



Date: 7th June 2015

Q247

Trade secrets: Overlap with restraint of trade, aspects of enforcement

Responsible Reporters: by Sarah MATHESON, Reporter General John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General Yusuke INUI, Ari LAAKKONEN and Ralph NACK Assistants to the Reporter General

National/Regional Group	Switzerland
Contributors name(s)	Philipp GROZ, Nicola BENZ, Lukas HERFORTH, Simon HOLZER, Monika NAEF, Lorenza FERRARI, Simone BILLI and Joanna SLOWIK
e-Mail contact	postmaster@aippi.ch
Date	21-05-2015

I. Current law and practice

Aspect (i) - Overlap with restraint of trade

1)	Is trade secret protection viewed as a form of restraint of trade and, if so, under what circumstances and under which legal regimes (e.g. competition law)?
	<p>no If not please comment.:</p> <p><u>Introduction</u></p> <p>There is no Swiss law statute dealing exclusively with trade secrets and no unified statutory definition of what constitutes a trade secret under Swiss law. The term "trade secrets" is used in the following answers to mean both business secrets and manufacturing secrets/know-how.</p> <p>Trade secrets are not considered an intellectual property right under Swiss law. They may be protected by agreement between two or more parties and in certain instances are protected by law, for example in the following Swiss statutory provisions:</p> <ul style="list-style-type: none">• Articles 4(c) and 6 (and potentially article 2) Unfair Competition Act• Article 321a Code of Obligations• Article 162 Penal Code• Article 273 Penal Code• Article 321 Penal Code

- Article 156 Code of Civil Procedure
- Article 47 Banking Act
- Article 77(3) Patent Act
- Article 14 Act on Employee Consultation Rights
- Article 86 Act on Professional Pensions

Trade secret protection as such is not considered a restraint of trade. However, the scope of trade secret protection may be limited by the following rules of Swiss law:

Protection against excessive restrictions

An employee may be able to defend a claim of trade secret violation pursuant to article 27(2) Swiss Civil Code, which states that no person may surrender his or her freedom or restrict the use of it to a degree which violates the law or public morals. Pursuant to article 27(2) a contractual extension of the employee's duty of confidentiality must not be so extensive so as to inequitably hinder the employee's professional advancement.

Competition law

Trade secrets are not immune to Swiss competition law. In particular, the following rules of competition law may be relevant:

(1) When assessing restraints of trade in the meaning of article 5 of the Swiss Cartel Act, the Swiss competition authority and the Swiss courts use the rules in the European Commission's block exemption regulation for technology transfer agreements (Commission Regulation (EU) No. 316/2014 of 21 March 2014) as a tool for interpretation of Swiss competition law in this area. Licenses of trade secrets, or mixed patent and trade secret licenses should therefore not be problematic under Swiss competition law if they fulfil the requirements of the block exemption. On the other hand, if they fall under the block exemption regulation's hard-core restraints, they may also be found to violate Swiss competition law.

(2) The same applies to technology pools involving sharing of trade secrets between competitors. If such pools are operated in line with the European Commission guidance on this topic in the guidelines accompanying the European Commission's technology transfer block exemption regulation, they most likely conform to Swiss competition law. If they are more restrictive of competition than permitted in the guidance, they are likely to violate Swiss competition law.

(3) The same applies to the exploitation of trade secrets developed under a research and development agreement, which will most likely be assessed by the Swiss competition authority and courts applying the rules in the European Commission's block exemption regulation for research and development agreements (Commission Regulation (EU) No. 1217/2010 of 14 December 2010) as an aid to interpretation.

(4) Refusal to license a trade secret may amount to abuse of a dominant position under article 7 of the Swiss Cartel Act. For example, if the trade secret of a dominant undertaking is required by competitors for interoperability, the dominant undertaking may in exceptional circumstances be sanctioned for failure to disclose on the basis of refusal to supply or under the essential facilities doctrine.

Unfair competition law

Article 2 of the Swiss Federal Unfair Competition Act provides that every behaviour or business practice that is deceptive or in any other way infringes the principle of good faith and that affects the relationship between competitors or between suppliers and customers is unlawful. This provision may in principle be invoked to prevent bad faith attempts to enforce trade secret protection.

a) If so, under what circumstances and under which legal regimes (e.g. competition law)?

n/a

2) How does your law distinguish between general skills or knowledge acquired during the course of employment, confidential information, and trade secrets? What protection is extended to each?

General skills or knowledge acquired during the course of employment: General professional experience and industry knowledge may be freely used by employees even after termination of their employment. Knowledge acquired by the employee as a result of his or her own efforts may also be used by the employee without restriction, subject to the employer's rights to inventions and other intellectual property rights.

Confidential information/trade secrets: no distinction is made in employment law between confidential information and trade secrets. Both are protected. Employees have an absolute duty of confidentiality during their employment: the employee must not exploit or reveal any confidential information or trade secrets (article 321a(4) Swiss Code of Obligations^[1]). Confidential information is any piece of information that (i) is known only to a limited circle of persons, (ii) is not generally accessible, (iii) the employer has a legitimate interest in keeping confidential, and (iv) at least from the circumstances the employee should recognise there is an intention to keep it confidential (BGE^[2] 127 III 310, BGE 88 II 319). The Swiss Federal Tribunal clarified that in order to be qualified as confidential information, such information must not be generally acquirable in all companies active in the same industry (BGE 138 III 67 = Pra 101 (2012) Nr. 76). The employee remains bound by the duty of confidentiality even after the end of the employment relationship to the extent required to safeguard the employer's legitimate interests.

In addition, confidential information/trade secrets are protected by criminal sanctions (articles 162 Penal Code and article 273 Penal Code) and depending on the circumstances by specific statutory provisions with criminal consequences for breach (for example articles 47 Banking Act (banking secrecy) and articles 321 Penal Code (professional secrecy)).

Footnotes

1. [△] Article 321a(4) provides: "For the duration of the employment relationship the employee must not exploit or reveal confidential information obtained while in the employer's service, such as manufacturing or trade secrets; he remains bound by such duty of confidentiality even after the end of the employment relationship to the extent required to safeguard the employer's legitimate interests." (unofficial English translation).
2. [△] The abbreviation "BGE" refers to the official collection of published decisions of the Swiss Federal Tribunal.

3) Are employees under a duty of confidence whether or not such a duty is set out in their contract of employment?

yes

If yes please answer the following sub-questions::

a) are express confidentiality clauses to protect classes of information broader than would anyway be protected by the employee's duty of confidence permitted; and

It is not necessary to state the employee's duty of confidence in an employment contract. Such duty exists even if not included in a contract of employment.

a. Yes, broader clauses are permitted, within the limits of article 27(2) Swiss Civil Code (see 1) above) and, if the clause amounts to a non-compete obligation, subject to the rules for validity and enforceability of such obligations (article 340a Code of Obligations). The duty can however also be contractually restricted or waived.

b) how long after the end of employment does an ex-employee's duty of confidence in relation to trade secrets last in the absence of any express confidentiality clause?

There is no absolute time limit fixed by law. The duty lasts (only) as long as required to protect the legitimate interests of the employer. The employee is entitled to use the experience and skills learned during an employment relationship for his professional advancement, but in doing so must respect the interests of his former employer.

In certain circumstances employees may sign additional confidentiality agreements, for example in connection with negotiations on mergers or acquisitions, or settlement agreements in connection with a dispute. Such agreements may impose more detailed or stricter obligations than those under the employee's contract of employment.

4) If not constrained by an enforceable non-compete agreement, may workers use knowledge acquired in the course of earlier employment in their new employment?

yes
 If yes, is there any distinction between the types of knowledge they can use?:

Yes, employees are entitled to use the knowledge acquired in the course of earlier employment in their new employment, provided the legitimate interests of the former employer in keeping certain information confidential and the former employee's ongoing duty of confidentiality are respected. A balancing of interests takes place between the employee (entitled to further his or her career) and the employer (entitled to have confidential information or trade secrets kept confidential).

For example, an ex-employee is permitted to exploit confidential customer data himself but must not disclose it to third parties. In line with this, the Higher Court of the Canton of Zurich has held it admissible that commission specialists who worked for an insurance company approached their former clients after termination of their employment (Decision of the Upper Court of the Canton of Zurich of 13 October 2003, case no. LA020023, in: ZR 104/2005, p. 65). However, departing employees are not allowed to copy or take along customer or supplier lists.

5) Are certain employees subject to a higher obligation of confidentiality / non-use?

yes
 If so, which employees, and what is the rationale for any distinction between employees?:

All employees, regardless of their position, are bound by a duty of confidentiality (article 321a(4) Code of Obligations) as part of their duty of loyalty towards their employer. The requirements of the employee's duty of loyalty are stricter the higher the position of the employee within the employer's organization (e.g. senior management), the greater the degree of access to sensitive information (e.g. employees working in research and development), or the closer the relationship between employer and employee (e.g. employees in a private household). The requirements are also stricter for employees with customer contact and for employees of organizations with political, trade union, scientific, religious or other idealistic tendencies; such employees should be expected to act as role models.

The general duty of confidentiality is supplemented for employees in certain sectors by additional statutory obligations, in particular for bank employees who remain bound to observe bank

secrecy laws with regard to information regarding bank clients (article 47 Banking Act) and the professional duties of secrecy of doctors and lawyers towards their patients and clients (article 321 Penal Code).

Aspect (ii) - Ensuring confidentiality during Court proceedings

6) What measures or provisions are available to preserve the secrecy of trade secrets during Court proceedings?

The Swiss Code of Civil Procedure states in article 156 that the court may take all measures necessary to protect trade secrets. At the same time however, the counterparty's fundamental right to be heard has to be respected by courts. Therefore, measures to protect trade secrets should only be ordered if required and should only go as far as absolutely necessary. Thus, when deciding on measures for the protection of trade secrets, courts should adequately balance the interest of the trade secret proprietor on the one hand and the interest of the counterparty and the public in the protection of fundamental procedural rights on the other hand.

For the protection of trade secrets, courts may take any appropriate measures, such as: restricted public access to the hearing, limitation of a party's right to access the file (e.g. by redacting parts of the file containing trade secrets), exclusion of a party from the taking of evidence, restrict access to evidence to a party's attorney, publication of non-confidential parts of a judgment only, disclosure of trade secrets to an independent third party only (e.g. an expert). See *also* question 24.

For example, do trade secret proprietors have access to the following mechanisms to preserve the secrecy of a trade secret during proceedings (subject to the Court's discretion to allow/disallow such access):

a) restricted access to the hearing and / or evidence;

see above

b) disclosure of evidence only to the legal representatives of the opponent, but not to the opponent themselves;

see above

c) non-confidential versions of documents being provided to all except authorised individuals;

see above

d) only non-confidential parts of any judgment / decision publicly available?

see above

7) If such (or similar) measures are available, do they apply by default, or must the trade secret holder submit sufficient evidence to convince the Court that the information merits protection?

In principle, the trade secret holder must demonstrate that the information in question merits that protective measures are ordered. In relation to measures protecting trade secrets of third parties,

courts are free to order such measures on their own motion.

8) Whether or not such measures are available, does the Court restrict the defendant's or claimant's use - after the proceedings have terminated - of the information they gain during the proceedings?

In general, there is no legal obligation of either party to keep information gained during court proceedings secret. It is not entirely clear on what legal basis a court may restrict the use of trade secrets learned during court proceedings after the proceedings have come to an end.

Aspect (iii) - Valuation of loss

9) Are damages available as a remedy for trade secret violation?

yes

If so please answer the following sub-questions::

a) how (if at all) is that value diluted by publication?

Yes, generally damages are available depending on the legal basis of the trade secret violation (i.e. contract law, tort law, surrender of profits in accordance with the provisions of the agency without authority, and unjust enrichment).

An action for damages can be based on **contract law** if the obligor is in breach of an obligation (e.g. a confidentiality obligation) and acted negligently or is otherwise at fault, and if the obligee suffered a loss as result of the breach.

Damages under **tort law** require an unlawful act (e.g. a trade secret violation), a causal connection between the wrongful act and the loss incurred, and fault on the part of the tortfeasor.

Recoverable losses under contract and tort law may include both losses actually sustained (diminution of assets) as well as lost profits (non-increase of assets).

The **surrender of profits** in accordance with the provisions of agency without authority requires that the trade secret owner establishes the illegitimate use of his trade secrets, the infringer's profits, a causal connection between the profits and the use of the trade secrets and bad faith on behalf of the infringer (i.e. the infringer knows or should have known that his use of the trade secrets is unlawful, see unpublished decision of the Swiss Federal Supreme Court of 12 April 2006, 4C_290/2005, "Rohrschelle").

An **unjust enrichment** claim requires the establishment of illegitimate use of the claimant's trade secrets and, therefore, the enrichment of the alleged infringer.

a) In case of publication, a key factor in determining damages is who published the trade secrets. If the trade secrets have been published through no fault of the defendant, this will usually dilute the amount of the damages. If the publication is the defendant's fault, this will usually increase the amount of the potential damages.

b) how are those damages quantified? Specifically, is allowance made for loss of profits; unjust enrichment; and /or what the trade secret holder would or might have charged as a reasonable royalty fee or licence?

If damages result from a breach of contract, the damages for the violation of trade secrets are

normally calculated according to the so-called positive interest, i.e. the injured party is to be put in the same position as if the contract had not been breached (i.e. as if properly performed).

If damages result from tort, the infringer is liable for the difference between the current state of the claimant's assets and the hypothetical state without the harmful act.

The damages to the owner of the trade secrets based on an agency without authority are calculated based on the net profits of the alleged infringer (normally the infringer's turnover based on the infringing activities minus costs that can be allocated directly to the infringing activities).

If the basis is unjust enrichment, the majority of the doctrine states that at least usual or adequate royalties for the (illegal) use of the trade secret can be obtained. There is a difference of opinion, however, whether any further profits can be claimed and whether a defense that there is no enrichment remaining ("Entreicherungsreue") should be allowed. According to a decision of the Swiss Federal Supreme Court, this defense can only be raised by a bona-fide infringer (see unpublished decision of the Swiss Federal Supreme Court, 4A_305/2007, "Resonanzetikette II").

c) can damages be awarded for moral prejudice suffered by the trade secret holder? If so, how is moral prejudice defined, and how are such damages quantified?

yes
Please comment:

In the case of moral prejudice (i.e. a serious and unlawful infringement of personality rights), the owner of the trade secrets could be entitled to a sum of money by way of satisfaction. However, the relevance of moral prejudice in trade secret protection in Switzerland is low and the Swiss Group is not aware of any financial compensation in this area that was based on moral prejudice.

For the avoidance of doubt, it should be noted that punitive damages are not available under Swiss law.

d) If so, how is moral prejudice defined and how are such damages quantified?

n/a

Aspect (iv) - Proving infringement

10) What elements must be proved to establish violation of a trade secret?

Civil Procedure: The type (e.g. request for an injunction, damages claim, action for declaratory judgment) and legal basis (e.g. contract or tort law) of an action or claim will largely determine the elements to be proven.

As a general rule, the claimant must prove that:

- the trade secret concerned actually exists;
- the trade secret is still a secret, i.e. has not been generally disclosed or is not obvious;
- the trade secret has been used or disclosed by the defendant;
- the use or disclosure of the trade secret by the defendant was unlawful;
- there is a nexus between the breach and the losses incurred.

During an employment relationship, the elements to be proven are a result of the requirements of article 321a of the Swiss Code of Obligation, namely that:

- a trade secret actually exists, i.e. it concerns any fact related to the employer's business which could be of commercial value;
- the trade secret must not have been revealed to the public and is not generally accessible;
- the owner of the trade secret must have a legitimate interest to keep it secret and have taken noticeable measure to do so;
- the employee disclosed or exploited the trade secret.

If the employee is no longer employed, the employer must prove that:

- the trade secret exists;
- the former employee has revealed it;
- the employer still has a legitimate interest in keeping the trade secret confidential.
- In addition, in the event of a claim for damages, the employer must prove:
 - the loss incurred (including the quantum of the loss);
 - the causal nexus between the former employee's actions and the loss incurred.

Under article 6 of the Unfair Competition Act protecting trade secrets^[1], the claimant must prove:

- the existence of the trade secret;
- that the defendant has unlawfully gained access to the trade secret by spying or by other illegal means;
- that the defendant has disclosed the trade secret to a third party, or has exploited it for his/her own benefit.

Criminal Procedure: Trade secret protection is also afforded by articles 162 and 273 of the Swiss Penal Code.^[2] Article 162 relates to trade secrets that have been entrusted to the person disclosing it. Article 273 relates to industrial espionage.

Under both the Unfair Competition Act and the Penal Code, the use of the trade secret by the person to whom it was entrusted for his or her own purposes is permitted, as long as there is no disclosure to a third party.

Footnotes

1. [△] Article 6 ("Violation of Manufacturing or Trading Secrets") provides: "Anyone who, in particular, exploits or discloses manufacturing or trading secrets he has spied out or of which he has otherwise obtained undue knowledge shall be deemed to have committed an act of unfair competition." Note that article 4(c) of the Unfair Competition Act ("Inducement to Breach or Termination of Contract") stipulates an indirect protection against conduct inducing the violation of trade secrets: "Anyone who, in particular induces employees, agents or other auxiliary persons to betray or spy out the manufacturing or trading secrets of their employer or principal shall be deemed to have committed an act of unfair competition." (unofficial English translations).
2. [△] Article 162 Swiss Penal Code ("Breach of Manufacturing or Trade Secrecy") provides: "Any person who divulges a manufacturing or trade secret that he is under a statutory or contractual duty not to reveal, any person who exploits for himself or another such a betrayal, is liable [to criminal sanctions]". Article 273 ("Industrial Espionage") provides: "Any person who obtains a manufacturing or trade secret in order to make it available to an external official agency, a foreign organization, a private enterprise, or the agents of any of these, or, any person who makes a manufacturing or trade secret available to an external official agency, a foreign organization, a private enterprise, or the agents of any of these, is liable [to criminal sanctions]." (unofficial English translations).

11) What additional elements must be proved (if any) for a trade secret violation in comparison to a breach of confidence, to the extent those are different types of violations?

There is no clear distinction in Swiss law between a trade secret violation and a breach of confidence.

A breach of confidence would typically refer to a breach of a specific contractual confidentiality duty. As such the existence of the contractual obligation and its breach must be proven.

12) Can constructive knowledge of a trade secret by an ex-employee or a new employer be imputed, e.g. if the subject-matter of that ex-employee's work was closely linked to the trade secret?

yes

If so, in what circumstances? :

NO

The Swiss Code on Civil Procedure in connection with article 8 of the Swiss Civil Code requires that any disputed fact relevant to the proceedings must be proven by the party claiming rights as a result of that particular fact. There is no legal rule which imputes constructive knowledge of the ex-employee or a new employer.

However, if strict proof of an ex-employee's (or new employer's) actual knowledge of a trade secret would be impossible or unreasonable, Swiss law may allow for a lower degree of proof in that respect (see question 14).

13) Does your jurisdiction provide for discovery?

yes

If yes, does it provide for discovery at the pre-action stage; and / or against third parties?:

There is no general pre-action fact discovery in Switzerland.

Requests for the taking of evidence at a pre-action stage are only possible in limited circumstances (e.g. if the evidence is at risk of being destroyed or lost, or if the applicant demonstrates a legitimate interest in the pre-trial taking of evidence to assess the prospects of litigation).^[1]

Once proceedings on the merits have been initiated, each party may request the court to order the production of relevant documents which the other party, or a third party, has in its possession. Such requests take the form of an offer of evidence.

In requests for the production of evidence - both before and after proceedings on the merits have been initiated -, the applicant must show that the evidence sought is relevant and material to the outcome of the dispute. In addition, the request must describe the evidence requested in enough detail to identify it. This requirement in particular is often difficult to meet for the requesting party. As a consequence, production of evidence in the possession of a counterparty or a third party is of limited relevance in Swiss court litigation.

It should further be noted that certain types of documents are exempt from document production. Attorney-client communication (including communication with patent attorneys) in particular is legally privileged and need not be produced, irrespective of whether documents are in the (patent) attorney's or in the client's custody.^[2]

Footnotes

1. [^](#) Article 158(1)(b) of the Code of Civil Procedure. Pursuant to article 77(1)(b) of the Patent Act, the court may also order as a preliminary measure a description of an allegedly infringing process, of unlawfully manufactured products, or of the means used for producing such products.
2. [^](#) This legal privilege regarding attorney-client communication applies in Swiss civil and criminal proceedings (article 160(1)(b) Code of Civil Procedure; article 264(1)(c) in connection with article 171(1) Code of Criminal Procedure).

14) Does the burden of proof switch to the defendant if the applicant is able to demonstrate, to a certain level of probability, that there has been a violation?

yes

If yes, what is this threshold?:

NO

No, the **burden of proof** does not switch to the defendant, if the applicant is able to demonstrate that, to a certain level of probability, there has been a violation.

However, a reduction of the **degree of proof** required is permissible in extraordinary circumstances. The general degree of proof required is that of full proof, i.e. alleged facts must be established beyond a reasonable doubt. However, there are cases where it lies in the nature of things that a full proof is impossible or unreasonable (e.g. for the existence of a causal nexus between a loss incurred and the damaging event). In such cases a high likelihood may be deemed a sufficient degree of proof.

Moreover, the court is free to **weigh the evidence** presented.^[1]

Footnotes

1. [^](#) Article 157 Code of Civil Procedure.

15) Does your law provide for any other methods for securing evidence, such as seizures or ex parte measures?

yes

If so, what requirements must be fulfilled in order for the measure to be ordered and what safeguards are in place to prevent abuse?:

The Swiss legislation regarding protection of intellectual property rights provides the possibility to secure evidence by way of preliminary measures (including ex parte measures; see e.g. article 77 Swiss Patent Act, article 59(2) Swiss Trademark Law, article 38(2) Swiss Design Act, article 65 Swiss Copyright Act).

Trade secrets are not considered proprietary rights. Thus, the general rules of Swiss civil and criminal procedure apply:

Civil Procedure: If the applicant prima facie shows that evidence is at risk of being destroyed or lost, or if the applicant prima facie demonstrates a legitimate interest, the court can order the taking of evidence at any time (article 158(1)(b) Swiss Code of Civil Procedure).

In case of urgency, especially if there is a risk that the purpose of the taking of evidence could be thwarted by prior notification to the counterparty, the court can order the taking of evidence by means of an ex parte measure. The other party would then have to be heard immediately after the evidence

has been taken (article 265(2) Swiss Code of Civil Procedure).

Pursuant to article 262 Swiss Code of Civil Procedure the court may order any interim measure suitable to prevent imminent harm. Courts have considerable discretion as regards the content of a measure to be ordered. A court may for example order a seizure of evidence, or it may order a party not to destroy or alter evidence, or it may order a counterparty not to allow potentially infringing items to enter into commerce.

Criminal Procedure: Pursuant to article 263 of the Swiss Code of Criminal Procedure, objects belonging to an accused or to a third party may be seized if it is expected, inter alia, that they will be used as evidence, or that they will have to be permanently seized (e.g. infringing goods).^[1] Article 264 of the Swiss Code of Criminal Procedure provides restrictions pertaining to the scope of items which can be seized, including for instance attorney-client communication^[2]. Article 244(2)(b) of the Swiss Code of Criminal Procedure allows for the search of premises – without prior consent of the proprietor – if it is suspected that there is evidence on the premises that must be seized.^[3] Article 246 of the Swiss Code of Criminal Procedure permits searches of documents and records to be ordered. However, the proprietor thereof may prior to the search comment on the content of the documents and records. Pursuant to article 248, the owner may furthermore request the sealing of the documents and records by invoking the right to refuse to give evidence or to testify or other reasons (e.g. professional confidentiality duty) and thus prevent the criminal justice authorities from either inspecting or using the sealed evidence. The criminal justice authorities can within twenty days request the removal of the seal failing which the records and recording are returned to the proprietor.

Footnotes

1. [^] Pursuant to article 69 of the Penal Code, the court may order the permanent seizure of objects that have been used or were intended to be used to commit an offence or that have been produced as a result of an offence, provided that such objects constitute a future danger to public safety, morals or public order.
2. [^] See article 264(1)(a) and (d) of the Code of Criminal Procedure.
3. [^] Within the meaning and limits under articles 263 and 264 of the Code of Criminal Procedure.

16) Where seizure is available, for what purposes can it be used? To secure evidence, to prevent items entering into circulation or for other reasons?

See question 15

II. Policy considerations and proposals for improvements of the current law

Aspect (i) - Overlaps with restraint of trade

17) Should limits be placed on the protection of trade secrets to avoid unlawful restraints on trade?

yes

If so, what limits? :

The protection of trade secrets is essential for the innovation policy of any company, providing for incentives for investments in new solutions. With respect to trade secrets of their employers, employees should be bound by a duty of confidentiality as part of their duty of loyalty towards their employer. The duty of confidentiality should also last after the termination of the employment relationship to the extent required to protect the (former) employers legitimate interests.

The protection of trade secrets should be limited to a reasonable level and should strike a balance

between the interests of the employer to keep trade secrets confidential and the employee's interest to use information learned in a previous position in his or her future career. Trade secret protection should also be limited so as not to permit anti-competitive behavior.

18) Should different obligations of confidence / non-use apply to different employees? Why/why not?

No. The general duty to protect an employer's trade secrets should apply to all types of employees. However, the law should allow for sufficient flexibility to take the individual circumstances of each case into account. For example, the scope of confidentiality obligations of employees may differ depending on how sensitive the information is to which they had access. Moreover, different types of employees have different interests in the use of trade secrets after the termination of their employment and this should be taken into account when balancing the interests of the employer and the employee in a specific case.

The current provision of article 321a(4) Code of Obligations allows due consideration to be taken of the individual circumstances (e.g. the nature of information and the extent to which an employee has access to trade secrets). Thus, the Swiss Group takes the view that it is not necessary to amend current Swiss law in this respect.

Aspect (ii) - Ensuring confidentiality during Court proceedings

19) Should a defendant, who is sued unsuccessfully for a trade secret violation, and who learns of the trade secret during the course of the litigation, be required to not use the trade secret after the proceedings? Why/why not?

Yes, a defendant should be required not to use or divulge trade secrets learned during proceedings. In the view of the Swiss Group, a defendant should not be able to benefit from unsuccessful trade secret litigation by using or divulging trade secrets not previously known to the defendant. Otherwise, prospective defendants would have an incentive to provoke trade secret actions against them and prospective claimants would risk losing trade secret protection by suing potential infringers.

20) Should such obligations of confidentiality attach to information that the defendant developed independently prior to the trade secret proceedings, or develops independently after the trade secret proceedings? Why/why not?

No. To the extent that the defendant developed information independently of the knowledge acquired during trade secret litigation, no restrictions should apply to the defendant's use of such information.

Aspect (iii) - Valuation of loss

21) Should damages as a remedy be available by default, or only where injunctive relief is (a) not possible, (b) adequate, or (c) not necessary? If by default, why?

yes
If yes please answer the following sub-questions:

a) only where injunctive relief is not possible?

no
If not please comment.:

b)	only where injunctive relief is not adequate
	no
	If not please comment.:

c)	only where injunctive relief is not necessary?
	no
	If not please comment.:

d)	If by default, why?
<p>In the view of the Swiss Group, damages should be available as a remedy by default and, where appropriate, in addition to injunctive relief, whenever the requirements of the applicable provisions are met. See also question 9.</p>	

Aspect (iv) - Proving infringement

22)	Should constructive knowledge of a trade secret by an ex-employee be imputed to their new employer?
	no
	If no, why not?:
<p>No. First, the Swiss Group takes the view that constructive knowledge of a trade secret should <i>not</i> be imputed to an ex-employee (see also question 12).</p> <p>Second, to the extent that constructive knowledge of a trade secret <i>is</i> imputed to ex-employees, it should not be imputed to their new employer. The claimant should still carry the burden of proof for the allegation that an ex-employee divulged trade secrets to the new employer. To facilitate such proof, the degree of proof required may be lowered in appropriate circumstances (see also question 14).</p> <p>To impute constructive knowledge to the new employer could lead in practice to less movement of labor due to the fact that hiring an employee from a competitor could expose the new employer to an increased risk of liability for trade secret infringement.</p>	

23)	Availability of pre-action evidence orders and seizure orders.
-----	--

a)	Should pre-action evidence preservation orders be available?
	yes
	If so, should the hearings to decide whether or not to grant them be able to take place ex parte?:
<p>Yes. Pre-action evidence preservation orders and seizure orders should be available. Especially if the applicant can prima facie show that evidence is at risk of being destroyed or no longer available absent an order, orders for the preservation or even seizure of evidence may be required to prevent the applicant from suffering irreparable harm. If the purpose of an order is likely to be thwarted by an advance notice to the counterparty, such orders should also be available on an ex parte basis.</p> <p>In order to avoid an undue burden on the addressee of such orders, any order should be limited to evidence that is (i) described in sufficient detail, (ii) relevant and material to the outcome of a dispute, and that is (iii) neither in the possession of the applicant nor obtainable in another way.</p> <p>Current Swiss law permits evidence preservation orders and seizure orders, including ex parte orders. Courts have considerable discretion in this regard. In the view of the Swiss Group, there is no</p>	

need to revise Swiss law on this point. See also question 15.

b) Should pre-action evidence seizure orders be available?

yes

If so, should the hearings to decide whether or not to grant them be able to take place ex parte?:

see above

24) What if the claimant learns of new trade secrets (of the defendant) during the course of a seizure?

Current Swiss procedural law provides for certain measures and mechanism addressing this issue:

Civil Procedure: Article 156 of the Swiss Code of Civil Procedure provides that the court may put appropriate safeguards in place if the taking of evidence may jeopardize a party's legitimate interests, in particular its trade secrets.^[1] For example, the court may permit a party to submit a document only in a redacted version. The court may also order that court hearings shall not be open to the public.

If one of the parties learns of a trade secret of the opposing party in the course of the proceedings, be it during the main proceedings or during a seizure, the Court may, pursuant to article 292 of the Swiss Penal Code, officially order such a party not to divulge to third parties or use the acquired knowledge outside the proceedings under the threat of a fine for contempt of an official order.

In the context of the preliminary taking of evidence under article 77 of the Swiss Patent Act, the Swiss Federal Patent Court applies an "attorney's eyes only" procedure according to which, in a first step, only the claimant's attorneys have full access to the evidence collected during a preliminary taking of evidence.^[2] The defendant may then request protective measures (e.g. redaction of documents containing trade secrets). Only after the court has decided on these requests will the claimant obtain (restricted) access to the evidence, while the claimant's attorneys remain under a duty not to disclose any further information they may have learnt during the preliminary taking of evidence.

So far, such "attorney's eyes only" mechanism is not common in Swiss court practice outside of patent litigation. In the Swiss Group's view, this mechanism should also continue to be available and to be more widely used in the preliminary taking of evidence in suitable cases outside of patent litigations (e.g. in disputes relating to trade secrets).

Criminal Procedure: In principle, an injured party has the right to inspect files relating to pending criminal proceedings. This right may be restricted in order to protect legitimate confidentiality interests. If deemed necessary to protect trade secrets, the public may be excluded from court hearings and may only get restricted access to a criminal judgment.

In view of the options available under current Swiss law, the Swiss Group does not see a need for a revision of Swiss law in this area.

Footnotes

1. [△] Note that in relation to patent litigation, article 68 of the Swiss Patent Act specifically provides that the parties' trade secrets must be safeguarded and that evidence which would disclose such secrets may be made available to the other party only to such an extent as is compatible with the safeguarding of the secrets.
2. [△] Article 77(3) of the Swiss Patent Act specifically provides: "If the opposing party claims that a manufacturing or trade secret is involved, the court shall take the necessary measures to safeguard it. It may exclude the applicant party from participating in the procedure for making the description."

(unofficial English translation).

III. Proposals for harmonisation

25) Is harmonisation in this area desirable?

While article 39 of the TRIPS Agreement stipulates the duty of member states to protect confidential information, the protection afforded to trade secrets still varies considerably among different jurisdictions. As a result, the Swiss Group considers a harmonization in this area to be generally desirable. Harmonized rules should only set forth minimum levels of protection, thus leaving the possibility to impose additional layers of protection in national laws.

The Swiss Group agrees with several of the arguments favoring an international (or at least EU-wide) harmonization summarized in the explanatory memorandum accompanying the Proposal for an EU Trade Secrets Directive.^[1]

Trade secret protection is key to compliment the protection afforded by legislation on intellectual property rights. In view of the ever-increasing number of international business collaborations, effective cross-border protection of trade secrets is a crucial factor to stimulate innovation and investments into research and development.

However, while the protection afforded to several types of intellectual property rights has been internationally or regionally harmonized to a certain extent, the rules on and legal basis of trade secret protection and related means of enforcement still vary considerably on an international level. In practice, cross border protection of trade secrets is thus often burdensome, if not impossible.

Footnotes

1. [^] *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 acquisitions use and disclosure, COM (2013) 813 final.*

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

Aspect (i) - Overlaps with restraint of trade

26) Please propose principles for the circumstances in which trade secret enforcement actions should fail, because such actions would be de facto restraints of trade.

Depending on the circumstances, trade secret enforcement actions may be deemed to be abusive if they are:

- not required to protect the legitimate interests of the trade secret holder;
- aimed at preventing the free movement of labor and at hindering former employees in exercising their acquired skills in future positions;
- used primarily as an instrument of anti-competitive behavior;
- aimed at discovering a competitor's trade secrets.

27) What relief should courts give when a trade secret violation has occurred or is about to occur, but an enforcement action is barred as a restraint of trade?

Depending on the circumstances, courts should have the possibility to order monetary relief for trade secret violations (e.g. damages or royalties under a compulsory license) in cases where injunctive relief is deemed inappropriate or no longer an option.

28) Should employees subject to a stricter obligation of confidentiality be released from that duty in certain circumstances? If so, in what circumstances?

As discussed under question 18, the Swiss Group does not suggest stricter obligations of confidentiality for certain types of employees (irrespective of the individual circumstances). Similarly, whether or not an employee shall be released from confidentiality obligations shall depend on the case at hand, and in particular, whether an employee's interest in disclosing information outweighs the legitimate interest of the former employer.

Aspect (ii) - Ensuring confidentiality during Court proceedings

29) What protection for trade secrets should be available during Court proceedings, and what conditions should be satisfied for that protection to be given?

From the trade secret holder's perspective, effective protection of confidential information during court proceedings is crucial to make sure that a key aspect of the trade secret - its confidentiality - is not eliminated during trade secret litigation.

From the defendant's perspective, restrictions imposed during the proceedings may have an impact on the defendant's due process rights.

The Swiss Group takes the view that measures for the protection of trade secrets during court proceedings should generally be available (including the measures discussed under question 6 and 24). However, no one-size-fits-all rule or condition should be stated to determine whether or what kind of protective measures should be ordered. Rather, courts should decide on a case-by-case basis and aim to strike an adequate balance between the legitimate interests of the trade secret holder in effective trade secret protection and the defendant's due process rights.

30) If an enforcement action fails (e.g. because the defendant had independently developed the secret information and did not misappropriate it), what type(s) of confidentiality or non-use obligation, if any, should continue or cease to apply?

No confidentiality or non-use obligations should apply to the defendant in relation to independently developed information. Upon application of the defendant, a protective order against the claimant relating to such independently developed information should be available in appropriate circumstances.

To the extent a defendant learned of a claimant's trade secrets during the litigation, but had not misappropriated them, a protective order against the defendant should be available in appropriate circumstances upon the claimant's request.

To the extent the trade secret action failed due to the fact that the information is not or no longer secret, neither party should have non-use or confidentiality obligations.

Aspect (iii) - Valuation of loss

31) Please propose the principles for quantifying damages for trade secret violations.

The Swiss Group takes the view that monetary remedies for trade secret violations should be calculated based on the trade secret holder's actual damages, on the profits gained by the counterparty through the trade secret violation, or on a reasonable royalty.

Courts should have discretion to estimate damages if strict proof of the quantum is impossible or unreasonable.

Damages should be of a compensatory, not punitive nature.

32) Should courts award moral damages?

yes

If so, how should they be quantified?:

NO

The Swiss Group is of the opinion that there is no need to award moral damages in the event of trade secret violations.

Swiss law, for example, provides sufficient flexibility that allows the courts to quantify the damages considering all relevant circumstances. According to Swiss law (article 42(2) Swiss Code of Obligations), the competent judge has a certain amount of discretion in estimating the value of the damage suffered. The Swiss Group is of the opinion that this discretion is sufficient to respond to the specific situation of each individual case.

Aspect (iv) - Proving infringement

33) What measures to secure or preserve evidence should be available?

In appropriate circumstances, especially if relevant evidence may later become unavailable to the applicant, orders to secure and preserve evidence (such as search of premises and a seizure of evidence) should be available.

In case of urgency, especially if there is a risk that the purpose of the taking of evidence could be thwarted by prior notification to the counterparty, ex parte measures should be available.

34) What restrictions should apply to the use of seized evidence by the claimant?

Before the claimant is provided access to seized evidence, the defendant should be given the possibility to request protective measures (in particular to protect the defendant's trade secrets from being disclosed to the claimant).

If necessary to that effect, participation of a claimant in a search and seizure conducted by the court should be limited to the claimant's attorneys (attorney's eyes only, see question 24).

Absent protective measures ordered by the court, a claimant should be permitted to use seized evidence in other proceedings against the defendant or against third parties.

Summary

There is no Swiss law statute dealing exclusively with trade secrets. Trade secrets are not considered an

intellectual property right. Legal protection of trade secrets may result from provisions in statutory law, or from contracts.

During their employment, employees must not exploit or reveal trade secrets obtained while in the employer's service. After the end of the employment relationship, the employee remains bound by the duty of confidentiality to the extent required to safeguard the employer's legitimate interests. This duty is set forth by Swiss statutory law and may be contractually amended.

Swiss courts may take all measures necessary to protect trade secrets during litigation. However, the counterparty's right to be heard has to be respected.

In principle, financial compensation is also available as a remedy for trade secret violations. The legal requirements that such claim must meet depend on the legal basis of the claim (e.g. contract, tort).

The Swiss Group does not see a need to revise Swiss statutory law on trade secret protection. At an international level, the Swiss Group considers a harmonization of trade secret protection to be generally desirable.

Please comment on any additional issues concerning trade secrets you consider relevant to this Working Question.