O'NEILL & BORGES
ATTORNEYS AT LAW

American International Plaza
250 Muñoz Rivera Ave, Suite 800
San Juan, Puerto Rico 00918-1813
Tel (787) 764-8181
Fax (787) 753-8944
info@oneillborges.com

INTELLECTUAL PROPERTY NEWSLETTER
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PUERTO RICO'S NEW TRADE SECRETS ACT

INTRODUCTION

More businesses around the world are using trade secrets as a mechanism to protect valuable information that cannot be patented or is in the process of being patented. Moreover, when compared with other types of protections, many organizations prefer protection as a "trade secret" because of its lower implementation costs and the possibility of perpetual protection. With Puerto Rico's newly enacted Trade & Industrial Secrets Protection Act, Act No. 80 of June 3, 2011, the Legislature aims to provide the same protections as other jurisdictions in the United States. Some key provisions of the new statute, which has already come into effect, are as follows.

TRADE & INDUSTRIAL SECRETS:

- **What qualifies as a trade secret under the Act?**

The new Act broadly defines trade secrets. In general, all information that provides its owner an economic value or advantage which it is **not** generally known or accessible, or from which another person may obtain economic value from its disclosure; **and** as to which appropriate measures for protection have been implemented. The definition also includes all information generated, used or produced during the process of developing a "trade secret".

- **Which types of information may be classified a trade secret?**

A wide range of information may be considered a trade secret. Some potential trade secrets may include: formulas, compilations, methods, techniques, processes, recipes, designs, treatments, models, and patterns.

- **What benefits does classification as a trade secret provide?**

When compared with other types of protections, especially patents, trade secrets have many advantages. For example, trade secret protection may continue *indefinitely* as long as the secret is not revealed. Also, the costs of protecting a trade secret may be minimal when compared with the filling, registration and legal costs of other forms of intellectual property.

- **How can trade secrets be protected?**

The Act provides that information subject to "reasonable means of protection" may be considered a trade secret. Parties interested in the protection of information should take appropriate steps, depending on the nature of the information and the risks associated. A cost/benefit analysis may also be necessary in order to decide which measures should be taken.

- **Which steps may be taken to protect trade secrets?**

Protective measures must be taken in order to protect information considered a trade secret. The Act sets forth the following examples:

1. Restrict the number of persons authorized to access certain information;
2. Require employees to sign a non-disclosure agreement;
3. Formally classify the information as confidential;
4. Implement technological restrictions to the transmission or use of information.

PROTECTIONS GRANTED BY THE ACT:

- **Misappropriation or disclosure:**

The Trade Secrets Act provides a cause of action against any person that:

1. Acquires from another person a trade secret that was acquired by improper means; or
2. Discloses a trade secret without the express or implied consent of the secret's owner, if the disclosing party knew or should have known the trade secret was obtained illicitly.

- **Confidential judicial procedure:**

During any judicial proceeding --be it for infringement of the Trade Secrets Act or otherwise-- the Court must take appropriate steps to guarantee the integrity and secrecy of a trade secret

- **Remedies:**

Some of the remedies available under the Act when an infringement of a trade secret has occurred are:

1. **Damages:** An affected party may recover the damages suffered, and where bad faith is established, the Court has the discretion to grant up to three times that amount.
2. **Temporary Restraining Order:** The statute authorizes *ex parte* temporary restraining orders when some requirements are met.
3. **Injunctive relief:** A court may issue a preliminary injunction order to protect the affected party without the need to establish a probability irreparable damage.
4. **Attorneys' Fees:** Attorneys' fees may be awarded if a defendant acted intentionally or with bad faith.
5. **Royalties:** Royalty payments may be awarded under special circumstances.
6. **Statute of Limitations:**

An action under this Act must be brought within three years from the date on which the affected party knew or should have known of the trade secret infringement.

Because of the general nature of this newsletter, nothing herein should be considered as legal advice or a legal opinion. For further information about the contents of this newsletter, or should you need further assistance in connection with these matters, please contact the firm's Intellectual Property Practice Group.

Partners

Hermann D. Bauer
José R. Cacho
Walter F. Chow
Shylene DeJesús
Carla García-Benítez
Mauricio O. Muñiz-Luciano
Pablo Rodríguez-Solá

Associates

Nydia Galarza-Rosario
Travis D. Wheatley
Vanessa Carballido Clerch

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