

# The Trade Secrets Directive—Portugal

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## 1. Trade Secrets Protection: Legal Framework

The transposition of Directive (EU) 2016/943 on trade secrets (the “Directive”) into Portuguese law was done through Law-Decree no. 110/2018, of December 10th (“Law 110/2018”), which simultaneously transposed Directive 2015/2436 on trademarks and brought about a new Industrial Property Code (“NPIPC”). The new provisions regarding trade secrets came into force on 1 January 2019.

As a consequence of the recent reform, the regulation of trade secrets in Portugal has gone from a single discreet entry in the 2003 Industrial Property Code to a whole legal regime.

The new provisions cover the protection of trade secrets, exclusions to this protection, enforcement and sanctions.

Although trade secrets, as conceptualized in TRIPS and the Directive, are covered solely by the NPIPC, there are other legal norms in Portugal that seek to protect secrets and confidential information and sanction their unlawful disclosure (*e.g.*, in the criminal code, banking law, etc.).

## 2. Definition

A trade secret is defined in Article 313(1) NPIPC. The definition follows closely Article 39 of TRIPS and Article 2(1) of the Directive. Portuguese legislation does not contain the other definitions contained in Article 2 of the Directive.

## 3. Lawful Acts

Portuguese law provides a description of the acts of lawful acquisition, use and disclosure of trade secrets (Article 315 NPIPC, which essentially corresponds to the content of Article 3 of the Directive).

Subparagraph 1(d) of Article 315 NPIPC provides that it is lawful when a trade secret is obtained by imposition or permission of the law. This provision was included as a general default norm to anticipate unforeseen incompatibilities with the rest of the Portuguese legislation. Subparagraph 1(e) includes another general default provision, namely that the obtaining of a trade secret is a lawful act when it results from any other practice which, under the circumstances, is in conformity with honest commercial practices. The broadness of the two default provisions allow the continuance of practices that have historically been deemed lawful, such as reverse engineering or the

possibility of employees taking with them their experience and skills gained in the normal course of their employment.

## 4. Unlawful Acts

Under the new Portuguese trade secrets regime, the illegal acts related to trade secrets have been identified.

The list of unlawful acts contained in Article 314 NPIPC (which follows closely Article 4 of the Directive) exists in parallel to the crimes of unlawful acquisition and use of secrets in the Portuguese Criminal Code (namely Articles 195 and 196). These provisions of the Portuguese Criminal Code protect against unlawful acquisition, use and disclosure of secrets in general and not those specifically related to commercial or trade secrets.

Pursuant to Article 331 of the NPIPC, the unauthorized use, acquisition and disclosure of trade secrets also constitutes a misdemeanor punishable with a fine up to €100,000 for legal persons and €30,000 for natural persons.

## 5. Exceptions

Furthermore, similarly to the option taken by the European legislature in placing exceptions in an independent article (Article 5 of the Directive), the Portuguese legislature has also separated the acts of lawful use, acquisition and disclosure of trade secrets (Article 315 NPIPC) from the exceptions to the judicial measures aimed at preserving the confidentiality of trade secrets (Article 351).

The Portuguese legislature has not amplified the scope of what are deemed to be lawful acts but has rather protected from prosecution those that acquire, use or disclose trade secrets, without due authorization, when there is an overriding and prevailing justification.

## 6. Enforcement: Measures Procedures and Remedies

Law No. 62/2013, of 26 August 2013, regarding the organization of judicial courts, was amended to specifically cover matters related to trade secrets (Article 111(1)(j)). Consequently, the Intellectual Property

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Court is now the competent judicial court in Portugal for civil cases related to trade secrets.

The principal procedure for seeking redress is contained in Article 347 NPIPC. This provision has been amended to expressly foresee the possibility of the owner or licensee of a trade secret to request the indemnification of damages suffered.

Article 347 NPIPC maintains the general regime of civil liability foreseen in Article 483 of the Portuguese Civil Code (“PCC”), but also contains various specific and novel provisions that result from the transposition of Directive 2004/48/EC of 29 April 2004 (the “Enforcement Directive”), namely the latter’s Articles 13 and 14.

Consequently, the NPIPC contains provisions that allow Portuguese courts to set the indemnification for damages taking into account all appropriate aspects, such as the negative economic consequences, including lost profits which the injured party has suffered, any unfair profits made by the infringer and, in some cases, elements other than economic factors, such as the moral prejudice caused to the right-holder by the infringement. Alternatively, the court may set damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the right in question. Article 347(7) NPIPC also allows Portuguese courts to sentence the infringer to pay reasonable and proportionate legal costs and other expenses incurred by the successful party.

In addition to the payment of damages, the court may also order that the infringer be prevented from: (1) using or disclosing the trade secret, (2) producing, offering for sale, placing on the market or using the infringing products, and (3) importing, exporting or storing the infringing products (Article 356 NPIPC).

As mentioned above, the infringement of trade secrets is also a misdemeanor and the competent entity for judging cases and applying fines is the Portuguese Industrial Property Institute. The investigation and preparation of the accusation is carried out by ASAE (a specialized police force).

In terms of enforcement measures for the purpose of obtaining information regarding infringement and measures for obtaining securities, the Portuguese legislature has, by and large, adapted other provisions that already existed for the enforcement of industrial property rights (Articles 339-344 NPIPC) and added “trade secrets” to the texts.

## 7. Preliminary Injunctions

The requirements for the granting of a preliminary injunction related to trade secrets are the same as those that are applicable to other intellectual property rights and will depend on whether the trade secret

owner is attempting to prevent an imminent infringement or an ongoing infringement.

If the trade secret owner is seeking to prevent an imminent infringement, it must establish *prima facie* evidence of the existence of the trade secret and that the claimant is the respective owner or an entity authorised to use it, as well as *prima facie* evidence of imminent infringement and the irreparable or serious harm that will be caused in the event that the preliminary injunction is not granted. Urgency is generally required and contributes to the assessment of the potential harm that the trade secret owner (or authorised user) stands to suffer in the event that the preliminary injunction is not granted. Irreparable harm can be demonstrated, *inter alia*, by filing expert reports, witness statements and financial information.

If the trade secret is already in the process of being infringed, only the *fumus bonus iuris* requirement is necessary (*i.e.*, in situations of ongoing infringement, there is no requirement to show irreparable harm).

In addition, Article 354 also states that in cases involving the infringement of trade secrets, the court should consider the value of the trade secret or other specific characteristics, the measures taken to protect the trade secrets, the conduct of the defendant and the impact of the unlawful use or disclosure, as well as the legitimate interests of the parties, of third parties, of the public interest and the safeguard of fundamental rights.

Finally, it is not possible within the context of a preliminary injunction for the alleged infringer to disclose a trade secret by providing a bond (Article 354(2) NPIPC).

## 8. Alternative Measures

The alternative measures foreseen in Article 13(3) of the Directive have been implemented in the NPIPC. Article 355 NPIPC begins by stating that the ancillary measures that a court may apply must not in any way compromise the protection of trade secrets. Furthermore, in the application of ancillary measures on the infringer, the court must always consider the value of the trade secret and any other specific circumstances.

As an alternative to the ancillary measures of Article 348 NPIPC, and at the request of the person liable to be subject to said measures, the Portuguese court may determine the payment of a pecuniary compensation that is reasonably satisfactory to the injured party whenever the execution of the ancillary measures would cause disproportionate harm to the person liable to be subjected to them and the latter neither knew nor ought, under the circumstances, to have known that the trade secret was obtained from another person who was using or disclosing the trade secret unlawfully (Article 355(3) NPIPC). This pecu-

niary compensation shall not exceed the amount of remuneration that would have been obtained by the injured party had the infringer requested authorization to use the trade secrets in question during the period of time in which that use was prohibited.

### 9. Limitation Period

A statute of limitations of five years, counted from the moment when the right can be exercised, has been established in Article 353 of the NPIP. The general rules of the PCC regarding interruptions and suspensions of the statute of limitations period are also applicable on a subsidiary basis.

### 10. Trade Secrets as an Object of Property

The issue of trade secrets as an object of property has historically been one that has caused many questions in Portugal. The concept of a trade secret did not (and continues to not) fit the requirements of an industrial property right, or of a property right in more general terms.

The NPIP has failed to clarify the nature and legal classification of trade secrets. On the one hand, the new legal provisions make reference to the owner of the trade secrets and deal with many rights that are recognized as belonging to the trade secret owner. However, on the other hand, steps have not been taken to recognize trade secrets as an industrial or intellectual property right.

The general conclusion is that trade secrets are *sui generis* rights that are similar to industrial property rights, but that do not fully fit within that classification.

Portuguese law does not expressly foresee the situation of co-ownership of a trade secret or its exploitation through assignment or licensing. These are, however, objective realities that have existed as long as trade secrets themselves. Therefore, in this respect, the legal principle stating that all that is not prohibited is permitted has some applicability. The issue of co-ownership would most likely be regulated by the legal provisions contained in the PCC that regulate co-ownership in general (Articles 403 to 413).

The acquisition or use of trade secrets as a result of a contractual assignment or licensing agreement is a situation covered by Article 315(1)(e) NPIP (*i.e.*, the obtaining of trade secrets through honest commercial practices) and therefore is lawful.

For reasons of evidence, and to demonstrate control over the trade secret, almost all trade secrets agreements in Portugal are and will continue to be in written form. However, verbal agreements regarding trade secrets are probably also considered to be valid (since nothing prohibits them) and, indeed, many of the most famous domestic trade secrets are known to be transferred by “word of mouth” (*e.g.*, recipes of food and beverage products).

### 11. Protection of Trade Secrets in Court Proceedings

Prior to the transposition of the Directive, there were almost no rules on the protection of confidential data at court. Article 338-C NPIP (corresponding to Article 6 of the Enforcement Directive) created measures that enabled Portuguese courts, where appropriate and following an application by a party in the court proceedings, to obtain banking, financial or commercial documents under the control of the opposing party, subject to the protection of confidential information. However, in practice, Article 338-C was rarely applied.

The NPIP now contains Article 352 which deals specifically with the preservation of confidentiality of trade secrets in court proceedings. The lengthy article allows the court to maintain confidentiality over information or documentation deemed to be secret and impose the respect of that confidentiality on all participating persons and entities, even after the conclusion of the proceedings. The court can also limit the number of persons that participate in the examination of evidence, have access to the hearings, and take other similar measures, including the redaction of published judgments.

Unfortunately, the Portuguese legislature has not taken the opportunity to clarify if the confidentiality safeguards that have been created for civil proceedings are also applicable to misdemeanor proceedings. The omission in the law indicates the existence of an oversight by the Portuguese legislature.

Another practical difficulty that was not adequately addressed in the NPIP is how confidentiality can be maintained should public authorities request access to documentation containing trade secret information (*e.g.*, orders by tax authorities or sector regulators in the context of audits or proceedings in administrative courts). This may lead to complex situations in the relations between private and public entities.

Another area that frequently raises complicated issues is the submission of confidential information in the context of public tenders. The new Public Contracts Code that came into force in Portugal in 2017 contains some provisions aimed at maintaining confidential and sensitive information submitted in the context of a public tender (Articles 66, 290 and 305 of the Public Contracts Code). Despite these provisions, companies continue to view the envisaged protections with lukewarm confidence.

### 12. Recommendations for Corporate Trade Secrets Policies

It will take some time for the new trade secrets regime to be tried and tested in Portugal. Consequently, until the case law is consolidated, there will continue to be some uncertainty as to how the law should be ap-

plied in practice and whether the protections foreseen therein will actually be upheld by the courts and other public entities.

For companies operating in Portugal, it is recommended that policies for the handling of trade secrets be drafted and disclosed amongst staff. These policies should establish the rules on the treatment and classification of documents and other information and foresee the security measures applicable to each level of classification. Different clearance levels should also be determined and assigned to each staff member of the company. Naturally, an effective documentation and information tracking system should also be devised so as to identify exactly who has access to the confidential or secret information.

Suitable employee training and the drafting of new

non-disclosure agreements are also essential measures to complement a corporate trade secrets policy.

Should there be a need to disclose trade secrets with public entities (in the context of public tenders, judicial proceedings or other administrative or regulatory processes), the decision should be taken on a case-by-case basis by the appropriate decision-makers with the company. In the case of doubt, trade secrets should only be disclosed to the court or public entity after it becomes clear what physical and technological measures are in place to ensure security and confidentiality. Indeed, despite the existence of good intentions, judicial, administrative and regulatory authorities may not have the means to guarantee secrecy. ■

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