



TOMIĆ STEVIĆ DULIĆ

ADVOKATSKA KANCELARIJA

TSD NEWSLETTER

Advokatska kancelarija TOMIĆ STEVIĆ DULIĆ informiše o aktuelnostima u radu Kancelarije i u zakonodavnom reljefu RS / Die Rechtsanwaltskanzlei TOMIĆ STEVIĆ DULIĆ informiert über aktuelle Themen der Kanzlei und über den Rechtsrahmen der RS / The TOMIĆ STEVIĆ DULIĆ Law Office is informing about the actual activities of the Law office and the Law frame in RS/ Юридическая контора TOMIĆ STEVIĆ DULIĆ информирует о самых актуальных событиях, о работе конторы и законодательном релiefe РС / Главни urednik/ Chefredakteur / Editor-in-Chief / Главный редактор: Ljubica Tomić /Lektor/Lektor/Proof reader/Лектор: Ivana Radović, Vesna Gašić, Vojislava Katić, Danijela Stanić, Magda Braun / **Br. 37/11**

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TRADE SECRET

I

The Law on Protection of Trade Secrets ("RS Official Gazette", No.72/2011) was published on 28 September 2011 in the Official Gazette of the Republic of Serbia No. 72, and entered into force on 06 October 2011.

The Law defines for the first time the concept of a trade secret, namely the elements constituting a trade secret, measures to protect a trade secret, and legal protection of a trade secret against all acts of unfair competition, thereby resolving the issue of legal gaps in this field.

The concept of a trade secret is defined in Article 4 of the Law, as "any information which has **commercial** value because it is not generally known or accessible to third parties who could generate economic benefit by using or disclosing such information, and which is **protected** by its owner **by adequate measures** in compliance with the law, business policies, contractual obligations or appropriate standards intended to preserve its secrecy, and which could harm its owner if disclosed to third parties. Also considered as trade secrets are (i) undisclosed test data or other data whose creation requires certain effort and expenses, which are submitted to state authorities for the purpose of obtaining various permits to market medicines and/or medical devices or agricultural chemical products using new chemical components, and for the purpose of obtaining permissions to market biocide products, (ii) other data considered as trade secrets under a specific law, other rules or bylaws of a business entity."

It may be inferred from the above definition of a trade secret that not every information is a trade secret in its nature and may not be arbitrarily defined as such. For a piece of information to be considered a trade secret, and be granted protection under the civil law, it needs to contain the following elements: (i) secrecy; (ii) market value; and (iii) adequate measures for preservation of secrecy.

- (a) **Secrecy of information** implies existence of an objective standard which would prove whether or not the information is generally known, and if it is easily accessible to the persons dealing with such type of information;
- (b) **Market value of information** implies certain advantage for its owner in respect of the competition;
- (c) **Measures for preservation of secrecy** imply reasonable measures for preservation of secrecy, constituting a legal standard. What measures will be deemed appropriate, and what measures will be applied, will depend on the circumstances of each particular case, and particularly on the importance and the value of the information itself. The most frequent measures for preservation of secrecy are: (i) to acquaint with confidential information only those persons who absolutely need such information in order to perform their tasks





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(ii) to explain to everyone acquainted with confidential information that the information in question is confidential or secret; (iii) to conclude contracts on data confidentiality with all those persons who may be in contact with confidential information; (iv) to mark documents representing a trade secret as "**confidential**"; (v) adequate protection of the premises where confidential information is kept, and/or protection of computers and files containing confidential information.

The Law on Protection of Trade Secrets provides for civil law protection of a trade secret, thus in case of infringement of a trade secret, the owner of the trade secret may sue any person before the Court for violation of the trade secret, or illegal acquisition, disclosure or utilization of the trade secret, and demand: **(i)** termination of all actions that may lead to illegal acquisition, utilization or disclosure of the trade secret and prohibition of illegal acquisition, utilization or disclosure of data which represent a trade secret, **(ii)** prevention of trade and/or seizure and withdrawal from the market, alteration or destruction of all products that contain the information representing a trade secret, if such information is directly or indirectly visible or transferable, **(iii)** damages, including the actual damage and lost profits, and in case of intentional or grossly negligent infringement, the plaintiff may, instead of indemnity for material damage, claim up to threefold amount of the usual remuneration that would have been paid had the concrete protected item been used lawfully; **(iv)** exclusion of the person from the company, if the person is a member of the company, **(v)** termination of employment if the person is employed in the legal entity, **(vi)** publication of the sentence in the public gazette at the expense of the defendant. Under the Law, the judicial procedure following the above described legal suit is urgent.

The Law also provides that the Court may order a **provisional measure** of seizure or exclusion from the market of all items containing a trade secret or resulting from a violation of the trade secret, and/or a ban on the already initiated activities that violate or may violate the trade secret.

II

In addition to the above Law on Protection of Trade Secrets, trade secrets are also governed by the *Law on Capital Market* ("RS Official Gazette", No. 31/2011), *Law on Patents* ("SCG Official Journal", No. 32/2004..., No.115/2006-cor.), *Law on Legal Protection of Industrial Design* ("RS Official Gazette", No. 104/2009), *Law on Investment Funds* ("RS Official Gazette", No. 46/2006, 51/2009 and 31/11), *Law on Banks* ("RS Official Gazette", No. 107/2005 and 91/2010), *Law on Bankruptcy* ("RS Official Gazette", No 104/2009), *Labour*



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Law ("RS Official Gazette", No. 24/2005, 61/2005 and 54/2009), new Law on Business Companies ("RS Official Gazette", No. 36/11) and other laws providing for certain areas requiring protection of confidential information.

We shall focus on the provisions related to trade secrets contained in the new Law on Business Companies ("RS Official Gazette", No. 36/11), which will come into force on 01 February 2012, as compared to the currently applicable Law on Business Companies ("RS Official Gazette", No. 125/04). Specifically, these provisions govern the duty to keep trade secrets on part of the persons owing special duties towards the company.

III

The new Law on Business Companies defines a trade secret much broader than the currently applicable Law on Business Companies, as *"the information that could harm the company if disclosed to third parties, as well as the information that has or may have economic value because it is not generally known or easily accessible to third parties, that could generate economic benefit by its use or disclosure, and which is protected by the company by adequate measures intended to preserve its secrecy"*, while the currently applicable Law defines the trade secret as the information on operations of a company determined by a memorandum of association, partnership agreement or company agreement, which would obviously result in damage to a company if known by a third party. The concept of a trade secret is extended to include the economic value of certain information, its accessibility and the protection measures intended to provide legal protection of a trade secret against all acts of unfair competition, or advantage in the market one company may have if in possession of the specific information.

The currently applicable Law on Business Companies provides only a brief definition of **the duty to keep trade secrets** by persons owing special duties to a company, while the new Law adopts a more serious approach to this matter, and defines in detail, in Articles 72-74, which persons have the duty to keep trade secrets, the time frame when such persons are required to observe such duty, exceptions, and consequences of violation of the duty to keep trade secrets.

As regards the **persons owing special duties to a company**, they now include, in addition to the controlling members of a limited liability company or controlling shareholders of a joint stock company, the members of a limited liability company or shareholders of a joint stock company having a *significant share* in the company's share capital. Significant share in the company's share capital exists where one person, whether separately or jointly with other persons acting jointly with such person, holds more than 25% of the voting rights in the company. Under the new Law, the persons with special duties include directors, members of the supervisory board, representatives, procurators, while the current Law refers only to the representatives of the company, and the Memorandum of Association and the Articles of Association may define other persons as having special duties to the company.



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The new Law on Business Companies also defines in detail the **consequences of violation of the duty to keep trade secrets** on part of the persons owing special duties to the company, unlike the current Law which provides only for the liability for the damage. Thus, under the new Law, a company will be able to sue before the Court any person who has violated the duty to keep trade secrets and to demand: (i) damages; (ii) exclusion of that person from the company, if that person is a member of the company; (iii) termination of employment if the person is employed in the company.

Finally, we may come to a conclusion that meeting the duty of keeping trade secrets by persons owing special duties to the company is very important for preserving business ethics, protection against unfair competition, generating conditions for fair trade and fair game, encouraging research and innovations. Accordingly, and bearing in mind that the Law on Protection of Trade Secrets has already entered into force and that the new Law on Business Companies will enter into force on 01 February 2012, now is the right time for companies to initiate proceedings for harmonising their by-laws in order to allow for protection of trade secrets under the civil law and create conditions for penalising any illegal disclosure, acquisition or utilization of confidential information by third parties, and also for defining, under the Memorandum of Association or the Articles of Association, the persons owing special duties to the company, other than those as defined under the Law.

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