- drawing the line between what belongs to the employer and what can be "taken" by an employee or officer of the company as belonging to his/her experience or professional knowledge;
- proving the existence of a trade secret and its violation;
- there usually are too high standards of burden of proof for the trade secret owner;
- the exact extension of the injunctive order is difficult to define (while in a patent, the subject matter claims are precisely defined in a publicly available written description, there is no such public description with regard to trade secrets);
- an award of this amount is particularly important because in practice, in many jurisdictions it is difficult both to prove that damages were caused and to calculate them and the criteria for calculation, such as the profit of the infringer or a reasonable royalty fee, are still under development.

Q Have there been any legislative changes in this area in your jurisdiction recently? Do you see the need for any?

In Brazil, we did not have legislative changes in this area recently, but only back in 1996 and 1994:

- the enactment of the current Brazilian Industrial Property Law - BIPL (Law nb. 9279/96) on May 15, 1997, which introduced some alterations with reference to trade secrets, among which:

a) adding more possible infringers, including the employer, partner or officer of a company to the parties that can be sued for the crime of violation of a trade secret (previous law only held liable employees and independent workers rendering services to a company)

b) including the requirement for protection that the undisclosed information must not be obvious to a person skilled in the art

- and the enactment of the TRIPs Agreement on 1994, treating trade secrets on the same level of importance as patents, trademarks, designs, etc., codifying for the first time at international level the conditions to which the protection of trade secrets is subject and establishing a statutory parameter to define "honest commercial practices" with regard to the competitors´ undisclosed information.

As you can see, legislative changes are not recent, but we have had significant recent developments in case law (in the last years).

As to the need for changes: the BIPL and the TRIPs Agreement together provide a clear legal framework and guidelines, but an increase of the penalties for trade secret violation in Brazil should be considered because currently, they are not deterrent (falling in the category of sanctions for minor offences, the penalties of detention of 3 months to one year or a fineare never applied, being substituted by symbolic penalties).

A number of judges in Brazil still do not understand or are reluctant to accept an "unregistered IP right" as existing and being enforceable, mainly those of commercial, financial or business method nature. Once, in a hearing, a judge asked me "where the trade secret was registered…!" **LM**

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